

# ESSAY 1



## Title Page

### **Joe Berry Australian Retail Industry Executive Awards 2011**

Topic 2: Most retailers, in their cycle of priorities, are again looking at store merchandising compliance as a key issue in competition and in sales growth. Compliance (*by definition, is the support of head office policy, procedures, merchandising plans by the store operations group and may have other names in non-food areas*) applies to all aspects of store activity but is specifically related to ranging, merchandising and in-store promotional management.

Q. Discuss the relationship of good store compliance to: - a) retail competition and b) customer relations. What effect does compliance have to stores R.O.I and how should it be managed at store level?

Draw conclusions on how meeting company strategies and targets, at store level, can convert to market share points.

**Mitch Proestos, Woolworths**

**Entrant Number: JBA-11-1102**

Word Count: 1771 words

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## **Executive summary**

Dynamic, relentless, evolving, and tireless, are just some of the words that come to mind when describing the retail industry, but often, despite the exhaustive nature or speed in which the industry travels, most retailers find themselves never far from the basic but critical component, which is merchandising compliance.

Addressing this or more importantly never ignoring it is what keeps retailers competitive, maintaining healthy growth and building good customer relations.

What we'll examine are the why's and how's, and that managing compliance at store level, although challenging, is not as difficult as it can sometimes seem.

Just think - What could be simpler? "*Follow these instructions and plans and you will be successful...Right?*"

Yes, but firstly many factors must be managed or overcome for this to be achieved.

Importantly we'll also look at the subject from a customers' point of view, and the value it holds for them.

What do your competitors do? What are your competitors thinking? What is looked at as a measure of good performance at store level?

It's interesting that a retailer can gain a sense of how they and their competitors are performing by just *looking*, as a retailer's ability to execute merchandising compliance can be just as obvious in the 'small picture' as it is in the 'big picture'.

Customers have learned to see through the smoke-screen of the retailer who promises but doesn't deliver. The industry has evolved with the rest of the world and in turn the expectation on standards as a whole has risen to dizzying heights. Technology and being better informed through research and learning has seen many shifts in customer trends through generations of retail and so too as a result of shifts in the economy.

Naturally these shifts have in a way also dictated that the novelty of 'new and exciting' inevitably wears off and that in a time poor culture customers are predisposed to the no fuss dependable retailer.

## **Introduction**

In today's competitive market, good store merchandising compliance can be the difference, or edge, over a competitor for any retailer.

It's about understanding and managing a range of processes that result in consistently high standards, good range support, and effective promotional planning, just to name a few.

This will actively enhance customer relations, as merchandising compliance can create the very foundation of a basic customer need; Trust.

As with anything largely significant in the world of retail, looking at this subject from every angle is what's required to gain maximum return.

For example, supply chain and supplier relations, merchandising support, staff levels, training, time management and execution of promotional activity are some of the factors that retailers have to consider when wanting to perform at the levels required to increase market share. All players in an organisation have a responsibility to their role; The people who make up a 'Head office' will decide on appropriate strategies, shifts in direction and focus, set targets to be achieved and also set operational plans within a cost range to promote sustainability for the entire organisation moving forward.

It is no wonder then that stores are often referred to as the '*battle ground*' (with quotes like "What happens in-store when customers arrive will be where the battles are fought and won"<sup>1</sup>, or "Tesco's new battleground!"<sup>2</sup>), as efforts are then made to carry out these plans as precisely as possible with minimum casualties, execution can prove to be a challenging frontier.

1. QUT Dr Gary Mortimer. The theatre of the supermarket- What's old is new again. 05/01/2011

2. NG Retail Tesco's new battleground, by Ben Thompson.

## **It's Human**

Aside from the emotionless business aspect of compliance, two things that will benefit any retailer are to understand people as consumers, and largely to understand people by nature in general.

If retailers embrace the notion that it's *not only* what people want as customers, but importantly how their employees *interpret* this, the goal of good merchandising compliance will become a step closer.

It can easily be mistaken that a message or instruction given to many people at one time will be understood and executed the same way, as we often have different ways of interpreting the same message.

'Planograms' or 'Layouts' may be easy to follow without any need for interpretation, but the same can not be said for the multitude of daily tasks that contribute to any retailers' ability to achieve merchandising compliance.

Sometimes instructions misunderstood (unintentionally) can be detrimental to a business if left unchecked, or if we assume that 'everyone's on the same page'.

## **Measure**

Hence systems and measures require support, and further more, standards must be set and systematically followed up actively by those managing the store or business itself.

This not only demonstrates the methods required, but a commitment to the effort required if the set standards are to be met. It takes discipline and fortitude as the rewards are not always experienced immediately. It seems to be human nature to take shortcuts<sup>3</sup>, so all the training in the world will not necessarily make someone want to do something.

3. David Brock – Customer think article 13/07/2010

Training is necessary but not sufficient, as store staff may be trained, pass the test and answer the quiz, but are they applying their learned skills where it matters, enhancing the customer experience<sup>4</sup>.

Why measure? Because measurement breeds compliance. You can set standards and train your staff but only when you measure compliance do you achieve it. Just like students tend to pay more attention to the lecture when the teacher says “this will be on the test”, compliance is best achieved when all know it will be verified and measured<sup>5</sup>.

### **Supply and Supplier relations**

Sound and fair supplier relations, and supply of product is arguably where it begins. It's the long-term relationships and not the one off deals that prove successful in ensuring consistent and reliable supply for retailers<sup>6</sup>.

*A good retailer doesn't suffer fools gladly*, but can often overlook how important supplier relationships can be on the business directly on a day to day basis, not just during a scheduled meeting or when a supplier representative visits to service particular categories or brands.

Establishing a consistent and reliable supply and good supplier relations has a colossal effect at store level. In its simplest form it can be the difference of having goods to sell or not having goods to sell (the essence of business in its rawest form!).

Like any good relationship it requires work, as each partner has needs and wants, with trust and respect being at the forefront. The support of a sales and merchandising representative is paramount as specialised skill in category management will never go astray in stores.

4.5. Retail audits and task management–The Journalist by Lucian E. Marin.

6. Convenience and Impulse Retailing – ‘Compliance is not a dirty word’ - issue July/Aug 2010

Commitments are made involving agreed volumes, prices, future promotional plans, forecasting, and logistical needs (in some cases years ahead). This enables both parties to move forward, plan, and execute accordingly. Only then can store teams hope to move forward themselves and achieve good compliance.

### **'Trust me'**

For customers one of the most valuable things is trust and piece of mind that every visit to the store will be easy, and won't have the hassle of being a 'guessing game'. To find on the shelves what's advertised *every time*, to know that the Department store *always* has the right range available, to do the groceries and *actually* get every item on the shopping list, to find that favourite bottle of wine on the weekend, or just get the right size 'nuts and bolts' from the local Hardware store for *that* project. These basics create the beginning of what can grow into a good relationship, it is reliability and consistency, but loyalty must be earned, and merchandising compliance is the way to start.

The most successful chains all share one trait: They execute better than the competition. Merchandising compliance is not a "feel good" thing nor is it a make-work initiative. Merchandising compliance means more efficient operations, more profitable stores and higher customer satisfaction. Customers have a way of thanking stores that are well run: They come back!<sup>7</sup> What better way to maximise R.O.I and in turn convert to market share points. *The platform for growth has been created.*

### **"We want excitement"**

Customers want more than just low prices; they want theatre and excitement when they shop<sup>8</sup>. Companies are continually looking for (and finding) ways to achieve this. A good example of the role merchandising compliance has to play in this is 'speed to market' with new products and innovations.

7. Retail audits and task management—The Journalist by Lucian E. Marin.

8. QUT Dr Gary Mortimer. The theatre of the supermarket- What's old is new again.

Considerable resources are invested by manufacturers and suppliers to bring new and exciting products to market.

It's one of the driving forces in sales growth, yet it will be wasted if retailers are not efficient enough to carry out their part of the commitment.

The opportunity to capture early sales is lost, and consequently hands advantage over to a competitor.

If this is the ensuing trend within a retailer, supplier relations may be negatively affected as lost sales are not healthy for either party, in turn causing processes to become more difficult, as downturn in trade will fractionalise the cost of doing business and in turn offer fewer operating resources.

Retail *is* exciting. We do it because we love things like new innovations, new exciting products, customer interaction, and seasonal events.

Seeing customers trying new things, touching, smelling, sampling, making emotional purchases and genuinely enjoying shopping, is often a rewarding experience for many retailers.

People like the *spark* of a good retailer when it's done well.

To walk through a well merchandised store and not only get what you came for but to be tempted by what '*the senses*' are met with.

From creative displays of new season fashion to the aroma of fresh Cherries and Mango's during the Christmas season, or the hype of a 'block-buster' coming soon in-store on Blu-ray, excitement is what a retailer can bring to the shopping experience, but not before the hard work of getting what can be called the 'boring basics' right.

## **Discussion and implication for the industry**

### **To prosper *or not* to prosper?**

As the population inevitably grows so too does the demand for goods and services, so one would be forgiven for assuming that this natural growth in the economy will automatically translate to growth for all retailers, however we know that is not the case, if anything

working for the customers' dollar has never been so difficult. While competition is fierce, technology and research has better informed the consumer, and economic conditions have also shifted spending habits.

Hard times have a way of transforming consumers and the past couple of years have been harder than most. While the Australian economy emerged in 2010 relatively unscathed from the GFC, the downturn has left an indelible impression on consumers' attitudes and purchasing behaviours. During the economic downturn, consumers shopped around for specials to cut costs, and this has created a new, savvy consumer who is more demanding than ever<sup>9</sup>.

Consideration should be given to how growing cultural diversity and the ageing population will impact retailing in the future<sup>10</sup>.

### **So what does all this mean?**

Despite the challenges the industry faces and the shifts that it will naturally experience it can be said that companies and retailers alike must remain focused on their obligations and priorities in meeting targets (as they always have) while looking for further opportunities in strategy building, to provide return on investment, to prosper, and build growth.

What remains constant though, is the need for complying at store level, as above all *it's where the customer shops*, regardless of where they come from, or how the 'economy' is affecting them.

9.10. Ad News and the Nielsen Company 2010 Review. Viewed Feb 20th 2011.

## **Conclusion**

On a broad scale, a retailer's effectiveness in merchandising compliance has a far reaching effect on the entire retail industry.

From influencing consumer habits to helping support and sustain an infrastructure (suppliers, growers, sales and marketing agents, logistics, I.T, manufacturers, importers/exporters, designers, trade and construction, media, and employees), it's significant enough to affect the entire economy, due to the sheer size of the industry.

But on a small scale it's a case of the retailer meeting the consumers' expectation, whether it be an Orange stall at the farm gate selling fresh juicy oranges or a multi-billion dollar department store being the choice of destination for all needs, store level is where it's made possible.

The diversity within the retail industry almost has no bounds, and within it there are incredible examples of skills and techniques used by retailers' everyday in the battle not only for supremacy, but survival itself.

At the core of retail though remains the fundamental demand for supply, and while it can be taken for granted that there is plenty of room for anyone to join in, survival and success are reserved for those who stay close to merchandising compliance.

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<sup>1</sup> QUT Dr Gary Mortimer. The theatre of the supermarket- What's old is n. 05/01/2011. Viewed Feb 14<sup>th</sup> 2011. <http://www.qut.edu.au/research/news-and-events/news-event.jsp?news-event-id=34524> new again

<sup>2</sup> NG Retail Tesco's new battleground, by Ben Thompson. Viewed Feb 3<sup>rd</sup> 2011. <http://www.ngretaileurope.com/article/Tescos-new-battleground/>

<sup>3</sup> David Brock – Customer think article 13/07/2010, viewed Feb 2<sup>nd</sup> 2011 <http://www.customerthink.com/blog/shortcuts>

<sup>4.5.</sup> Retail audits and task management–The Journalist by Lucian E. Marin. Viewed Feb 2<sup>nd</sup> 2011 <http://compliantia.wordpress.com/2009/09/17/why-you-need-to-measure-compliance/>

<sup>6</sup> Convenience and Impulse Retailing – 'Compliance is not a dirty word' - issue July/Aug 2010. Viewed Feb 13<sup>th</sup> 2011 <http://www.c-store.com.au/magazine/516>

<sup>7</sup> Retail audits and task management–The Journalist by Lucian E. Marin. Viewed Feb 2<sup>nd</sup> 2011 <http://compliantia.wordpress.com/2009/09/14/what-is-operational-compliance-and-why-you-need-it/>

<sup>8</sup> QUT Dr Gary Mortimer. The theatre of the supermarket- What's old is new again. 05/01/2011. Viewed Feb 14<sup>th</sup> 2011. <http://www.qut.edu.au/research/news-and-events/news-event.jsp?news-event-id=34524>

<sup>9</sup> Ad News and the Nielsen Company 2010 Review. Viewed Feb 20<sup>th</sup> 2011. <http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

<sup>10</sup> Ad News and the Nielsen Company 2010 Review. Viewed Feb 20<sup>th</sup> 2011. <http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

Entrant Number: **1102**

Criteria	Comments	Score 1	Score 2	Score 3
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		x/10	x/10	x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

**X/60 X/60 X/60**

## ESSAY 2



### TITLE PAGE

#### Joe Berry Australian Retail Industry Executive Awards 2011

#### TOPIC 4: Brand Sustainability in a Dynamic Market

In a dynamic market place brand management continues to be a major priority for manufacturers. With frequent takeovers changing the management landscape and retail buying patterns being constantly reviewed, keeping brand momentum is difficult.

Generational influences are also changing with new types of media evolving and becoming more accessible. Sustainability of a brand becomes more difficult at each turn.

**Q.** What is the future for key brands in a dynamic market? Create and present a category strategy for sustainable market share, for a brand product (*real, fictional or generalization*), in the face of increased market place changes and flexible consumer shopping preferences.

**Shannon Cumberlidge**

**Simplot**

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**Word Count: 1800 words**

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### Executive summary

The current retail grocery market is going through a lot of changes. To look at it from a retailer perspective, the market is concentrated and there are two main players,

Woolworths and Coles. The retailers are continuing to build on their private label offering and in conjunction with this there is a big focus on range rationalization, limiting the number of branded products on the shelf. Over the last twelve months there have been aggressive promotional pricing strategies taking place, this teamed with other factors such as the rise in market share of Aldi is placing increasing pressure on suppliers to maintain brand momentum. Consumers, now more than ever are searching for value and are willing to switch products and as a result brand loyalty is deeply under threat.

