STEPPING UP TO THE MARK
Tactics for brand success in the retail environment

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It’s not the things we look at but the way we look at things…
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More than 50% are spending less - or spending more wisely

Image source: daveanddawncook.com
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“Change is omnipresent in consumer rituals and attitudes

The way we shop has changed more drastically over the past year than any time in recent history.”

Source: Information Resources, Inc
When asked, consumers say:

I cook at home more often (60%)

We eat together as a family more often (44%)

I go out with friends less (34%)

My friends and I get together more often in each other’s homes (26%)

Source: Information resources Inc – Consumer study 2009
Consumers have become smart shoppers...

**Consumers today:**

- Cut back on purchases
- Eat less/fewer meals
- Buy more groceries on sale
- Use coupons more
- Eat out less

*Source: HealthFocus International consumer study*
Food giants like McDonald's have been found the need to invent the “Dollar Menu” to keep customers coming.
We know that in recession people turn to hard discounters and store brands.

But whilst value remains an important factor, consumers today are not simply looking for price reductions...
Whether they shop for brands or private labels, consumer’s buying patterns and behaviour are also governed by other different criteria:

Percentage of shoppers who rate the following criteria as “important” or “very important”:

- Overall quality (92%)
- Trust in the product (87%)
- Product safety (83%)
- Good nutrition (81%)
- Reduced sugar/fat/salt (53%)
- Size options (63%)
- Price (87%)
- On sale (80%)

Source: Information resources Inc – Consumer Study 2009
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Reflets de France
Here in Bulgaria, shopping behaviour is undergoing a big change too…

In the last 10 years there has been a retail revolution

<table>
<thead>
<tr>
<th>Company</th>
<th>Since</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>BILLA</td>
<td>2000</td>
<td>50+</td>
</tr>
<tr>
<td>CBA</td>
<td>2003</td>
<td>170</td>
</tr>
<tr>
<td>BURLEX</td>
<td>2006</td>
<td>26+</td>
</tr>
<tr>
<td>KAUFLAND</td>
<td>2005</td>
<td>16 - 130</td>
</tr>
<tr>
<td>MARKET</td>
<td>2009</td>
<td>1 - 7</td>
</tr>
<tr>
<td>MAXIMA</td>
<td>2010</td>
<td>1 – 4</td>
</tr>
<tr>
<td>MERCATOR</td>
<td>2005</td>
<td>34-50</td>
</tr>
<tr>
<td>TEMPO</td>
<td>2006</td>
<td>16 - 130</td>
</tr>
<tr>
<td>PENNY MARKET</td>
<td>2004</td>
<td>2-15</td>
</tr>
<tr>
<td>PLUS</td>
<td>2005</td>
<td>2 - 30</td>
</tr>
<tr>
<td>HIT</td>
<td>2009</td>
<td>1 - 7</td>
</tr>
<tr>
<td>PICCADILLY</td>
<td>2009</td>
<td>2 - 30</td>
</tr>
<tr>
<td>METRO</td>
<td>1999</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Internet research 2010

+Ramstore "Migros Turk" (4) and soon Tesco? (UK)
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<table>
<thead>
<tr>
<th>Brand</th>
<th>Since</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FANTASTICO</td>
<td>1994</td>
<td>20</td>
</tr>
<tr>
<td>VERDE</td>
<td>2000</td>
<td>16+</td>
</tr>
<tr>
<td>ELEMAG GOURMET</td>
<td>1998</td>
<td>3+</td>
</tr>
</tbody>
</table>

Source: Internet research 2010

The next 5 years could see over 150 new stores opening up in Bulgaria
+ over 32 shopping centers constructed or in the pipeline
Putting local retailers under threat…
…and completely changing the shopping environment
Supermarket chains like Plus and Kaufland have an aggressive growth program projecting around 200+ stores in Bulgaria.

Both are part of the Lidl group (Plus since 2010).

In Western Europe, Lidl opened one new store every day in the last 15 years.
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This means more private label offerings and the increased visibility of Western brand products and changing consumer habits:

- Convenience
- Ready Meals
- Snack foods
- High value processed foods
- Larger sizes etc..

Source: Gain report 2009
As we have seen and as experience in other markets has shown, we can expect consumers to react in two distinct ways:

1 Cocooning
2 Exploring
1 Cocooning:
Doing more at home
Trading-up to small luxuries
Looking to the past
Buying brands and products they know

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1 Cocooning:

Cocooning will also create opportunities for many older local brands – as these will hold fond memories for consumers and will offer reassurance.

...but if these brands are going to survive in Bulgaria’s expanding retail environment, they will need to “step up to the mark” and embrace the new realities of the market.
2 Exploring

Searching after value via experimentation and discovery:

Looking to experiment with discounter products

Comparing branded commodities with cheaper options

Exploring the new products on offer from international sources

Image source: new.premiumlifestyle.net
2 Exploring:

The difference in price between major brands and private labels will become harder to justify by the added value of a brand name, it will be seen as a “brand tax” that many consumers will be no longer willing to pay

….unless there is a really compelling reason.
2 Exploring:

The result is that we can expect to see a growing polarisation of the market, with a growth in both luxury and value brands and a shrinking of the middle market.

