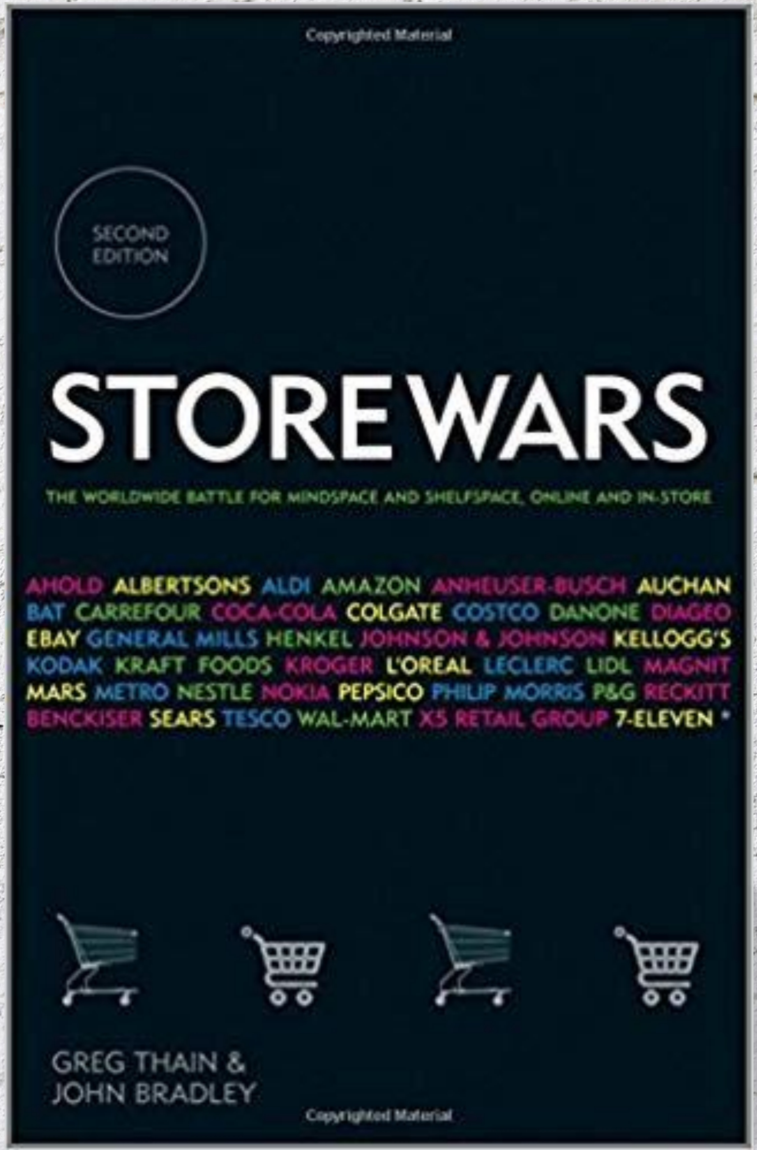
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SECOND EDITION
STOREWARS
THE WORLDWIDE BATTLE FOR MINDSPACE AND SHELFSPACE, ONLINE AND IN-STORE
AHOLD ALBERTSONS ALDI AMAZON ANHEUSER-BUSCH AUCHAN
BAT CARREFOUR COCA-COLA COLGATE COSTCO DANONE DIAGEO
EBAY GENERAL MILLS HENKEL JOHNSON & JOHNSON KELLOGG'S
KODAK KRAFT FOODS KROGER L'OREAL LECLERC LIDL MAGNIT
MARS METRO NESTLE NOKIA PEPSICO PHILIP MORRIS P&G RECKITT
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Store Wars

MANUFACTURERS AND RETAILERS

THE MARKETING CONCEPT

THE BATTLEFIELD FOR MINDSPACE AND SHELFSPACE

CREATING A DIFFERENTIAL ADVANTAGE

PRIVATE LABEL

Manufacturers and Retailers

SHIFTING OF POWER IN THE VALUE CHAIN

- More Americans now work in retailing than in manufacturing.
- The biggest enemy for the retailer is not manufactures but hubris.
- Despite the shift in power from manufacture to the retailer, the bulk of the profit from the sale of branded product still ends up in the pocket of the manufacture.
- Retailers act as a Robin Hood in the market, taking from rich manufactures to distribute to poor shoppers.
- Since retailers focus on categories, manufactures need to view their brand as being part of a category, and should aim to create or invest in brands that have a category-strategic, rather than simply a brand-strategic role.

THE NEW ORDER AND ITS CHALLENGES

- If manufactures do not intimately understand the individual strategies of their top 10 retail customers, they are doomed.
- Having large stores where half the SKUs sell one or zero units a week cannot be sustained indefinitely.
- The loss of repeat sales through reducing the quality of the product is a classic failure brought about by management cost cutting and complacency: taking consumer faith as a given.
- A relentless implementation of a never-ending stream of small improvements will steadily improve the retailer's image relative to their competitors.
- Three ways for an industry to escape from the selling war: collusion (alliances), concentration (acquisitions), and signaling (forming rules with competitors).
- The more competitors focus on different reasons for purchase, and on segmenting their offerings, the more orderly the market becomes, and the more the opportunities for individual competitors to be profitable abound.