In light of these challenging market forces, this essay established how crucial it is for suppliers of branded products to reassess their strategies and ensure their branded product is able to stand up to these forces. To help achieve brand momentum a comprehensive category strategy is required that ensures that all aspects both internal and external of the supplier are investigated and critiqued. It is important to establish the strengths and weaknesses that exist, and the opportunities and threats to be aware of. Clear and achievable marketing objectives must be set to provide goals and to provide a platform of which sound strategic agendas can be formed. To set these strategic agendas, a supplier of a branded product must have a strong competitive advantage that it can leverage off in order to be the best product in the market. Using Philadelphia cream cheese as a case study example this essay demonstrates how strong marketing objectives teamed with firm marketing strategies can deliver positive results for a branded product.

## Introduction

The Australian retail grocery market is like no other around the world, it is unique and there are a number of factors which have made it as dynamic as it is today. The market is effectively a duopoly which not only reduces the bargaining power of brands, but also allows the key players Woolworths and Coles to influence consumer habits more so than in other markets. Convenience still remains high on the list of importance for consumers. In addition, the GFC resulted in significant wealth destruction and as a result consumers are increasingly value conscious. This has eroded brand loyalty and increased the need for a brand to identify and focus on its competitive advantage. It has also created

additional challenges as the consumer is taking more time to get informed and to seek out value. It is most certainly the age of the frugal and the informed consumer.

With so many changes occurring in the market place at this point in time how does a branded product maintain momentum? Engaging the consumer is key. This requires awareness of the external environment that the brand operates in, the internal capabilities of the supplier and the values of the core target market. Clear objective setting is paramount, backed up by a strong set of strategic agendas to achieve these objectives. This essay will outline a category strategy for branded products in the fast moving consumer goods (FMCG) industry and will demonstrate how a brand is to remain sustainable in this dynamic Australian marketplace.

### Information Gathering

To begin with, it is important that all divisions of the organization that play a role in producing this branded product come together as one team to dig deep on all aspects of the brand and the challenges that surround it. An in-depth analysis on the external environment is required. If the brand is to be number one in the category a thorough analysis of the bargaining power of the retailers and the suppliers is required. The competitive nature of the industry and how easy it may be for new entrants must be considered along with the threat of consumer switching to substitute products.

Equally as important as an external analysis is ensuring the company's internal capabilities are understood. Understanding the internal strengths and weaknesses of the company is critical. There needs to be a clear understanding that the supplier can support the brand one hundred percent, and if not then other avenues need to be explored. An example of this involved Cadbury, known for its confectionary. It entered the ice cream market in 2005 with strong capabilities in marketing, sales and distribution it lacked manufacturing capabilities. Cadbury outsourced the making of its products to Fonterra at the time, a

specialist in the area which provided a platform and enabled it to go up against strong competitors such as Nestle Peters.<sup>1</sup>

#### Set objectives that are specific, measurable, achievable and timely.

It is a crucial part of the product strategy to set clear, achievable and measurable marketing objectives. A timeframe must be attached to these marketing objectives; it is most commonly a three-year timeframe especially in this dynamic marketplace. A thorough understanding of the current financial position is vital and will ensure appropriate goals and targets are set in conjunction with non-financial measures.

Marketing objectives and measures that are commonly used consist of the following:

- GSV targets
- Trade spend targets
- Penetration targets
- Average Weight of Purchase (AWOP) targets
- Market Share
- Category growth

#### Understand the consumer. Build brand and product loyalty

Suppliers must know their consumer and must be up-to-speed with who they are what they do, where they live, when they shop and the list goes on. In light of factors such as retailer focus on range rationalization and consumer acceptance of private label product there has never been a more important time for suppliers to stay abreast of their target market and consistently and effectively engage them.

Recently, there has been an increase in use of consumer insights and consumer segmentation. With the introduction of tools such as shopperpedia, which is an in store based shopper database containing the top 50 FMCG categories in Australia, and the expansion of consumer insight teams within organizations there is now a multitude of resources to help assess and breakdown the target market.<sup>2</sup>

Connecting and engaging with the target market is crucial .Building a brand story that reaches them and is in sync with their core values will not only assist with the immediate

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<sup>1</sup> Bulla gets all clear for Fonterra ice-cream takeover, Ausfoodnews Website, viewed Jan 25, 2011 <<http://www.ausfoodnews.com.au/2009/07/09/bulla-gets-all-clear-for-fonterra-ice-cream-takeover.html>>

<sup>2</sup> Shopperpedia website, viewed on Jan 12 <[www.shopperpedia.com.au](http://www.shopperpedia.com.au)>

sale of a product but the overall aim of brand loyalty. “A brand name adds value to a product by giving it an image, personality, quality or characteristic that is important to its customers.”<sup>3</sup> A suppliers brand will become a permanent fixture in the shopping trolley if it can connect. As demonstrated below private label is of growing concern for branded products. Datamonitor research found that Australians perceive private label offerings—particularly food—to be comparable in quality compared to well known

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Lawson's Traditional Bread Case Study. Weaving authenticity throughout the entire marketing mix – June 2010

[www.datamonitor.com.au](http://www.datamonitor.com.au)

What strategy is currently in place? What are we doing right? What are we doing wrong?

Will our strategy achieve our objectives?

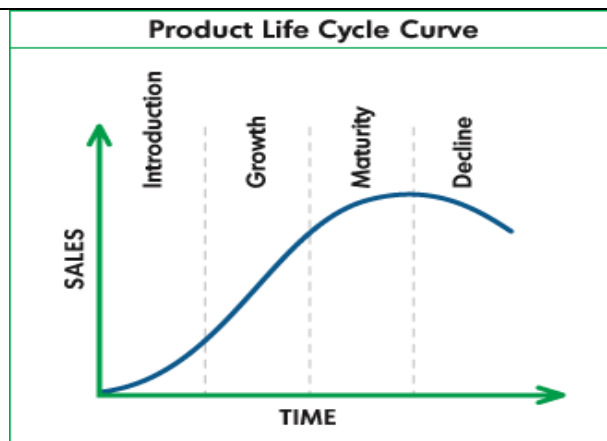
Where does the branded product currently sit in the product lifecycle set? Is it in growth?

These are factors that must be considered before developing strategies. Kraft Philadelphia Cream Cheese is an example used to demonstrate this. Philadelphia cream cheese was strong market leader, however operated in a stagnant market. The challenge was to

<sup>3</sup> Reed "Strategic Marketing Planning" Thomson learning Australia, South Melbourne, 2007

<sup>4</sup> Datamonitor website, viewed Feb 10. Lawson's Traditional Bread Case Study. Weaving authenticity throughout the entire marketing mix – June 2010 <[www.datamonitor.com.au](http://www.datamonitor.com.au)>

stimulate growth. Without the risk of cannibalizing Kraft's other ranges the decision was made by the brand team to increase average weight of purchase (AWOP). After continual research into the brands target market it was found that in order to increase AWOP Kraft would have to reposition the brand. They developed the slogan "Experiment with Philly pleasure" and in addition launched a cookbook where customers had to purchase 3 skus of Philadelphia cheese. Philadelphia also sponsored home shows and developed an interactive website. This integrated marketing campaign was a huge success for Philadelphia and not only increased AWOP but also strengthen brand loyalty with the use of social media. <sup>5</sup>



**Introduction** – high costs, slow sales, low competition, marketing initiatives aimed at increasing trial and awareness

**Growth** – Costs reduce due to economies of scale, sales volume begins to increase, increase in awareness, completion increase, and price decreases

**Maturity** – Costs continue to decrease as production volumes increase, sales peak as market saturation is reached, increase in competition, prices drop, marketing initiatives tend to focus on brand differentiation to diversify from competing products

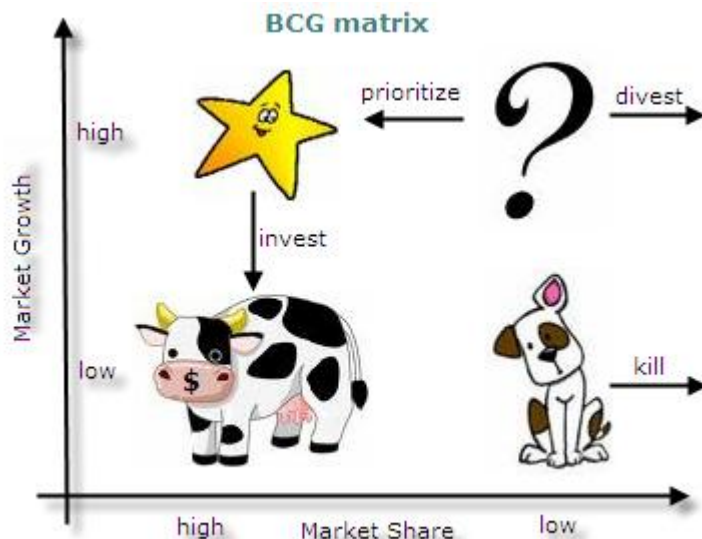
**Decline** – Sales volume decline or stabilize, prices and profitability decline, profit turns to efficiency in production as opposed to an increased in sales

www.v  
alueba  
sedma  
nage

ment.com

<sup>5</sup> Datamonitor website, viewed Feb 10. Successes and failures in packaged consumer goods innovation and marketing <www.datamonitor.com.au>

Depending upon where the product falls in this lifecycle, will largely shape what strategies the company places behind the product and will also determine the level of resource committed. It is also important to establish at this stage the level of resource to invest in the product. The diagram below provides a simple summary. It might be a new line, possibly a star or a question mark that requires investment to grow or it could be a cash cow that is clear market leader requiring lower levels of investment.



<http://www.sayeconomy.com/wp-content/2010/04/bcg-matrix.jpg>

### What competitive advantage exists?

In a competitive market, identifying where a brand's competitive advantage lies and how best to leverage it is important. This does not limit to marketing and branding, this can lie in strong supply chain capabilities or efficient distribution channels. A brand needs a competitive advantage to leverage off and differentiate from its competitors. Continuing with Cadbury, their competitive advantage lies in their strong distribution, large consumer base and robust marketing network. When entering the ice-cream industry they were able to leverage off their current chocolate brands which were familiar to the consumer and extend this into the freezer. This strong competitive advantage in marketing and branding makes them a force to be reckoned with.

### Developing strategic agendas

In this current marketplace retailers are aggressively consolidating their range and focusing in on their private label range in an attempt to replicate the success in the UK. Consumers are consistently sourcing value for money and are becoming used to the deep discounting price strategies unraveling before them. This poses a challenging environment for suppliers. In an attempt to address these issues and achieve internal marketing objectives the next vital step is to establish strong and clear marketing strategies. It may

be a case of building upon current strategies or it may require a complete revamp and shake-up.

A marketing objective may be to increase AWOP. As described earlier, for Philadelphia being market leader and in a mature market, it is important to look at strategies that aim to increase AWOP, such as the cookbook idea. There may be an array of possible strategies to choose from, it is important to pick one key strategy and focus on it. If it is a current strategy that is not working changes need to be made to get it back on track, it must not dwindle for too long otherwise this will disengage customers and staff.

Strategies such as these are not only benefited by the consumer. Retailers are in favor of initiatives such as these because they generate both sales and happy customers.

#### Bringing the strategy to life and fruition

One strategic agenda could mean several key action points. With the example above, increasing AWOP for Philadelphia was the objective. The strategy and key action points were aimed at achieving this. Philadelphia's action points consisted of creating a tag line "Try it on" and they produced the cookbook, an interactive website and had sponsorship all aligned with this tag line. <sup>6</sup>

There will be several activities that fall under each strategic agenda. It is important to remember when developing these strategies that the key is to engage the consumer. This may not be relevant for all strategies, as there may be for example, strategies focusing on supply chain functions. Whichever activities are assigned to the strategy it is crucial that they are detailed action points with people and resources assigned to each task. It is also critical to have a three-year plan for each strategic agenda.

#### Total business buy in and consensus

If the marketing objectives are to be achieved with the nominated strategic agendas it is critical to have total business buy in. It is very important to have senior management's approval. At this stage a detailed presentation of the strategic category plan should be presented to the senior team. Once feedback has been provided and final agendas agreed upon implementation can begin.

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<sup>6</sup> Datamonitor website, viewed Feb 10. Successes and failures in packaged consumer goods innovation and marketing <[www.datamonitor.com.au](http://www.datamonitor.com.au)>

## Conclusion

It's a challenging time for suppliers. Consumers are open minded and seeking value. They are welcoming of retailer branded products and are a well informed bunch with a mass of information available. From a retailer perspective there is a huge focus on delivering value to the consumer through price discounting strategies and developing a comparable private label offer. It most certainly is a dynamic market place and it is essential that suppliers have a thorough understanding of both the internal and external environment they operate in. Now more than ever it is crucial for suppliers to interact and connect with the consumer and establish brand loyalty. Suppliers must focus on establishing a distinct competitive advantage and setting marketing objectives which are achievable through savvy strategies. All importantly, suppliers must remain open to new and exciting ways to engage the consumer. There is a mountain of obstacles and rivers to cross in order to achieve brand momentum but nothing that isn't impossible to overcome if there is a creative yet realistic category strategy in place.

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[www.woolworths.com.au](http://www.woolworths.com.au)

[www.coles.com.au](http://www.coles.com.au)

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[www.wikipedia.com.au](http://www.wikipedia.com.au)

[www.aldi.com.au](http://www.aldi.com.au)

Entrant Number: **1154**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

**X/60 X/60 X/60**

## **ESSAY 3**



### **Joe Berry Australian Retail Industry Executive Awards 2011**

## **TOPIC 2: Merchandising Compliance**

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**Steven Bean**

**Coca Cola**

**Entrant Number: JBA-11-1175**

**Word Count: 1787 words**

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## **Topic: Merchandising Compliance**

Most retailers, in their cycle of priorities, are again looking at store merchandising compliance as a key issue in competition and in sales growth. Compliance, (*by definition, is the support of head office policy, procedures, merchandising plans by the store operations group and may have other names in non-food areas*) applies to all aspects of store activity but is specifically related to ranging, merchandising and in-store promotional management.

**Q.** Discuss the relationship of good store compliance to:-

a) retail competition and b) customer relations. What effect does compliance have to the stores R.O.I. and how should it be managed at store level?

Draw conclusions on how meeting company strategies and targets, at store level, can convert to market share points.

## **Executive Summary**

The most important factor affecting the price of a share is the company's future earnings prospects, as its earnings will determine the future inherent value of a share<sup>1</sup>.

Therefore, on the basis that share price is the primary measure of success, the strategies of any corporate retail organisation must be intended to increase profit through increased sales or reduced costs. Should the correct strategies and tactics be implemented by an organisation's head office, the benefits of Merchandising Compliance are aligned to this goal. They can include improved efficiency, increased return on investment, greater leverage with suppliers and an increase in shopper satisfaction.