Our study of 25 industries and product categories in Europe, North America, and on the global level shows the extent of this phenomenon, known as market polarisation. McKinsey reported that, over a 5 year period, the growth rate of revenues for mid-tier products and services trailed the market average by nearly 6 percent a year.
So, brands will either have to trade-up.

This implies that brands who want to remain on consumer’s shopping lists will need to change.

They will need to justify their price premium by investing in creativity, innovation and quality, they must embrace research and development and look to re-create relevant and important differences that give consumers a real reason to buy.
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Or trade down...

Already, around the world, we can see major brands and mainstream supermarkets are introducing “value” sub-brands that offer major reductions on standard pricing, in an effort to attract consumers away from the hard discounters.

Image sources: My private brand & bhc3.wordpress.com
As we have seen, even soft discounters are redefining their private label strategy. Carrefour’s “Carrefour Discount” range, clearly launched to fight back at the threat from hard discounters.
There are between 20,000 and 40,000 product references in an average supermarket.

Which means a shopper will be making over 300 accept or reject decisions per minute.

But even though we are bombarded by brands, logos, colours and claims, we somehow manage to make a choice…

www.readersdigest.com.au
For both the consumer and the brand the act of shopping becomes a risky business

…and it’s no wonder we find consumers “cocooning” themselves from risky shopping experiences by:

- Writing shopping lists
- Buying just the brands they already know…

The question is, how can you get a consumer to take an interest in your offer if it is not already on their list?
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... when there is only the package and the attachment consumers have with its look and feel to help them to decide

It’s clearly important to understand the importance of getting your package communication right...
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And all this happens in an average time of…

6 seconds per brand
Sometimes this is less
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Sometimes it takes a little longer
Seconds 1 and 2
Shelf stand-out finding
the brand

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Seconds 3 & 4
Reading the product offer
Seconds 5 and 6
Understanding the product benefits

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Add to this, tests show that we can only handle about 7 pieces of visual information at one time.

How many times do the “white” team bounce the ball on the floor?”
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What can brand owners learn from this?:

Through in-depth knowledge and targeted methodologies, brand packaging can be developed that is effective and adds value.
CASE STUDY
Strategies for brand success in the retail market

LYUKS / ESTRELLA
Ukraine / Turkey
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Easily and recognizable shape
- young oriented.

New Star.
(more focus to name)

Gold strip
to bring quality & balance.

Previous logo.
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Results: “Design Board Contributed to incredible growth of the brand in a highly competitive market and as a result the whole team enjoyed the EEMA Regional IMC Award”.

Ivan Pukan – Category Director Marketing Salted Snacks EEMA at Kraft
To get the best from their packaging, brands need to understand:

… how shopping decisions are made in the retail environment

… and how can they maximise their strengths?
1 BE AWARE OF THE SHOPPING EXPERIENCE

Be aware of all the visual clutter that surrounds the consumer.

Brands need to discern how to help the consumer find and understand the product, the packaging and the product offer in a few seconds.

This means knowing your category and knowing your shelf experience and making your package easy to find
Brands need to understand the customers’ current perception of their brand position

To do this, you will need to understand how they perceive your brands visual equities

... then you need to determine your point of difference and decide what you want your customers’ perception of your brand to be
To define a brand’s positioning you need to **understand the market you are in** and to define where you are within that market, by conducting a thorough visual analysis.
2 PROTECT BRAND EQUITIES

Existing brands have intrinsic values that are recognised by consumers - a brand may belong as much to the consumer as to the company who owns it.

These values are encapsulated in all the familiar visual clues present in your current package and product.

To help minimise the risk factor for consumers, brands need to understand these visual stimuli and be ready to protect them from erosion over time.
3 RESPECT YOUR PRIVILEGED POSITION

Brands have a privileged position in their consumer’s portfolio, this position needs to be respected so that consumers are always reassured. Changes, when necessary, should be introduced in a way that the risk factor is not augmented.

Information concerning changes needs to be clear and understandable.

Image source: www.pepsimemphismo.com
And it’s not surprising that we are disappointed when they do fail us, when they do something different without informing us, when they don’t deliver the quality or service we are used to.
4 KEEP IT SIMPLE

Communication needs to be simplified to the ‘core proposition’ (why should I buy this – what’s in it for me?). This should be presented in a reassuring, clear and un-cluttered way.

6 seconds per brand
5 ELIMINATE RISK

Brands should do all they can to eliminate any perception of risk in the purchase process particularly for new product launches.

As well as protecting existing equities this also means, knowing how to handle the details of packaging communication, helping consumers to understand product usage, benefits and value.
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