The Marketing Concept

THE FRAGILITY OF MARKETING ORIENTATION

- To win, retailers need to create a differential advantage on top of location and prices.
- A differential advantage must have three attributes: perceived as unique, important to the target market, and sustainable.
- To get the most benefit from segmentation strategy, marketers must focus on why consumers buy, not what they buy or who they are.
- Successful brand management depends on a continually updated understanding of consumers’ needs and wants in a product category.
- When a retailer knows what the consumer is buying and in what patterns, it can develop win-win consumer offers that are attractive to the consumer and make money for the retailer.

TRADE MARKETING

- There are 17,000 new food product launches each year in North America and there are now over 2 million brands in the United States.
- Price perception is imperative for all FMCG retailers. They must always do two things well:
    1. Be genuinely price competitive on the top 100 best selling products where the shopper is most likely to compare.
    2. Make efforts to manage their price image and must consider the impact of all marketing action on that image.
- The first brand used on package goods was created almost 2000 years ago in Pompeii. The product, Vesuvinum, which combined at Mount Vesuvius with the Latin word for wine, vinim, which is a type of red wine.
- UPC‘s and the supporting technologies took 20 years to develop before a pack of Wrigley‘s gum became the first product ever scanned a grocery store on June 26, 1974.

The Battlefield for Mindspace and Shelfspace

MINDSPACE

- Retailers want to own mindspace because that is where the higher profits lie. To achieve this, they need to replace consumer attachments to their brands; hence retailers have become active marketers.
- Fragrances can create positive experience with brands subconsciously by influencing perception, mood and shopping behavior.
- Retailers have four advantages over manufactures when it comes to influence and consumers: the cost-effectiveness of their brand modeling, direct contact with shoppers, control of point of purchase marketing, and access to data on buying behavior.
- For a consumer brand to succeed, it doesn't need technical excellence in value; it needs a pro longed superiority in mindspace and shelfspace.
- All dominant brands have to reinvest in mindspace every year to keep their position. It is hard to earn but easy to throw away.

SHELFSPACE

- Research has indicated when a product is out of stock, that around 43% of shoppers will substitute, 35% will buy from another store, 13% will delay the purchase and 9% will not purchase at all.
- If multiple stock outs occur on the same shopping trip, the retailer faces Armageddon.
- According to the grocery manufacturers association of America, US grocers lose almost $20 billion a year due to out of stocks.
- 69% of people do not use shopping list, and 66% of purchases are not planned. Additionally many shopping trips are not planned.
- As consumers meander through the store, key brands in each sector will catch their eye, and in a microsecond, the decision is made on whether there is a need for that product.
- Sales of a brand will be reduced by 2/3 if it is moved from an eye level to foot level position.

Creating a Differential Advantage

CREATING A DIFFERENTIAL ADVANTAGE

- International expansion for manufacturers and retailers takes place when a company has something new and better to offer to another market.
- New market entry for a retailer is almost always in an established market for their main suppliers, which tilts the balance of power back to the manufacture.
- It doesn’t matter how big you are globally, you have to be big locally and have a unique shopping format to stand a chance.
- Only 15% of the worlds population live in rich, marketing saturated societies.
- The share of organized retail in emerging markets remains relatively low. No player has established dominant position across all emerging markets.

WHY SO MANY FAIL

- Walmart failed in Germany, Korea, Indonesia, Hong Kong in Argentina because: purchasing a local chain that did not have enough mass, failing to adapt to local conditions, and facing a crushing response from strong local competition.
- 80% of Germans did not live within a realistic traveling distance of a Walmart. Unions, which are strong in Germany were ignored which prompted a strike, and local suppliers were treated as though they needed Walmart more than Walmart needed them. They also relied heavily on their US product mix which was not well received. Aldi and Lidl, The kings of low prices, made sure Walmart never beat their prices on anything.
- Manufacturers are more international than retailers, which creates to possible benefits for them: greater negotiating leverage and the upper hand in emerging markets.
- For retailers to succeed in international markets, they need: local scale, local product mix and local differential advantage.

Private Label

BRANDS

- The more retailers build their brands and their multiple levels of private label, the less there is for manufactures.
- Once a retailer has exclusive rights, it has the same interest in nourishing the brand's mindspace as it does with its own brands.
- Brands simplify our life by providing: identification, quality reassurance, and identity.
- Manufactures rely on creating desirable imagery that cannot be found in a retailer's portfolio.
- Private label brands and sub-brands build loyalty a singularity powerful tool for creating a sustainable differential advantage.
- Thanks to the success of private label strategies, five of the top eight FMCG (fast-moving consumer goods manufacturers) in the world are actually retailers.
- The conversation between retailers and manufactures used to be dominated by the manufacturers' latest brand initiatives, but is now dominated by retailers' latest supply chain initiatives.

ALWAYS START WITH THE CUSTOMER

- "We start with the customer and work backwards, we build a great experience. We are looking for simple solutions." Jeff Bezos
- "There are two kinds of companies: those that work to try to charge more and those that work to charge less. We will be the second." Jeff Bezos
- Zappos core values: "Deliver well through service; Embrace and drive change; Create fun and a little weirdness; Be adventurous, creative and open minded, pursue growth and learning; Build open and honest relationships with communication; Build a positive team and family spirit; Do more with less; Be passionate and determined; Be humble."
- Continuous improvement to the shopping experience rather than any one particular improvement has a potential to be a major competitive advantage.