In order to achieve these benefits the policies, procedures and plans being implemented must be strategically sound, practical and above all effective. Should flawed or misguided strategies be put in place, Merchandising Compliance may not have the desired impact. Therein lays the greatest opportunity to improve Merchandising Compliance in the current retail market.

This document uses examples of current best practice to show that retail competition is increased by Merchandising Compliance, as retailers pursue lower prices and improved standards in order to remain competitive. It will show how this can increase customer satisfaction and improve customer relations. It will detail how Merchandising Compliance can reduce costs, fund further investment and drive revenue, all of which will improve return on investment. It will not only review how to manage Merchandising Compliance at store level, but the importance of good management at every level of a retail organisation. It will also detail the opportunity for improvement that exists within a large portion of the retail industry.

Ultimately it will show that when done in the right way, Merchandising Compliance can be very effective in driving an improved outcome for any business.

<sup>1</sup> Source: ASX *Getting started in shares*

# Introduction

The supposition that Merchandise Compliance is beneficial is based on the theory that Head Office is better equipped than the Store Team to determine policies, procedures and plans to be implemented. They have better resources in regards to systems, technology and data, are generally better trained in their area of expertise and have a holistic view of competitor activity. Being central to the entire business they can leverage the size of that business to achieve economies of scale. They can make decisions based on the best course of action for the business as a whole rather than a single store. Provided this theory is correct, it follows that compliance at store level to the policies, procedures and plans created by head office will result in a better outcome.

I intend to show that in the case of current best practise this theory is correct. I also intend to show that anything short of best practise can potentially produce poor results. This then leads me to detail several key factors for consideration when implementing Merchandising Compliance outside of best practise.

## 1. Potential Benefits

### 1.1 Corporate Supermarket Chains

Until recent years, Buyers in corporate supermarket chains had varied influence over execution at store level. They were able to provide direction on category and space management but had minimal ability to enforce compliance to those directions. Store Teams had the ability to decide which products were carried in store, where they were placed and how well supported through stock weight and extra displays.

Advancements in technology and the sophistication of new operating systems have changed this dramatically. Buyers have greatly improved their decision making processes and can also ensure their strategies are uniformly complied to, giving them greater influence at store level.

Sophisticated point of sale systems can provide detailed sales information for every product at every store. Operating systems allow for range files and planograms which are localised to meet the needs of each stores customer base. Planograms are no longer a guide but a live file that is applied to a store, locking in the range and allowing automated ordering systems to be implemented, which locks in the required stock levels. Suppliers can be more confident investing in store level activity as they can accurately predict the

return on investment. Most importantly the Buyer can make informed decisions, decide on an appropriate course of action and have it implemented within every store almost instantaneously. As a result they can react to competitor activity or changes in the market quickly and effectively.

The entire business can be more efficient and effective. Supply Chain can accurately predict ordering patterns and be resourced accordingly. Distribution Centres can carry fewer products and more accurately forecast the required stock on hand for those remaining. Store Teams can focus on execution, customer service, managing labour costs, recruitment and capability.

There are also many benefits for Shoppers. There is a consistent look and feel to each store, making it easier to navigate and shop between stores in the same chain. They will be offered a tailored range of products and promotions. There will be fewer out of stocks and consumers can depend on finding advertised specials activated and available in store. They can also expect cheaper prices driven by cost reductions. All of this will build confidence and loyalty amongst shoppers and drive repeat traffic.

### **1.2 Example: Woolworths “Project Refresh”**

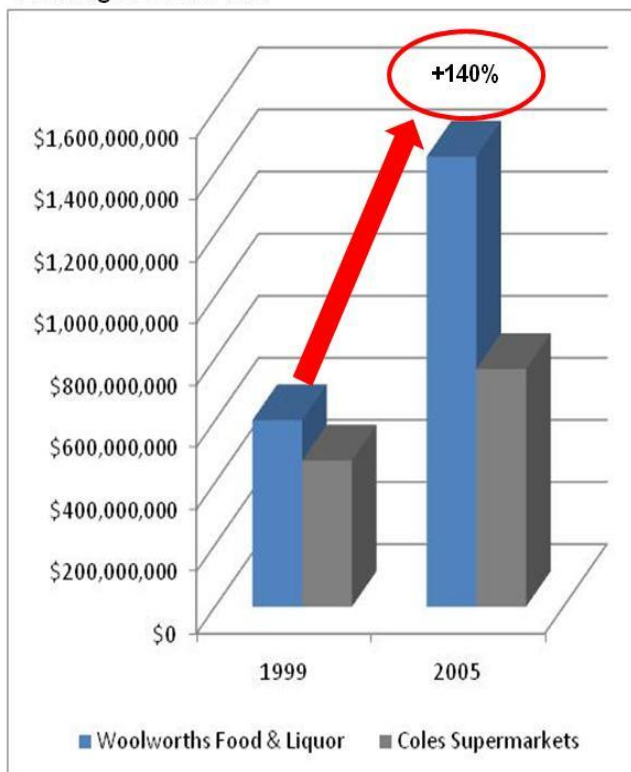
Woolworths began “Project Refresh” in 1999. It was essentially a cost cutting exercise that included a restructure of the business away from a store and state based structure to a centralised national structure that could deliver efficiency and economy of scale<sup>1</sup>. In the first three years of the program Woolworths cost of doing business was reduced by over \$1 billion<sup>2</sup>. The project included system enhancements which improved the capability of Head Office to set and deliver an effective strategy for stores. The structure resulted in a lean yet effective Head Office providing direction to Store Teams that were focused on Merchandising Compliance. In order to remain competitive, Coles followed the Woolworths example and started their “Business Transformation Project” in 2002. By 2005 Coles was seeing the benefits of transformation while Woolworths was already investing savings into cheaper prices, opening a significant gap between the two businesses.

<sup>1</sup>. Source: *Woolworths.com.au* (<http://www.woolworths.com.au/wps/wcm/connect/website/woolworths/about-us>)

<sup>2</sup>. Source: *Theage.com.au* (<http://www.theage.com.au/articles/2002/12/20/1040174393895.html>)

## Results of Woolworths Project Refresh

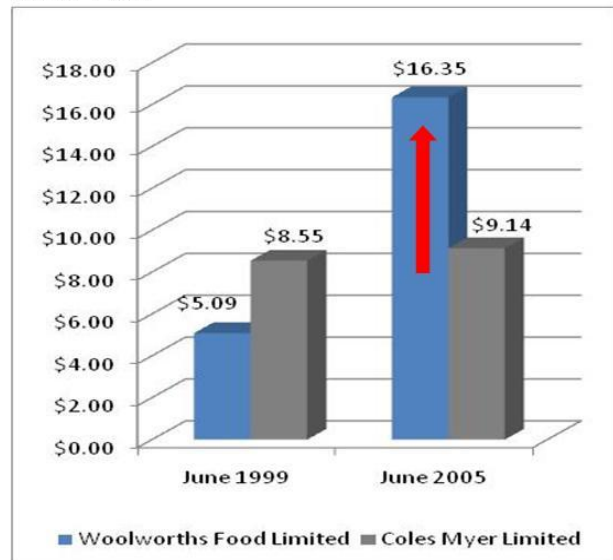
### Earnings Before Tax



<http://www.theaustralian.com.au/business/false-start-for-retails-online-revolution/>

Shareholder confidence, created by Woolworths capacity to achieve superior earnings at a lower cost, drove Woolworths share price to new heights

### Share Price



Source: Yahoofinance.com

### 1.3 Summary of Benefits

Any retail organisation that has the resources and experience necessary to set effective policies, procedures and plans from a central location can reap significant benefits from Merchandising Compliance. Increased earnings, reduced costs and a higher share price to name just a few. The example of Australia's two biggest retail businesses shows us that it can, and has, been done.

## 2. Key Factors for Consideration

### 2.1 Capability

If a Head Office does not have the necessary resources and structures in place, we must question if they can effectively manage a chain of outlets from a central location. They must be capable of creating policies, procedures and plans that create the right outcome for the business as well as individual outlets. They must also be capable of executing them efficiently and effectively.

Both Woolworths and Coles have been through significant change to get where they are today. Long standing work practices needed to change and technology needed to be purchased and phased in at significant cost. Coles is estimated to have invested \$600 million over five years in its Business Transformation Project<sup>1</sup>.

Based on economy of scale, very few Australian retailers can compete with Woolworths or Coles in their ability to invest in their own business. They must modify their approach to Merchandising Compliance as they cannot follow the exact blueprint set out by corporate supermarket chains.

#### Analysis of Australia's Top 20 Retailers 2009

	Australia's Top 20 Retailers 2009	Revenue
1	Woolworths Food & Liquor	\$32.00b
2	Coles Food & Liquor	\$21.75b
3	Harvey Norman	\$7.14b
4	Bunnings Warehouse	\$5.57b
5	Woolworths Big W	\$4.23b
6	Kmart	\$4.01b
7	Target	\$3.69b
8	Myer	\$3.25b
9	Aldi	\$2.30b
10	JB Hi-Fi	\$2.10b
11	David Jones	\$2.07b
12	The Good Guys	\$1.53b
13	Dick Smith/Tandy	\$1.49b
14	Reece Plumbing	\$1.48b
15	Officeworks	\$1.29b
16	Retail Adventures	\$900m
17	Repco	\$880m
18	Just Group	\$830m
19	Franklins	\$830m
20	Ritchies IGA Supermarkets	\$820m

Woolworths F&L =  
\$32 billion



**+ \$19.86 billion**

11-20 Combined =  
\$12.14 billion

Source: Insideretailing.com.au (<http://www.insideretailing.com.au/Latest/tabid/53/ID/5551/Australias-top-20-retailer-rankings.aspx>)

<sup>1</sup> Source: Insideretailing.com.au (<http://www.insideretailing.com.au/Latest/tabid/53/ID/538/Chain-reaction.asp>)

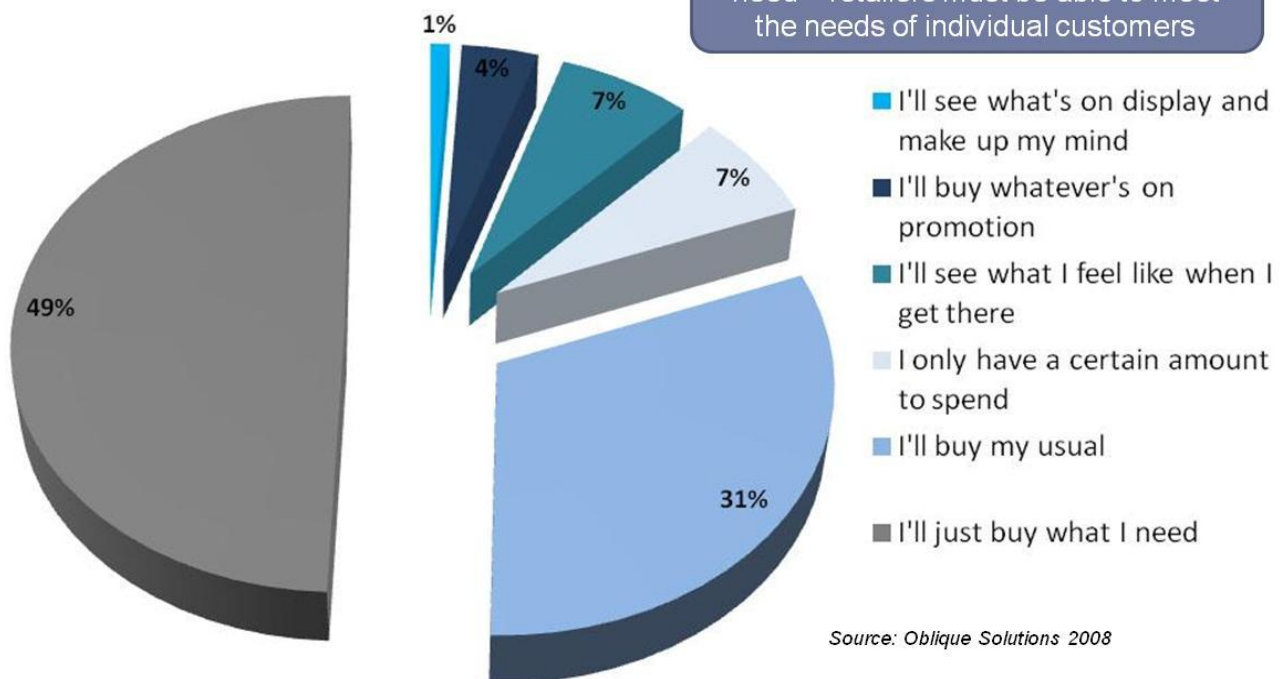
### 2.2 Understanding the Customer

Of greatest concern is that many retail chains are limited by basic point of sale systems which do not allow for detailed reporting of sales information. Some are even guided by data which details volume purchased by the Retailer and in no way explains the shopping behaviour of its customers. This basic data does not consider the number of outlets ranging the product, time out of stock, in store support, seasonal impacts, consumer loyalty, repeat purchase patterns, price sensitivity or wider market. High potential products could be deleted during range review, resulting in shoppers going elsewhere for those products. Only with detailed sales data and up to date consumer information can range decisions be made from a central location.

A Retailer must truly understand the wants and needs of their customers in order to set an appropriate strategy for their business. In the words of Steve Ballmer, CEO of Microsoft, “We can believe that we know where the world should go. But unless we’re in touch with our customers, our model of the world can diverge from reality”<sup>1</sup>.

### What drives a shopper to purchase?

Australian shopping habits are driven by need – retailers must be able to meet the needs of individual customers



<sup>1</sup> Source: [woopidoo.com](http://www.woopidoo.com/business_quotes/authors/steve-ballmer-quotes.htm) ([http://www.woopidoo.com/business\\_quotes/authors/steve-ballmer-quotes.htm](http://www.woopidoo.com/business_quotes/authors/steve-ballmer-quotes.htm))

## 2.2 Solutions

The benefits of Merchandising Compliance are not limited to those businesses with superior resources. Any business that chooses to focus on Merchandising Compliance can do so to positive effect, provided they first assess their own ability to effectively manage the business from a central location. Following that assessment they will need to take certain steps to ensure the desired outcome.

The first is to invest in improved systems and resources to whatever extent possible. The purpose of this document is not to discourage any business without \$600 million to invest in transforming their business. The earlier examples in this document show that investing in a well resourced, well structured yet efficient head office can provide a strong return on investment. That principle remains the same in small businesses as well as large.

They must also utilise all avenues of support. Suppliers, for example, often have access to market data and consumer information. Suppliers are experts in the details and nuances of the categories they work within. Global retailer Tesco proudly claims to have over fifteen hundred suppliers that have been working with them for more than five years. They believe that a collaborative and constructive relationship with a supplier forms an environment in which customers, the supplier and Tesco all benefit<sup>1</sup>.

There are other business partners such as transport, logistics, data, insights, marketing or promotional companies that are subject matter experts in their field. Most of these are happy to share expertise, as success for retailers they do business with is the measure for their own success. If required expertise or resources cannot be found within their own business, Retailers should seek it elsewhere.

Ultimately, the degree to which a business can effectively manage a chain of stores from a central location should determine the degree of flexibility they allow for store teams to meet the needs of individual customers. In those businesses that cannot be effectively managed centrally, the Head Office must balance guiding and supporting Store Teams with pursuing compliance. In some cases, such as customer service, compliance to a defined process is not the best course of action. The best tactic is to ensure that employees have the required training and support to determine the appropriate action themselves.

<sup>1</sup> Source: Tesco.com (<http://www.tesco.com/talkingtesco/suppliers/>)

## **2.5 Summary of Opportunity**

Are you well equipped to set appropriate strategies and tactics for effective execution at store level?

If Retailers choose to consider this question and where possible lift their capability to suit, Merchandising Compliance can be of great benefit to their business.

### **3. Conclusion**

Best practice Merchandising Compliance in Australia is accompanied by the most innovative and cutting edge work practices in the industry. The cost saving achieved through a centralised structure enables Retailers to fund the development and implementation of these work practices. Effective execution can result in world class merchandise standards and improve the customers shopping experience. Store teams have the tools and resources required to meet the needs of their local customer base. This drives revenue and profit which allows the retailer to continue investing in resources and capability. A cycle of increased earnings and investment will result in long term profit growth. Long term growth creates expansion opportunities which in turn create development and career opportunities for employees. Improved standards and lower prices at store level also drive retail competition, which ensures that the cycle is continuous.

It is a scenario in which the business, employee and customer all win. It is, however, best case scenario.

A well balanced, well informed and sustainable strategy is vital. But the structure and resources required to execute efficiently and effectively are just as vital. Only when both elements exist within a retail organisation can Merchandising Compliance play a part in driving success. Merchandising Compliance which is poorly executed can cause the opposite outcome of that intended and is likely to be counter productive.

We should spend less time considering if Merchandising Compliance is the right thing to do and more time making sure we do it right.



Entrant Number: **1175**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

**X/60 X/60 X/60**

## ESSAY 4



### **Joe Berry Australian Retail Industry Executive Awards 2011**

#### Topic 5

Present a case on the basis that similar economic conditions will continue through 2011.

How do you believe this will affect the retail industry at large and will further rate movements by the Reserve bank change this economic mix?

Include in your case the potential issues of scarcity of employees, skills shortage and recommendations on how staff retention should be managed.

**Katrina Bracht**  
**Myer**

**Entrant Number: JBA-11-1236**

Word Count: 1722

## Executive Summary

There are both internal and external factors that affect any retail environment. In 2010 these factors were largely dictated by the Australian economic conditions. How retailers have managed their businesses to now will have directly impacted their employees and their company's survival. Reducing employees will instantly improve a company's cost line, however their work will then have to be picked up by someone else. Implementation of employee training, increased job security and a clear career path will assist in the retention of these valued employees. The management of the remaining employees is vital to the businesses ability to survive through the continued economic uncertainty of 2011.

## Introduction

One of the biggest challenges facing the retail industry in the current economic climate is uncertainty. This breeds fear and a conservative mind set for consumers and retailers alike. The impact of this will be strongly felt in 2011 by retail employees. Valuable employees are fearful as they have watched those around them be let go. It is these lower performing people making up the large pool of unemployed. When a retail company is looking to fill a vacancy they need to be attracting those who have weathered the storm and are currently employed elsewhere, rather than those who have been deemed non essential to a company's survival. Therefore the challenge for retailers is two fold; retaining good employees and attracting high calibre potential employees. Both will help a business recover in this difficult economic climate.

## The Impact of the Reserve Bank

"It isn't just the rate hikes, but the conservative attitudes of consumers having a marked impact..."<sup>2</sup> Interest rate rises, high unemployment figures and sensationalist media coverage strike fear into the hearts of consumers and retailers alike. Rates go up,

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<sup>2</sup> The Australian. 'Cautious Consumers Keep Retail Sales Low', Sebastian. Published 10th January 2011, <http://www.theaustralian.com.au/business/markets/retail-sales-cool-after-rba-rate-rises/story-e6frg926-1225863065754>. Accessed 20th February 2011.

repayments go up and the disposable income that once existed is now depleted.

Consumers are forced to become more considered in their spending. People cut back on items and activities they consider luxuries, they also reduce their spending on essentials, all in a bid to pay their increased expenses. When retail spending drops it impacts dramatically on the national economy and consumer confidence.

“Caution appears to be directed towards the retail component of the story...an indication that consumers were saving rather than spending.”<sup>3</sup> When consumers are not spending in the retail sector it has a knock on effect. The retail sector cannot spend either. This leads to employee cut backs and tight cost management by company's. This is a knee jerk reaction to poor consumer confidence which has come from fear of Reserve Bank interest rate rises. Companies are struggling to attract and retain not just their customers, but also their employees.

### **Scarcity of Employees**

Attracting skilled employees to a retail company will continue to be difficult throughout 2011. The environment that is provided to them and the culture of the company will play a large factor in a skilled, career focused team member choosing to work within an organisation. If they are engaged by the company culture they are more likely to look for longevity within the business.

The challenge many retailers then face is projecting appealing corporate culture externally. Some aspects may be apparent through word of mouth within the retail sector or brand and product opinion within the market place. However the most impact is likely to come from the candidate's experience as a customer. A company that tolerates poor customer service and bad team morale is probably not the company a potential employee will choose to be a part of.

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<sup>3</sup> The Australian. 'Cautious Consumers Keep Retail Sales Low', Blythe. Published 10th January 2011, <http://www.theaustralian.com.au/business/markets/retail-sales-cool-after-rba-rate-rises/story-e6frg926-1225863065754>. Accessed 20th February 2011.

### Potential Employee Skills Shortage

“This year, employees who kept their jobs during the economic downturn will be more likely than most other years to start looking for a new job. These employees weathered the storm with their employers during the worst of the financial downturn. They are considered key to business success, and their skills, knowledge and experience are what helped them to keep their jobs over the last 18 months. Employers who needed to cut back on staff kept those members who were critical to business success. Unfortunately, it is these people that the business stands to lose during an economic recovery.”<sup>4</sup>

Businesses need to consider these employees in planning for the next 12 months. These individuals are critical to the success of a struggling business. They need to be kept engaged until the retail industry starts to recover. These employees must feel that they have a place and an integral role to play in the rebuilding of their business. Creating this sort of ownership will make them less susceptible to the overtures of competitors who are also faced with skill shortages.

Employees may have skill sets outside of what they were hired to do. Tapping into these skills at a time when employing skilled workers is difficult may result in a win for both employer and employee. Those with potentially valuable skills should be provided with a structured way for them to continue their development. By offering employees accredited courses you will strengthen these individuals and in turn the organisation. Training is often one of the first things to be sacrificed when a company needs to make financial cuts.

“Staff who have received educational investment from a business are more loyal to their employer because they feel valued and are thus more likely to stay with the business for longer. There are also added benefits to the business: education and training keeps staff

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<sup>4</sup> Personnel Development Solutions- ‘Retention During Recovery’. Published in Insights, 6th April 2010, [www.pdsolutions.net.au/articles/](http://www.pdsolutions.net.au/articles/). Accessed 20th February 2011.

fresh, encourages new skills and engages the employee with regard to specific aspects of your business.”<sup>5</sup>

Skilled, engaged team members build rapport with customers and have loyal clients. Those individual relationships will generate additional sales. If that employee leaves, you can be sure that a number of their customers will follow suit. It is imperative that you invest time and resources into retaining these employees, because they have an immediate and tangible impact on your sales. When business is tougher you need to provide better service to your customers. They can purchase the same product for the same price from someone else. You need them to choose you.

### **Importance of Full Time Employment**

“For most people, work is an important part of their lives. Work can give people a sense of fulfillment, structure, identity and belonging if in the right role. Many employees find work defines their lives and heavily influences their lifestyle. But, equally, job boredom can be a source of dissatisfaction, frustration and disengagement if it is allowed to be so.”<sup>6</sup>

A stagnant economy tends to breed a conservative mentality. People crave the security and safety of full time employment, family and the family home. A stagnant economy forces individuals and business to make hard decisions about how they spend. Having full time employment allows a certainty in the future.

It is vital to acknowledge that in the current economic climate job security is one of the most important elements in personal survival. Providing the stability and benefits of full time employment also benefits the employer. A full time employee is usually more

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<sup>5</sup> ‘Generation Y: Thriving (and Surviving) with Generation Y at Work’. By Peter Sheahan, published by Hardie Grant Books 2005. [www.petersheahan.com/?product\\_id=7](http://www.petersheahan.com/?product_id=7). Accessed 20th February 2011.

<sup>6</sup> Life by Design [www.LifebyDesign.com.au](http://www.LifebyDesign.com.au) Ian Hutchinson, Chief Engagement Officer. <http://www.lifebydesign-articles.blogspot.com/2009/05/job-fulfilment-performance-productivity.html> Posted May 2009. Accessed 20th February 2011.

personally invested in their job and in turn, their company. This translates to higher productivity at a lower cost to the business than a casual employee. A full time employee provides as much security to the business as the business provides to the employee.

### **Managing Employee Retention**

The current economic environment has jolted many organisations into reducing human capital expenses. “There is potential for some companies to consider laying off lower performing “dead wood” employees thus putting even greater performance pressure on already time burdened top talent. The cost of losing the wrong people at the wrong time can be extremely detrimental to any organisations and can have a huge economic impact.”<sup>7</sup>

It is important that retailers have a clear understanding of the productivity of their employees. It is not enough to only encourage and reward a team. This needs to be balanced by addressing underperformance. Even in the current climate, retention for retentions sake is counterproductive. Retaining the wrong person may not only effect the productivity of the right person but could force them out of your business all together. There is nothing more demoralising and disengaging for a valuable employee than working hard next to someone who is underperforming and getting away with it.

“Employee engagement is closely tied to employees' intention to remain in their current workplace...Research has shown that engaged employees are 43% more productive than non-engaged employees.”<sup>8</sup>

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<sup>7</sup> Life by Design [http://www.lifebydesign.com.au/engaged/3\\_ResearchStatistics.php](http://www.lifebydesign.com.au/engaged/3_ResearchStatistics.php) Copyright 2011. Accessed 20th February 2011.

<sup>8</sup> Personnel Development Solutions- ‘Retention During Recovery’. Published in Insights, 6th April 2010, [www.pdsolutions.net.au/articles/](http://www.pdsolutions.net.au/articles/). Accessed 20th February 2011.

This statistic becomes even more alarming when viewed in relation to research by the Gallop Organisation that suggests “Australia has some of the lowest engagement levels in the world, fewer than 20% of employees engaged, 60% not engaged and 20% disengaged.”<sup>9</sup>

These statistics clearly demonstrate that Australian retailers could benefit immensely from actively encouraging employee engagement. One of the most effective ways to achieve this is through strong and supportive line management. Many retail managers are only managers because they were good at the job they did before and were promoted. Without training and support these capable employees can unintentionally turn into poor managers. Formal processes need to be put in place so that a poor manager does not jeopardize the retention of a valued employee.

An effective manager can influence not only employee productivity but also job satisfaction. Employees that feel their contribution is valued by the company will feel a sense of loyalty and pride, being far more likely to give more of themselves to their job. It is important that any extra given by an employee is acknowledged and valued. “The majority of managers (89%) believe that employees leave for more money, whereas 88% of employees actually leave for reasons other than money.”<sup>10</sup> This is advantageous given the current economic climate where most retail companies are unable to offer substantial financial incentives. There is an opportunity to retain this 88% by addressing job satisfaction.

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<sup>9</sup> Life by Design [www.LifebyDesign.com.au](http://www.LifebyDesign.com.au) Ian Hutchinson, Chief Engagement Officer.

<http://www.lifebydesign-articles.blogspot.com/2009/05/job-fulfilment-performance-productivity.html> Posted May 2009. Accessed 20th February 2011.

<sup>10</sup> Life by Design [http://www.lifebydesign.com.au/engaged/3\\_ResearchStatistics.php](http://www.lifebydesign.com.au/engaged/3_ResearchStatistics.php) Copyright 2011. Accessed 20th February 2011.

## Conclusion

The current economic climate has had a huge impact on the retail sector. The downturn has forced companies to consolidate their workforce. Providing an opportunity to remove under performers and strengthen the remaining team. Those Australian retailers who focus on staff retention through training and employee engagement will build a strong base from which to recover.

If employees can be engaged and productive in a stable economy imagine what they will do for the business when resources become available again. The manner in which employees are managed now will be reflected in the type of company that emerges from the current economic climate. Success will only come if it is what has been valued in the past. Employees will only be loyal if loyalty has been shown to them. They will only give back what has been given. Skilled and professionally educated managers who specialise in engaging and retaining employees will be the future of any retail business. Those managers and their teams need to be as valued as the customers that walk through the doors. Without them customers will fail to be engaged. No customer, no business.

Entrant Number: **1236**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				
		<b>X/60</b>	<b>X/60</b>	<b>X/60</b>

## ESSAY 5



**TITLE PAGE** – To remain with entry for judging purposes

### **Joe Berry Australian Retail Industry Executive Awards 2010**

#### TOPIC 4:

In a dynamic market place brand management continues to be a major priority for manufacturers. With frequent takeovers changing the management landscape and retail buying patterns being constantly reviewed, keeping brand momentum is difficult.

Generational influences are also changing with new types of media evolving and becoming more accessible. Sustainability of a brand becomes more difficult at each turn.

What is the future for key brands in a dynamic market? Create and present a category strategy for sustainable market share, for a brand product (*real, fictional or generalization*), in the face of increased market place changes and flexible consumer shopping preferences.

**James Quinlan  
Parmalat**

**Entrant Number: JBA-11-1048**

Word Count: 1797

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## Executive Summary

Category management and the ensuing category strategy necessitate that retailers and suppliers take a holistic view to delivering sustainable brand outcomes, within sustainable categories. This paper looks at two diverse areas of a category strategy for sustainable market share in the face of challenges brought about by generational and technological influences – sustainability as a brand-driving philosophy driving strategies from procurement right through the business; and consumer communication along the Consumer Decision Journey (CDJ).

Competitive media, always-on communication devices and online forums have created an atmosphere in which Corporate Social Responsibility (CSR) is necessary as brand insurance to protect against sometimes irrational political activists. Despite the need for defence against such activists, CSR is an outdated model wholly unsuited to providing sustainability. An entirely more satisfactory model of Creating Shared Value (CSV), allows for social value creation without sacrifice of economic value, thus goes further than the promises of CSR and is the basis for sustainable category management.

With CSV policies in place, the other side of sustainable category management is to deliver effective consumer communication in the context of the CDJ as it is today. Internet and always-on communication devices have turned the traditional view of the CDJ on its head, requiring a re-examination of strategy. The new environment requires brands to develop communication strategies covering the entire CDJ, with lessening focus on traditional brand awareness marketing and more emphasis on point of purchase and online mediums.

Sustainable category management requires brands to first ensure sustainability is entrenched at their core through CSV policies. Following this, CDJ based communication strategies must be implemented to engage consumers and drive demand.

## Introduction

The Institute of Grocery Distribution (IGD) notes that category management, “the strategic management of product groups...by satisfying consumer and shopper needs...is a continual, long term business philosophy...promoting cross functional working between companies and generally involving people from buying, finance, supply chain, trade marketing, store operations, sales, product development and of course category management”<sup>7</sup>. That is, by its very nature, category management and the ensuing category strategy necessitates that retailers and suppliers take a holistic view to delivering sustainable brand outcomes, within sustainable categories.

This report will examine two critical components of sustainable category management. At its core, sustainable category management requires managing the procurement chain in a sustainable manner – this report will commence with an examination of this in the context of the threat posed by competitive media, always-on communication devices and online forums. Corporate Social Responsibility (CSR) as brand insurance will be examined and this report will reveal that despite the need for defence against such activists, CSR is an outdated model wholly unsuited to providing sustainability. An alternative and entirely more satisfactory model, Creating Shared Value (CSV) will be discussed in greater detail.

This report will then examine the impact of technological and generational influences on consumer behaviour in the Consumer Decision Journey (CDJ). This report will reveal that the new environment requires brands to develop communication strategies covering the entire CDJ, with particular focus on point of purchase and online mediums.

This report will speak from a generalisation point of view so as to allow included arguments will hold demonstrable relevance to a wider group of brand-owners.

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<sup>7</sup> Institute of Grocery Distribution [IGD]. (2004, January 1). *Category Management Definition*. Retrieved December 12, 2010, from Institute of Grocery Distribution: <http://www.igd.com/index.asp?id=1&fid=1&sid=6&tid=38&folid=0&cid=125>

## 1. Corporate Social Responsibility (CSR)

“The capitalist system is under siege,” shouts the latest edition of *The Harvard Business Review*<sup>8</sup>. While perhaps a slightly dramatic interpretation of the consumer and political environment as it is today, it reflects an increasingly common view is that brand owners are profiting at the expense of sustainable communities<sup>9</sup>. Consumers and policymakers are increasingly demanding brands and the businesses behind them be held accountable for social, environmental and economic challenges facing the world.

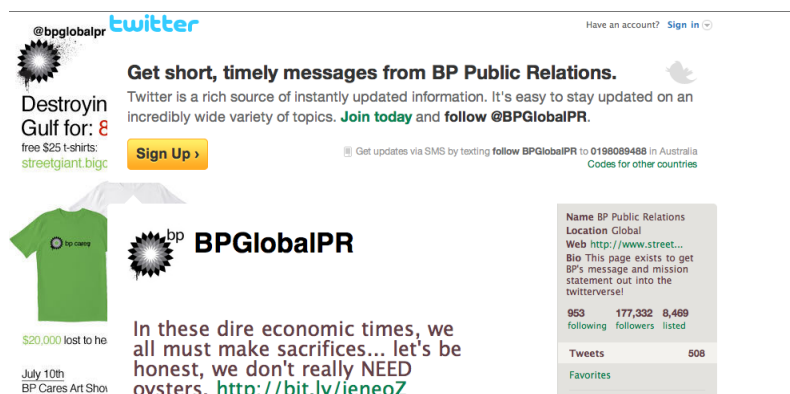


Fig 1.1 Political Activists pose new-age threats<sup>10</sup>

The proliferation of competitive media, always-on communication devices and online forums make the threat from sometimes irrational political activists even more real<sup>11</sup>. During the recent Gulf of Mexico oil spill, a rogue twitter user, operating under the account @BPGlobalPR, gained an audience of nearly 200,000 followers, tweeting such messages as: “We’ve eliminated the huge turtle surplus in the gulf. Next on our list: dolphins, whales and reporters.” Similarly, Greenpeace leveraged online media, making international headlines as they targeted Nestle with a YouTube parody of a Kit Kat advertisement aimed at garnering public support for the preservation of native rainforests<sup>12</sup>.

<sup>8</sup> Kramer, M. R., & Porter, M. E. (2011, Jan-Feb). Creating Shared Value. *The Harvard Business Review*, 63-77.

<sup>9</sup> Werbach, A. (2009). When sustainability means more than green. *McKinsey Quarterly* (4), 1.

<sup>10</sup> @BPGlobalPR. (2011, February 24). *BP Global PR*. Retrieved February 26, 2011, from Twitter: <http://twitter.com/BPGLOBALPR>

<sup>11</sup> Gaines-Ross, L. (2010, December). Reputation Warfare. *The Harvard Business Review*, 70-76.

<sup>12</sup> Milman, O. (2010, July 23). BP Cares. *B & T*, 8.

Despite such publicity, price and quality remain the key drivers with minimal evidence that consumers will actively pursue brands with strong CSR profiles<sup>13</sup>. Accordingly, with no revenue or cost benefit upside to the capital outlays, brand insurance has been the sole business case for implementing CSR policies. When a brand comes under attack for its actions, the best defence is its track record of positive behaviour<sup>14</sup>. Articulated by Neil Makin, the former External Affairs Director at Cadbury Schweppes UK and now Chairman of The Cadbury Foundation, “the costs of not running your business ethically or meeting stakeholder demands can be far greater”<sup>15</sup>.

But the very idea that brands must sacrifice their economic success in order to provide societal benefit immediately reveals the unsustainable nature of CSR as we know it. Profit maximisation necessarily requires lowering costs and increasing revenue; a cost imposed in the form of CSR policies with no ensuing revenue increase or cost decrease is simply unsustainable. In this context, CSR leads to category “commodisation, price competition, little true innovation, slow organic growth, and no clear competitive advantage”<sup>16</sup>.

However, consumer and policymaker pressure will continue to mount and inaction will simply leave brands exposed and ripe for attack from activists. Even more critically, the reality, like it or not, is that the world is faced with multiple challenges such as limited food supplies and other resources, and a post-GFC world of tighter control on credit<sup>17</sup>.

## 2. Creating Share Value (CSV)

Given this context, CSR can serve a greater purpose when reframed as Creating Shared Value (CSV). CSV refers to the idea of “creating economic value in a way that also creates value for society by addressing its needs and challenges”<sup>18</sup>. Rather than philanthropic

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<sup>13</sup> Fearn, H., & Page, G. (2005, September). Corporate Reputation: What do Consumers Really Care About? *Journal of Advertising Research*, 305-313.

<sup>14</sup> Werther, W. B., & Chandler, D. (2004). Strategic corporate social responsibility as global brand insurance. *Business Horizons* (48), 317-324.

<sup>15</sup> Middlemiss, N. (2003). Authentic not cosmetic: CSR as brand enhancement. *Brand Management*, 10 (4-5), 353-361.

<sup>16</sup> Kramer, M. R., & Porter, M. E. (2011, Jan-Feb). Creating Shared Value. *The Harvard Business Review*, 63-77.

<sup>17</sup> Werbach, A. (2009). When sustainability means more than green. *McKinsey Quarterly* (4), 1.

<sup>18</sup> Kramer, M. R., & Porter, M. E. (2011, Jan-Feb). Creating Shared Value. *The Harvard Business Review*, 63-77.

CSR donations, CSV requires investment in the sustainability of the category, the brand and its parent business.

To illustrate, consider the difference between CSR and CSV in the context of cocoa beans. Fair Trade is the established CSR market standard and is a strategy that pays farmers higher prices for the same crop – the benefit being 10-20% increases in farmer income according to Cote d'Ivoire research. In contrast a CSV approach pays no more per bean, but invests in local infrastructure and farmer education. Improved farmer efficiency, yields and quality improve brand quality while delivering increases to farmer income of more than 300%<sup>19</sup>. Ultimately the result is a more sustainable category with reduced costs delivered through improved reliability and quality of supply.

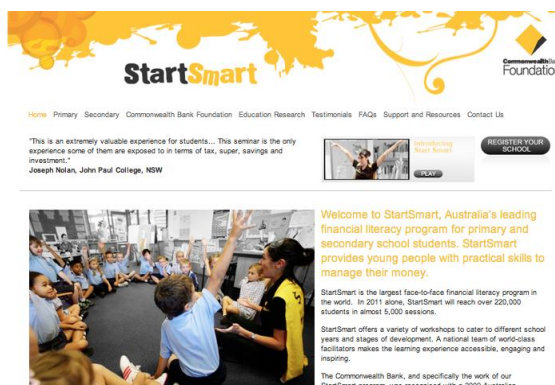


Fig 2.1 CSV concepts apply no matter the product<sup>20</sup>

Growing in popularity, CSV policies are valid no matter the product. PepsiCo is implementing CSV strategies in India, using locally sourced food products, and investing in farmer education and infrastructure<sup>21</sup>. Commonwealth Bank of Australia's (CBA) StartSmart program, a financial literacy program for school-age students, is CSV policy in action. Customers who are financially literate from a young age have higher savings rates and are less likely to default on loans, resulting in improved long-term profitability for the bank, and improved long-term financial success for individuals and society<sup>22</sup>.

<sup>19</sup> Kramer, M. R., & Porter, M. E. (2011, Jan-Feb). Creating Shared Value. *The Harvard Business Review*, 63-77.

<sup>20</sup> Commonwealth Bank Foundation. (2011, January 1). *SmartSmart*. Retrieved January 19, 2011, from StartSmart: <http://www.startsmart.com.au/>

<sup>21</sup> PriceWaterhouseCoopers & The Grocery Manufacturers Association. (2010). *2010 Food, Beverage, and Consumer Products Financial Performance Report*.

<sup>22</sup> Commonwealth Bank Foundation. (2011, January 1). *SmartSmart*. Retrieved January 19, 2011, from StartSmart: <http://www.startsmart.com.au/>

Forget CSR. Sustainable Category Strategies built on CSV policies will enable competitive advantage with lower costs, improved product quality and strong sustainable category growth.

### 3. New media changing Consumer Decision Journey

With CSV policies in place, sustainability will be entrenched at the brand's core. The next phase of a category sustainability strategy is to manage consumer communications. More than just posing a threat to brand reputation when leveraged by political activists, the proliferation of always-on communication devices, internet and competitive media has resulted in profound changes to the way in which consumers assess products in the Consumer Decision Journey (CDJ) – see Fig 3.1. The result is that, for marketers, “the old way of doing business is unsustainable”<sup>23</sup>.

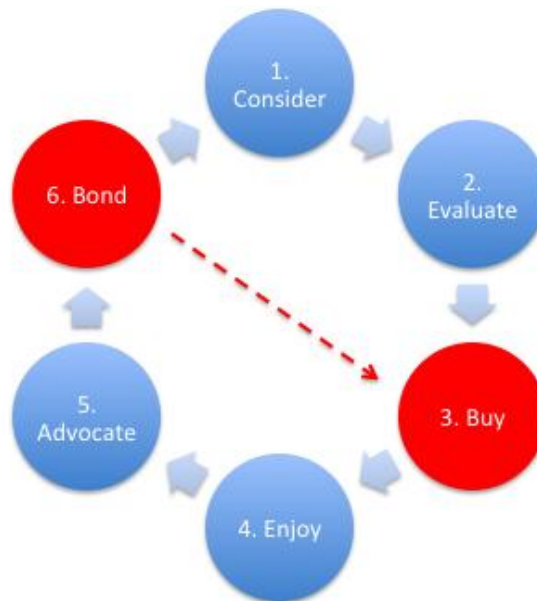


Fig 3.1 Consumer Decision Journey<sup>24</sup>

The traditional model of the CDJ assumed that the largest group of products was in the consider phase, where consumers first became aware of products. Traditionally, consumers whittle down choices in the evaluate phase before buy decisions were made. Traditionally, consumers had little post-purchase engagement with product aside from

<sup>23</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

<sup>24</sup> Adapted from Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

actually using it, although bonds may be formed with the product, resulting in consumers skipping the consider and evaluate phases to immediately repurchase<sup>25</sup>.

The modern media and technological environment has turned this model on its head. Consumers now allow only a limited number of products into the consider phase before actively expanding the pool by seeking product information from friends, retailers and online mediums including social media and brand websites. Increasingly, it is not until the point of purchase that consumers actually make their purchase decision. In a break with traditional marketing models, consumers continue to seek product information even post-purchase, again online is a key medium<sup>26</sup>.

Effective consumer communication strategies now need investment that links CDJ phases. Traditional media channels targeting the consider phase, such as television and billboards, should aim to drive consumers quickly into the evaluate phase by providing information and directing consumers online<sup>27</sup>. Nearly 60% of consumers 'multi-task their media' by using multiple sources of media at once. In the moments immediately following an advertisement, Google searches for that brand spike by a minimum of 1000% - sometimes greater than 2000%<sup>28</sup>. Consumers responsible for this have entered the evaluating stage where they are actively seeking additional information.

The online medium holds relevance right through the CDJ with modern consumers seeking information and interacting with the product even post-purchase<sup>29</sup>. Packaging should educate consumers, directing them online to learn more about the product they are using, to converse with the brand and share their experiences with others – their advocacy of the brand will continue to give returns. As Philippa Marshall, European Communications Manager, Ben and Jerrys (Unilever) says, consumers don't "want you to tell them that you're a great company – they want to hear it from someone else"<sup>30</sup>. Importantly, the brand must follow the established rules of any conversation, online or otherwise – actively listen, appreciate the point of view put forward, and positively respond – quickly and

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<sup>25</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

<sup>26</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

<sup>27</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

<sup>28</sup> Stipp, H., & Zigmund, D. (2011, Jan-Feb). Multitaskers may be Advertisers' Best Audience. *The Harvard Business Review*, 32-33.

<sup>29</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

<sup>30</sup> Brand Strategy. (2006, September). Branding for the Future. *Brand Strategy*, 44-47.

consistently<sup>31</sup>. An online presence is also valuable in gaining online legitimacy and trust for when the brand needs to respond to threats posed by political activists.

With consumers increasingly delaying their purchase decisions until the point of purchase, point of sale material, packaging, product availability and pricing will continue to develop as ever more powerful tools. Given the significance of the buy phase, investing here achieves a stronger return on investment as compared with investing at the consider phase – the traditional phase to spend marketing budgets. Compelling point of sale and investment in innovative pricing will drive a brand harder than any television advertisement<sup>32</sup>.

## Conclusion

Prevailing political and technological headwinds have created an environment in which brands must pay ever more attention to their impact on the world at large. In this context, CSR strategies as brand insurance have become commonplace, yet ultimately remain unsustainable. The reality though is that without sustainability policies, long term brand and category viability is unachievable. In this context, sustainable category strategies start, by necessity, with CSV strategies, which properly implemented, will deliver value for communities and brand owners alike.

With a sustainable brand and category proposition, brands must turn their attention to sustainable consumer communications. Technological and generational influences have turned the CDJ on its head. In response, brands must maintain integrated communications strategies, leveraging online mediums to engage in long-term conversations with consumers. At the same time, point of purchase communication holds ever more significance. Investment here will deliver returns far beyond traditional mediums designed to deliver brand awareness.

Category strategies employ CSV strategies and deliver effective CDJ communication will reward through delivering long-term brand and category sustainability.

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<sup>31</sup> PriceWaterhouseCoopers & The Grocery Manufacturers Association. (2010). *2010 Food, Beverage, and Consumer Products Financial Performance Report*.

<sup>32</sup> Edelman, D. C. (2010, December). Branding in the Digital Age. *The Harvard Business Review*, 63-69.

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Entrant Number: **1048**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

**X/60 X/60 X/60**

**ESSAY 6****Joe Berry Australian Retail Industry Executive Awards 2010**

TOPIC 4: 'Brand Sustainability in a Dynamic Market'

Q. What is the future for key brands in a dynamic market? Create and present a category strategy for sustainable market-share, for a brand product (real, fictional or generalization), in the face of increased marketplace changes and flexible consumer shopping preferences.

**Zach Sutton**

**Coles**

Entrant Number: JBA-11-1254

Word Count: 1,726 words

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## Executive Summary

This paper examines the challenges faced by brands and brand managers in today's dynamic market and puts forward a recommended solution to sustaining brand equity in a competitive product category.

I observe that modern brand managers are beset by a diverse set of challenges including increased global competition, rapidly evolving technology, a proliferation of distribution channels, economic uncertainty, and a fractured consumer base.

In the paper I argue that today's customers care about more than just 'price' and that intangible product attributes related to perceived brand ethics and social responsibility are increasingly relevant to customer decision-making.

I also set out a framework for defining a 'brand promise' and strategies for embedding this promise into the brand value proposition or brand 'DNA'.

Lastly, I use the example of milk to illustrate how these findings can be applied in the real world and what implications these findings have for how brand managers will need to operate in the future to ensure that key brands remain relevant and compelling to tomorrow's consumers.

## Introduction – Branding & Brand Management

Branding – the act of giving a specific product, service, or company a distinct identity based on a set of differentiated associations – is by no means a new business activity. In fact, branding has been practiced in one form or another for a number of centuries. That being said, both the concept of branding and, more specifically, the practice of brand management have changed dramatically over the last half century due to both increasing market complexity and ever more sophisticated buyer preferences and behaviours.

In evaluating the history of brands, brand management, and the brand manager system Low and Fullerton (1994) posit that, “the evolution of brand management has been influenced heavily by changes in the business and marketing environment at both the macro and firm level”.<sup>33</sup> In short, they conclude that brand management has adapted over time in response to changing market conditions, evolving consumer priorities, and general advances in management theory and practice.

However, whilst the principles and practices of brand management have changed considerably during the last century the primary task of the brand manager has remained the same: namely, to build and maintain brand equity and by doing so continue to grow branded product sales over time (See Figure 1).

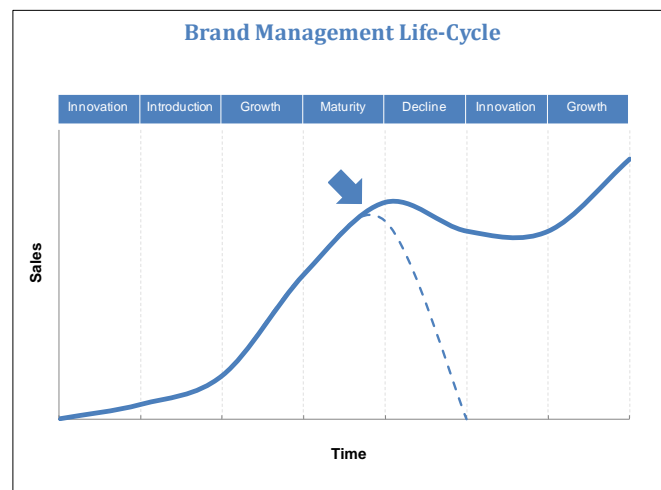


Figure 1 – The Brand Management Life-Cycle

This essay identifies some of the key challenges faced by today’s brand managers in attempting to achieve this objective and sets out a series of potential strategies to drive brand sustainability (that is, to avoid or arrest brand equity decline) in an ever more complicated and competitive marketplace.

<sup>33</sup> George S Low and Ronald A Fullerton; ‘Brands, Brand Management, and the Brand Manager- System: A Critical-Historical Evaluation’; *Journal of Marketing Research*, Vol. 31, No. 2, Special Issue on Brand Management (May, 1994), pp. 173-190

## 1. The Major Challenges of Today's Dynamic Market

The twenty-first century market-place is one characterised by substantial complexity and constant change. Indeed, Shocker et al (1994) identify five major environmental pressures that contemporary brand managers must deal with on a day-to-day basis:<sup>34</sup>

- |    |  |
|----|--|
| 1. | Globalisation of competition and greater openness of markets |
| 2. | Technological change   |
| 3. | Increased power of distributors and evolution of channels    |
| 4. | Investor expectations and brand equity                       |
| 5. | Changing consumer markets                                    |

These pressures can manifest themselves in several different, albeit often interconnected, ways. From an Australian retail perspective, some illustrative examples include:

- The arrival of large well-known international retail brands such as Gap, H&M, Zara, and Uniqlo to local shores and the increased competitive pressure such chains puts on local retail brands
- The ascendancy of online retailing and in particular the ability of Australian consumers to purchase goods directly from overseas bricks-and-mortar retailers like Saks Fifth Avenue, Nordstrom, Brooks Brothers, and Best Buy.
- The greater focus by consumers on value, accelerated by the global financial crisis, and evidenced by the increased proliferation of discount retailers (e.g. Aldi, CostCo, Ikea), outlet shopping centres, and every-day low pricing policies.
- The popularity of generic or private-label brands as substantiated by the Neilson 2009 State of the Nation Report<sup>35</sup> which showed that such products now make up almost a quarter of all supermarket purchases.

<sup>34</sup> Allan D Shocker, Rajendra K Srivastava and Robert W Ruekert; 'Challenges and Opportunities Facing Brand Management: An Introduction to the Special Issue'; *Journal of Marketing Research*, Vol. 31, No. 2, Special Issue on Brand Management (May, 1994), pp. 149-158

<sup>35</sup> Nielsen RetailWorld; 'State of the Nation Report: A review of Australian consumer dynamics and retailing trends'; 2009

- The rising number of mainstream retailers extending their product and service offerings into non-traditional, diversified areas such as financial services (e.g. store credit cards, in-store banking, store branded insurance)
- The phenomenon of brand exclusivity, particularly within multi-brand retailers such as department stores (e.g. Myer and David Jones), and also the trend towards exclusive product lines, product extensions, or products at particular retail stores.
- The elevated importance of green credentials and corporate social responsibility for retail stores and retail brands alike, and the predisposition of a small but fast-growing sub-set of consumers towards favouring all things ethical and organic.

Today's brand managers thus require a different approach than yesterday's brand custodians. In their paper 'Challenges and Opportunities Facing Brand Management' Shocker et al (1994) note:

"Given dramatic changes in the competitive nature of product-markets and technology ... it is understandable that decision processes and organisational structures used to make and implement brand decisions may also need reexamination"<sup>36</sup>

To paraphrase: the brand management practices that used to work then probably won't work now.

## 2. Understanding Consumer Decision-Making

So what does work now? If we come back to what matters to today's consumers we are potentially able to gain some insight into this question.

Research done by the firm MS&L<sup>37</sup> shows that perceived 'value for money' is the most important factor when it comes to selecting a brand (see Figure 2).

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<sup>36</sup> See Note 2

<sup>37</sup> Allyson Hugley; 'The DNA of Brand Distinction 2010 – Transition, Transformation, and Activism in the New Consumer Economy'; MS&L (April, 2010)

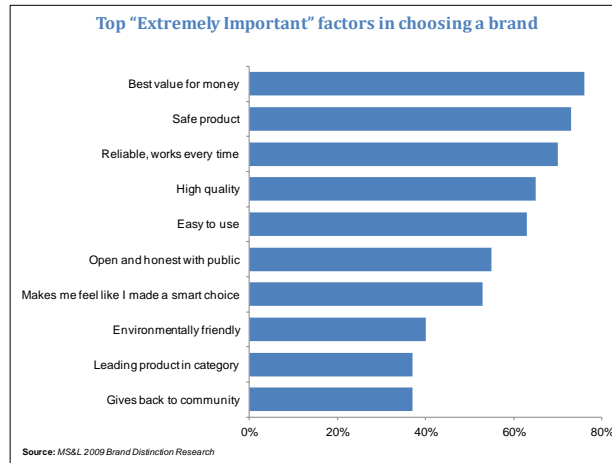


Figure 2 – Top Ten “Extremely Important” Factors in Choosing a Brand

The survey also revealed that safety, reliability, quality, and ease of use are also extremely important.

What is perhaps most interesting however is that corporate honesty, environmental awareness, and community involvement are also amongst the top ten factors influencing the brand decisions of today’s consumers. What this suggests is that modern consumers are concerned not only with the cost and physical attributes of the product they buy, but also with how it is made, where it is made, and by whom.

### 3. **Developing a Robust Category Strategy**

Broadly speaking, a category or brand management strategy is concerned with defining a compelling brand promise and communicating it in a credible and convincing way.

The brand promise may take many forms but fundamentally, it is a pact between the brand and the customer that, the branded product will work ‘as advertised’ and that it will deliver both the explicit and implicit benefits of the product.

Ideally, as part of defining what the brand promise is, the brand manager will define both the physical and emotional attributes of the product as well as the distinctive ownership and relationship benefits that arise as a result of using and being associated with the product.

Figure 3 below shows the relationship between these four brand elements<sup>38</sup>:

<sup>38</sup> Carol Phillips, ‘Rethinking the Brand Strategy Toolkit’, Marketing Executives Networking Group blog, (Jan 2011)

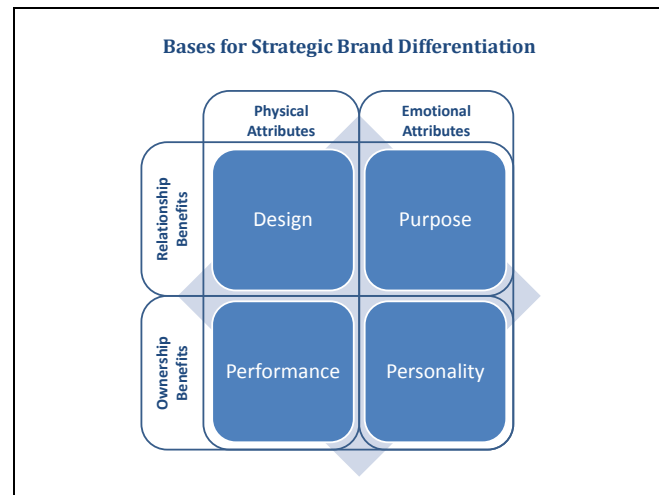


Figure 3 – Bases for Strategic Brand Differentiation

When describing how the brand promise is to be communicated the brand manager must articulate the specific message he or she wants to communicate, determine the communication channels to be used, and optimise the timing and frequency of the communication so as to maximise the use of available resources.

4.

**Approaches to**

#### **Sustaining Brand Equity – An Illustrative Example**

To illustrate one possible approach to driving brand sustainability in a dynamic market let us consider an innocuous product like milk.

With competition in the milk category at an all time high due to major price cutting by the major supermarket chains, it is perhaps timely to consider how a fictitious milk brand might best respond to market pressures in way that would build brand equity and support the preservation of market-share.

First and foremost the strategy dictates that we need to formulate a clear and compelling value proposition. The key here is to avoid becoming a commodity product and being forced to compete with the generic store brands on price alone. In order to achieve this, the product must have a set of distinctive characteristics which enable the average consumer to clearly distinguish it from the private label product.

A suggested set of traits is documented in Table 1 below:

<p><b>Design</b></p> <p><i>“What are the physical characteristics of the product?”</i></p>	<p><b>Purpose</b></p> <p><i>“What beliefs and values does the product represent?”</i></p>
--	---

<ul style="list-style-type: none"> <li>• the use of unique or differentiated ingredients (e.g. organic, locally sourced)</li> <li>• the inclusion of value-add ingredients (e.g. vitamins, minerals, etc)</li> <li>• the use of distinctive or proprietary manufacturing processes (e.g. ultra-pasteurisation)</li> <li>• the use of unique or non-standard packaging (e.g. recyclable glass bottles)</li> </ul>	<ul style="list-style-type: none"> <li>• general deference to quality over price</li> <li>• tendency toward ethical cogency and moral 'rightness'</li> <li>• the primacy of nature, being natural, and consuming natural things</li> <li>• the importance of health, personal well-being, and physical welfare</li> <li>• being environmentally aware and acting in a socially responsible manner</li> </ul>
<p><b>Performance</b></p> <p><i>“What functional outcomes does the product offer?”</i></p>	<p><b>Personality</b></p> <p><i>“What lifestyle attitudes are associated with the product?”</i></p>
<ul style="list-style-type: none"> <li>• positioned as high quality, premium (versus the standard milk offering)</li> <li>• wholesome and natural due to type of ingredients used</li> <li>• healthy and nutritious as a result of extra vitamins and minerals added</li> <li>• food for all the family, responsible choice</li> <li>• reusable, recyclable, good for the environment</li> </ul>	<ul style="list-style-type: none"> <li>• aspirations toward every-day luxury, higher levels of discretionary spending</li> <li>• caring about the provenance of a product, placing a premium on quality</li> <li>• leading a healthy lifestyle, being predisposed toward healthy and nutritious foods</li> <li>• taking an active interest in the environment, being 'green'</li> </ul>

Table 1 – Summary of an Example Brand Strategy for a Branded Milk Product

Based on these attributes and benefits a strong and coherent brand promise can be formed. To effectively communicate this brand promise it is proposed that the brand manager take advantage of contemporary communication channels. While social media like Facebook, Twitter, etc may not be appropriate for a category such as milk there is still a need for modern brands to engage with consumers on a regular basis and interact with them in a meaningful and authentic way.

With this in mind, a suitable communications strategy may be to leverage the natural and healthy positioning of the brand and align this to media which espouses similar values. This may include advertising on specialist web-sites or magazines which are related to the environment, premium cooking and food, general nutrition, and/or healthy lifestyles. Specialist distribution channels may also be used to reinforce the premium and/or healthy nature of the product (e.g. Thomas Dux, independent grocers, and health-food stores) Lastly, from a brand management standpoint, it is critical that the brand does not attempt to compete directly with the private label brands on price. While the research shows that 'value for money' is a critical driver of customer decision-making, there is room for brands at all points on the price scale. Therefore, in this scenario, it is proposed that the brand charge a higher price than 'standard' milk brands on the basis that it promises to deliver a superior customer experience.

## **Conclusion**

What does this all mean for key brands and today's brand managers? Allyson Hugley, Director of Insight Creation at MS&L, notes that: "brands have two choices – distinction or extinction"<sup>39</sup>. Indeed, it may be argued that the future of key brands as described in this paper is mixed.

While it may be said that consumers generally still place a premium on brands, this premium appears to vary widely across different consumer segments and product categories. Moreover, as the universe of brands available to modern consumers grows infinitely larger the ability of a brand to effectively distinguish itself from other similar products is made all the more difficult, further complicating the job of the brand manager.

While the future of key brands are not in immediate danger these trends point to the fact that brands in general are subject to a greater number of threats than ever before. To successfully navigate and address these challenges requires brand managers to come up with a well planned and executed brand management strategy. Furthermore, the role of the brand manager must also evolve to become a more entrepreneurial, creative, and risk-taking occupation so as to ensure that key brands not only survive but flourish.

The potential lessons to be learned by brands and brand managers out of all of this are therefore twofold. Firstly, brands must have a distinctive and compelling brand promise. Secondly, brand managers must continuously revisit and refresh the brand promise to ensure it aligns with changing economic circumstances and consumer preferences. And lastly brand

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<sup>39</sup> See Note 6

managers must make sure that the actual product or service experience is consistent with the desired brand identity and that it delivers on the advertised brand promise.

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Entrant Number: **1254**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

X/60

X/60

X/60

**ESSAY 7****Joe Berry Australian Retail Industry Awards 2011**

**TOPIC 4** – In a dynamic market place brand management continues to be a major priority for manufacturers. With frequent takeovers changing the management landscape and retail buying patterns being constantly reviewed, keeping brand momentum is difficult. Generational influences are also changing with new types of media evolving and becoming more accessible. Sustainability of a brand becomes more difficult at each turn.

**Question** - What is the future for key brands in a dynamic market? Create and present a category strategy for sustainable market share, for a brand product (real, fictional or generalisation), in the face of increased market place changes and flexible consumer shopping preferences.

**Brad Watson  
Campbell Arnotts**

Entry Number JBA-11-1324

Word Count 1788

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## **Executive Summary**

In Australia's dynamic grocery market place, brand sustainability remains a key strategic priority for manufacturers of branded products. This essay presents the key, significant external pressures to sustainable market share; increased market place changes and flexible consumer buying behaviour. Underpinning these market place and consumer behaviour changes are four key threats; Aldi and Costco's increasing presence, the expansion of Woolworths' and Coles' private label, catalogue culture and media landscape complexity.

Utilising statistical analysis, these challenges to brand sustainability are presented and quantified based on the statistical significance of their challenge to brand sustainability and market share.

Once the key challenges are presented, a detailed Category Strategy Model presents the five key stages required to defend and grow market share and ensure long-term brand sustainability in the Australian grocery industry. Throughout the Category Strategy Model, relevant Australian grocery industry examples are used. These examples are used to demonstrate (from a "generalisation" perspective) the actions required to defend and overcome the aforementioned challenges and prosper in the face of increased market place changes and flexible consumer shopping preferences.

## **Introduction**

Within the dynamic, Australian retail market place, brand sustainability is a key strategic priority for branded manufacturers, ultimately underpinning long-term, profitable market place success. This paper explores several key external pressures to brand sustainability; increased market place changes and flexible consumer buying behaviour. Preceding the identification and discussion of these challenges, a solution based category strategy is proposed, designed to ensure long term brand sustainability. The future of brands within this dynamic retail landscape hinges on a multitude of key internal factors. These factors are illustrated in the Category Strategy Model and include the provision of a positive value equation, relevant uniqueness, keeping investment flowing, innovation and advertising investment, presented using a brand product "generalisation" perspective.

## Threats to Brand Sustainability

### Market Place Changes and Flexible Consumer Shopping Preferences

The dictionary definitions sustainability as: “To keep in existence”<sup>40</sup>.

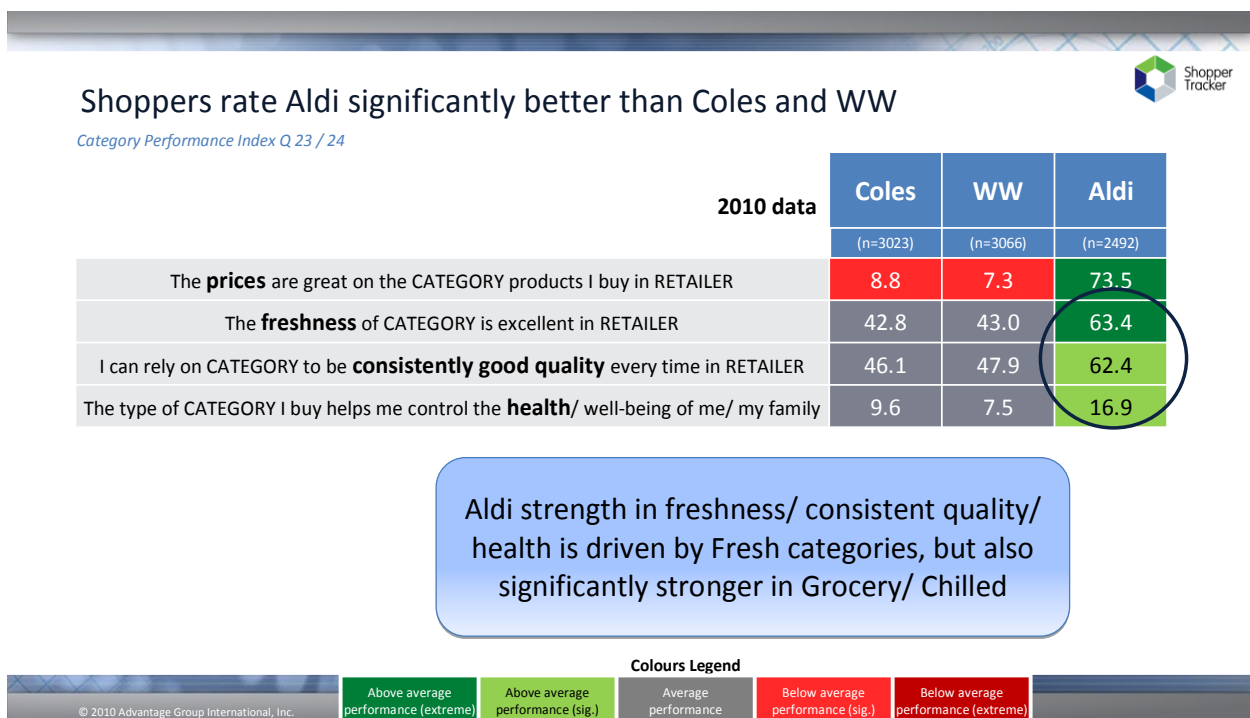
Threats to branded products’ existence, in recent times, have emerged with changes in the Australian retail market place. These changes include:

- Aldi and Costco’s increasing presence
- Growth of private label within Woolworths and Coles (Wes-Farmers)
- Catalogue culture (deeper retailer discounting) and lack of shopper loyalty
- Media landscape complexity

### Aldi and Costco’s Increasing Presence

Figure 1.1 indicates that Aldi is significantly outperforming Woolworths and Coles on price, freshness and quality. Manufacturers must consider the implications of losing turnover in Woolworths and Coles as shoppers potentially shift to Aldi and the flow-on effect of increasing levels of trust in private label.

## ALDI CONSUMER PERCEPTION



**Figure 1.1**<sup>41</sup>

<sup>40</sup> Yourdictionary.com.au

<sup>41</sup> Shopper Tracker. Understanding the Shopper - Grocery Retail. 2010. The Advantage Group International Incorporated

Since Costco members pay an annual fee of \$60 (already, their Docklands store in Melbourne has a membership of over 100,000<sup>42</sup>), Costco shoppers should have higher levels of store loyalty. This threatens branded manufacturers not ranged in Costco. Costco's Docklands store reported total revenue of \$165.9 million for the 2009-10 financial year, turning over three times more revenue per week than a large Australian grocery store<sup>43</sup>. This demonstrates Costco's ability to poach or reduce loyalty within Woolworths and Coles.

### **Growth of private label within Woolworths and Coles**

As private label continues to follow global trends and increase its market share, it will further increase pressure on the growth prospects and brand sustainability of existing grocery brands. "Pragmatic consumer behaviour will continue"<sup>44</sup>. In 2010, 40% of consumers consciously reduced their grocery spend. To quantify this, private label recorded an increase in value share for the quarter to 2nd October 2010, to just under a quarter (23.9%) of total supermarket sales<sup>45</sup>; their highest ever. This is an alarming statistic for suppliers of branded goods, lacking significant differentiation. Furthermore, all consumers purchase private label products, with household penetration at 100%, with the average spend per household exceeding \$200 in the latest quarter, which is an increase of 1.7% on the prior quarter<sup>46</sup>. This is the first time that this level of market share, penetration and spend has been achieved and is a pivotal milestone in the private label trend, demonstrating increased levels of trust in private label, presenting further challenges to brand sustainability.

### **Catalogue Culture, Deeper Retailer Discounting and Lack of Shopper Loyalty**

Richard Reeves (The Nielsen Group) estimates that up to 30% of all grocery purchases are made on promotion<sup>47</sup>. When analysing average basket value, there has been a 5% decrease in value when compared to year-ago<sup>48</sup>.

This trend has been driven by retailers' own pricing and promotional strategies including:

- Coles – "Down. And staying down" campaign
- Woolworths – "Shelf Price Reduced" campaign
- Aldi's – "Shelf Prices Cheaper than 2010" campaign

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<sup>42</sup> Sydney Morning Herald. <http://www.smh.com.au/business/costco-wheels-out-aggressive-expansion-plans-20110220-1b105.html>.

<sup>43</sup> Sydney Morning Herald. <http://www.smh.com.au/business/costco-wheels-out-aggressive-expansion-plans-20110220-1b105.html>.

<sup>44</sup> Nielson. Global Consumer Confidence, Concerns and Spending Report. Page 10. January 2011

<sup>45</sup> Nielson. The Year That Was Report – 2011.  
<http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

<sup>46</sup> Nielson. The Year That Was Report – 2011.  
<http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

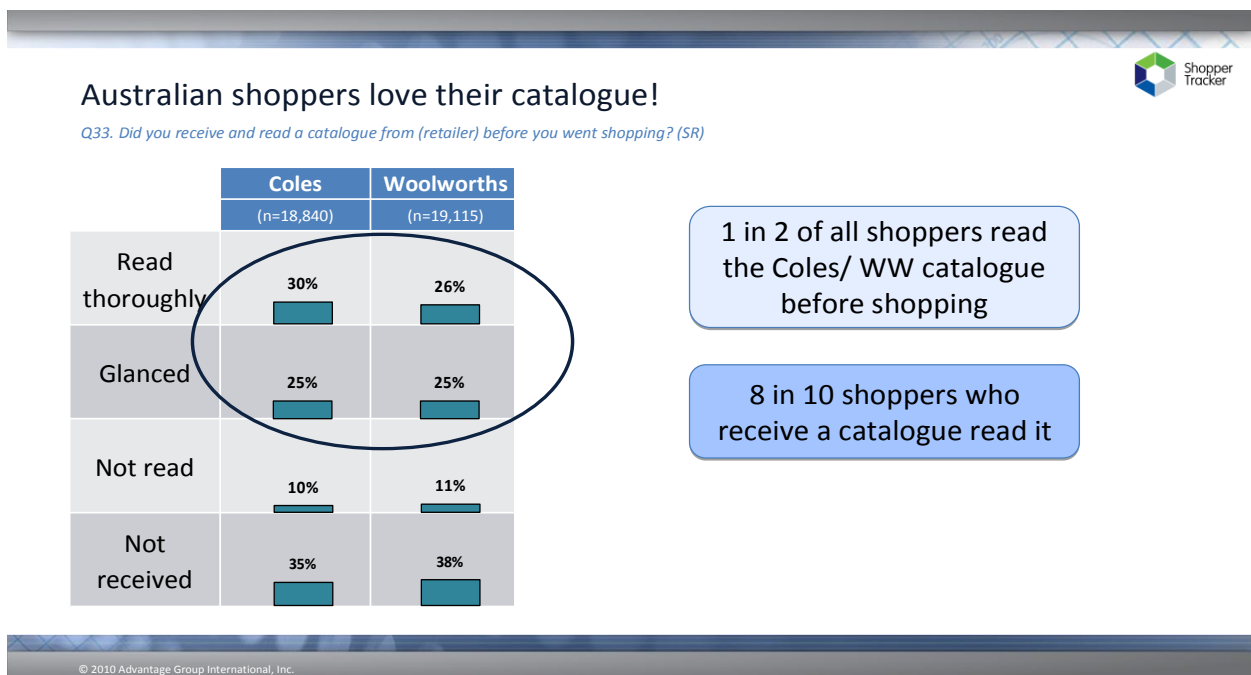
<sup>47</sup> Retail World July 19, 2010.  
<http://au.nielsen.com/site/documents/RWJulyReport-FINALlowres.pdf>

<sup>48</sup> Nielson. The Year That Was Report. January 2011.  
<http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

These statistics provide a profitability challenge as the ratio of promotional purchases potentially increases. As a result of multi-buys; volume and sales value increases in-line with AWOP. If price promotions become the future of consumer behaviour, the investment in this field may need to be more weighted to defend market share, however it can erode brand value when price becomes the significant lever of consumer purchase.

Figure 1.2<sup>49</sup> below demonstrates this trend, highlighting that eight in ten shoppers that receive the Woolworths or Coles catalogue read it.

## CATALOGUE CULTURE SHOPPING BEHAVIOUR



**Figure 1.2**

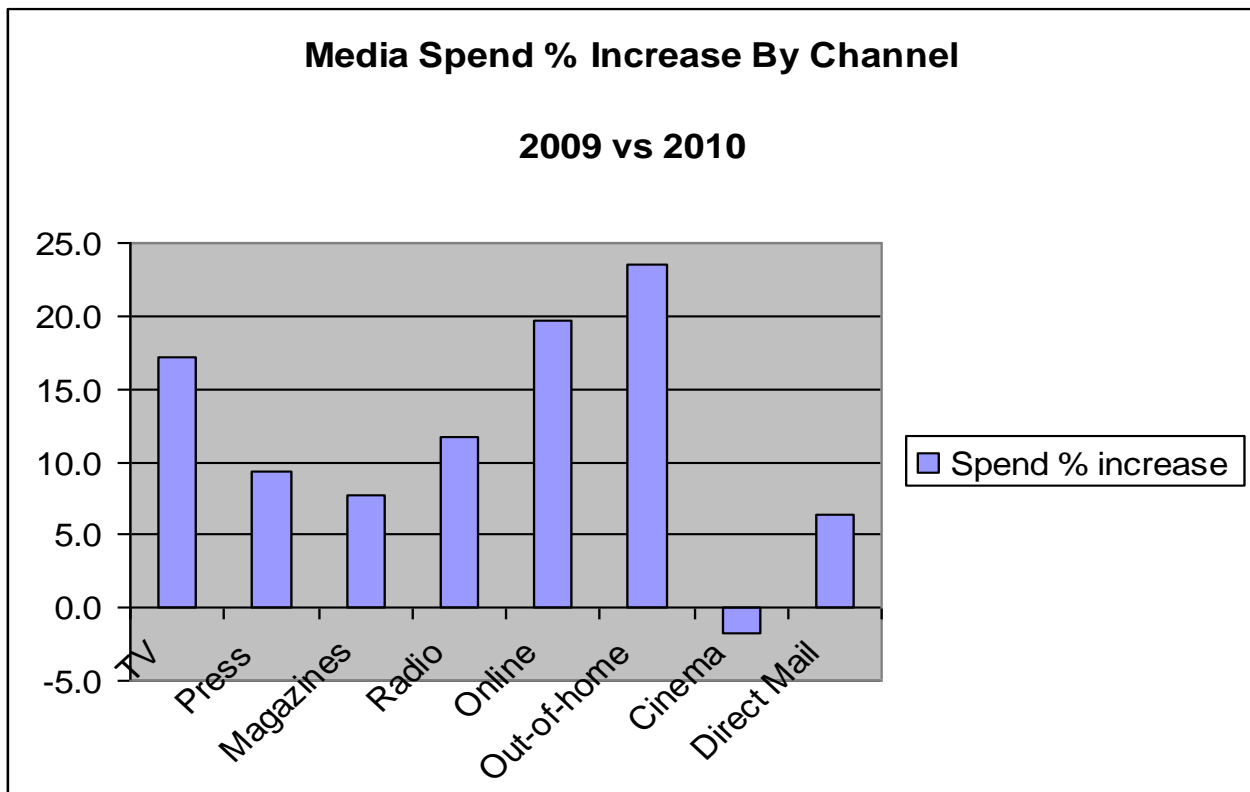
In addition, 27% of all Coles shoppers visited Woolworths in their most recent shopping trip and 16% of Woolworth's shoppers visited Coles in their most recent shopping trip<sup>50</sup>. Australian shoppers now have a high store repertoire, increasing pressure on brand sustainability through lack of consumers' retailer loyalty.

<sup>49</sup> Shopper tracker Understanding the Shopper Grocery Retail 2010

<sup>50</sup> Shopper tracker Understanding the Shopper Grocery Retail 2010

## Media Landscape Complexity

Connecting with consumers is becoming increasingly complex. 2010 saw growth in the popularity of mobile devices, which are captured in Figure 1.3 as “Out of Home”. This segment has been promoted by product developments such as the iPad, iPhone improvements and smart-phones, leveraging solutions including Facebook. This swift evolution presents a threat to brand sustainability, as the appropriate ratio of advertising budget allocation to this vehicle is still unclear. As is visible in Figure in 1.3<sup>51</sup>, advertisers have increased media spend 24% versus prior year in “Out of Home”; the largest increase across all media channels however the true capabilities and long-term value of the channel is still unclear.



**Figure 1.3**

<sup>51</sup> Nielsen. The Year That Was Report. 2010.  
<http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

## Category Strategy:

The Category Strategy Model below (Figure 1.4) demonstrates the endless cyclical behaviour required to provide constant brand product review and innovation, ultimately extending product life cycle and sustaining market share. Participation in this cycle is required in order to maintain brand sustainability in the face of Aldi and Costco's growth, private label expansion, catalogue culture, reduced shopper loyalty and media complexity challenges.

It is critical that an understanding of this competitive environment is matched with knowledge and funding from within its internal organisation. These actions need to result in the creation of strong financial returns and brand sustainability<sup>52</sup>.

### CATEGORY STRATEGY MODEL

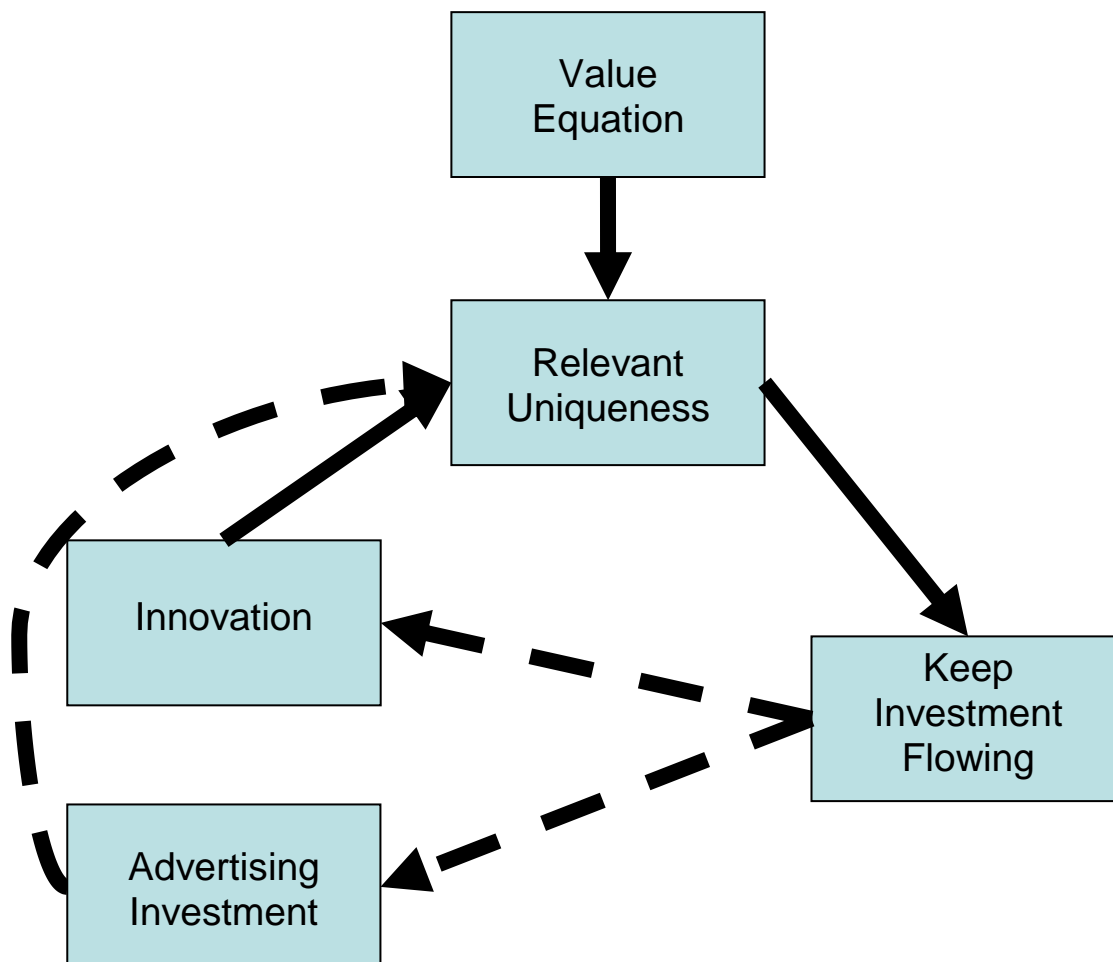


Figure 1.4

<sup>52</sup> Hoskisson, Hitt, Ireland. 2004. 'Competing For Advantage'. P136.

## **Value Equation**

The first key component in maintaining branded market share is satisfying the consumers' value equation; the level of differentiation between the branded offer and the private label/competitor offer, determined by the pricing policy and the in-store promotional program. Through differentiation, brands retain the right to apply a pricing strategy that justifies a premium over private label or competitors.

A recent example where the disparity between private label and branded has widened too far is the retailer led milk pricing situation in February 2011. Coles and Woolworths reduced the two litre price of full cream and light milk to \$2.00, exposing the branded offer of Lite White at \$4.77. Immediately the branded offer slowed significantly in sales and the "Use By" date became a hindrance as low shelf life became a problem. An inspection of the dairy cabinet quickly provided a summary of the consumers' silent negotiation – switching to private label. Through applying the Category Strategy Model to this scenario, the value equation is not compelling enough for consumers to purchase branded milk and nor was it prior to this price-comp (with private label milk share at 51%, pre price comp<sup>53</sup>). Therefore, a significant point of difference needs to be acknowledged such as; displaying a Heart Foundation Tick, increased shelf life through ultra heat treatment options or lid sealing improvements (guaranteeing leak resistance or superior freshness); achieving enough "value" to prompt consumers to brand-switch back.

## **Relevant Uniqueness**

Once a compelling value offer is created, manufacturers must establish physical or emotional differentiation. There is no value in providing a unique point of difference if the consumer does not perceive it as relevant. Therefore, it is imperative that a Multi-attribute Attitude Model<sup>54</sup> review is performed in order to understand the consumers' key drivers for brand selection. Cherry Coke's unique flavour attribute was simply not a sought after attribute with the resulting deletion of the single key unit.

This is in contrast to the successful nurturing and development of the oats (porridge) category by Uncle Toby's. In 2006, the oats category was growing at 6.8% growth p.a. Then, in 2007 it grew by 12.6%, 17.6% in 2008 and 16.4% in 2009<sup>55</sup>. Uncle Toby's were tactical in altering the consumer perception of porridge. In their communication, all reference to "porridge" was replaced with "oats". They launched handy single serve, microwavable cup formats, exciting flavours and a time frame of ready-in-one-minute to appease all consumers. Uncle Toby's grew the oats category through their unique format and ensured some market share defence by providing relevant uniqueness.

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<sup>53</sup> Nielson Private Label Report. Quarter 3 2010. Page 44.

<sup>54</sup> George E. Belch, Michael A. Belch 1998. 'Advertising and Promotions. An Integrated Marketing Communications Perspective', Fourth Edition. The McGraw-Hill Companies. P117

<sup>55</sup> Brand Battles Australia. <http://brandbattlesaustralia.blogspot.com/2010/07/porridge-comes-to-boil.html>

### **Keep Investment Flowing**

Once relevant uniqueness is achieved, the manufacturer's internal belief in the brand must follow. Partnering closely with retailers is the key to long term brand sustainability, as through agreement on strategic plans, capital expenditure funding can be confidently allocated internally to innovation and new manufacturing lines, in order to provide category solutions for retailers. Without this partnership and transparency in long-term planning, confidence levels between the two parties reduces. Through keeping investment flowing in independent category insights research, advantageous planograms must result post review, maintaining/increasing share of shelf. Providing Account Specific Promotions (ASP's), leveraged with off-location displays approved in the Pocket Planners strengthens retailer confidence in the relationship.

There is another link from the "Investment" stage to the "Advertising" stage of the flow chart. It is equally important to maintain funding in informing customers of your brand innovations as it is in delivering innovation and shelf layout wins.

### **Innovation: Innovation or Evolution of Product or Message**

With investment flowing into the Extra brand, Wrigley's managed to reposition its gum through innovation of both product and message. Wrigley's shifted consumer perceptions from a gum breath-freshener, into a dental solution and ultimately a hygiene requirement endorsed by FDI (World Dental Federation). No references to breathe-freshening are on the current packaging. Through product and message evolution, consumers allowed it to command a higher shelf price.

There must be a perception of quality, memorability and specialisation<sup>56</sup> for the consumers to perceive and more importantly, believe the offer is meeting their value equation. This "Innovation" stage therefore links directly back into the "Relevant Uniqueness" stage.

### **Advertising Investment**

The "Keep Investment Flowing" stage flows into the final "Advertising Investment" stage. Now with all controllable internal factors having been addressed, the retailer is engaged with the brand and promotional plans and the long term sustainability of the brand outlook is positive. In order to ensure consumer demand is high, communication to the relevant target market needs to achieve optimum reach and frequency rates. As Nielson so accurately state:

"The key challenge is for marketers and agencies to understand, quantify and increasingly engage with "connected consumers" across a continually diversifying media ecosystem"<sup>57</sup>.

<sup>56</sup> [http://www.ehow.com/info\\_7769842\\_competitive-store-vs-brand-names.html](http://www.ehow.com/info_7769842_competitive-store-vs-brand-names.html)

<sup>57</sup> Nielson. The Year That Was Report. 2010.

<http://au.nielsen.com/site/documents/TheYearThatWasADNEWS14Jan2011.pdf>

## **Conclusion**

In conclusion, the dynamic Australian grocery industry is becoming increasingly complex for branded manufacturers to navigate. With Aldi and Costco competing for grocery market share, private label sales increasing to a record 23.9% of total sales and 30% of total grocery purchases now made on promotion (to increasingly fickle and disloyal consumers), the challenges of maintaining brand longevity and market share are becoming increasingly difficult. As demonstrated in the Category Strategy Model (using relevant industry examples), the compelling value proposition, relevant uniqueness, internal investment accompanying an effective communications strategy leveraged through appropriate media will provide a structured defence against increasing market share pressures. As the Category Strategy Model has no end point (thus ensuring constant brand review), maintaining relevance and share in the market will reward those that employ strategies to remain relevant to consumers.

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Entrant Number: **1324**

Criteria	Comments	Score 1 x/10	Score 2 x/10	Score 3 x/10
Introduction				
Body of Essay				
Continuity and Flow of Information				
Research				
<i>Depth of knowledge</i>				
<i>Summary and Case made</i>				

**X/60**

**X/60**

**X/60**