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RETAILIZATION

BRAND SURVIVAL IN THE AGE OF RETAILER POWER

**DONORS: LARS THOMASSEN, KEITH LINCOLN
& ANTHONY ACONIS**

BASED ON THE INTERNATIONAL RETAILIZATION STUDY
CONDUCTED IN COOPERATION WITH ACNIELSEN

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**LARS THOMASSEN, KEITH LINCOLN
& ANTHONY ACONIS**



London and Philadelphia

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This book is dedicated to Christina, Susan and Claus for patience, support and love

Our biggest challenge is to teach this company to be retail driven.

Jørgen Vig Knudstorp, CEO, LEGO Group – interview, July 2005

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Thank yous!

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Preface: surviving the squeeze

Imagine a mountain of brands, a very big mountain of brands: a mountain so heavy and so dense, everything in it has been squeezed. It has been squeezed physically to a point where the individual brands have lost their form and identity. And right in the middle of this heap is *your brand*.

This is the reality for the majority of brands today. They are part of that squeezed mountain. They are fighting for their very survival. They are fighting for their identity. They are fighting for their sales.

Managing a brand these days is an increasingly difficult job and no longer glamorous. It is a job that is under more and more strain, a job that is about survival – squeezed by everyone:

- squeezed by retailers;
- squeezed by shoppers;
- squeezed by private label;
- squeezed by media.

The first of these squeezes is the *retailer*. We face a new era that will not go away – a new era called ‘the era of retail power’. When the largest retailer in the world is now several hundred times larger than an individual brand it is clear where the power of the business world is residing. When only a few retailers control 75 per cent of an individual market and the biggest brands control less than 1 per cent, it is clear where the real power lies. When a few buyers at a few major retailers determine total effective consumer choice, it is clear where the real power lies. We used to live in a world where brand power was all, but slowly and inexorably brand power is being replaced by

retail power. Brands used to have scale, meaningful marketing clout and endless innovations. Today retail has massive scale (increasingly global), shopper clout (money spent) and endless innovations. Companies need to sell but are they being allowed to? The squeeze is on.

The mountain here is the shelf: a shelf in a supermarket, a shelf in a concept store or a shelf on the internet. Once the shelf was the place we proudly displayed our brands. Now it's the place we fight to stay on. Now it's the place we can be evicted from on the smallest whim. For reasons we will fully explain later, the retailers of the world are bigger, more dynamic and more in control than they have ever been in their long history. Whether we like it or not, retail is at the core of all our business decisions today.

We believe this squeeze has taken us to a new type of world. It's clear that this new world has some big fish and some little fish. The biggest fish of them all is the global retailer. This new breed of super retailer increasingly gets its own way. It can decide to swim with the small fish or simply gobble them up and spit them out. The little fish are of course the brands. There was a time when they were as big as the biggest fish. Now they are a mere reflection of them, a pale reflection of what was once a spectacular success. The big fish have been allowed to conquer the oceans. They have been simply the best when it came to surviving. They have grown constantly, developed their abilities and successfully understood their environments. They have understood their shoppers like never before, and serviced them with increasingly better value propositions. But that hunt for value is at a cost – squeezed and struggling brands.

The second of the squeezes is the *shopper*. A curious thing has happened to consumers – they have changed into shoppers! But they are not the shoppers of old, the easily controllable consumers who used to passively listen to mass communication telling them how, when and where to shop. Now we have shoppers who are truly in charge, truly making their own decisions – today's shopping kings and queens. Welcome to the age of the shopper.

Today's shoppers are people who genuinely adore the whole process of shopping. It has come to dominate their lives. They control their shopping destinies and they dictate their own lifestyles. They define themselves through the very act of shopping. They are no longer passive servants to brands, they are the masters of their new shopping universes. They choose the brands they want for their own reasons. And boy, do you have to stimulate them. They demand new shopping experiences/events that make shopping an even more essential part of their lives. They insist on clarity, participation and involvement. As people search for more success in their

lives, their expectations are ever on the increase: expectations that have to be met when they shop.

The verb 'to be' has literally been replaced with the verb 'to have'. We shop therefore we are! Our lives have become lives of shopping, and shopping has become one of the key driving sociocultural phenomena of the 21st century. Shopping has never been a more potent force in our lives. Shoppers have never demanded as much and squeezed more from their brands.

That brings us to the third squeeze: the *private label* squeeze – the ultimate brand replacer. Private label exceeds 50 per cent market share and over 40 per cent of earnings for some retailers in some major markets. With the increasing global shopper acceptance of private label, retailers need to worry less and less about brands. They have their own little fish and they are increasingly profitable in nature. Premium private label in particular is an increasingly attractive option for the retailers, and it is growing like never before. As shopper acceptance for private label continues to increase and more importantly quality perceptions start to match brand levels, the squeeze will grow and grow. These are great products (we can even call them brands) at great profits. Who is in charge of the brand these days, the manufacturer or its retailers?

Finally there's the last squeeze: the *media* squeeze. This is a squeeze that has started to change the prime objective of brands – the ability to stand out from the crowd. As traditional mass media is in part replaced by new media opportunities, the very nature of communication has evolved. The main conventional point of media, the creation of awareness, may have changed with respect to its strategic relevance. In the new environment, is awareness as achievable? Is it as sustainable? Is it as relevant? We love shopping. This is where communication to consumers or – more accurately – shoppers is happening. This is where the consumer has moved from 'You tell me' to 'I'll tell you!' This is where the power lies. Brand selection has taken over from brand awareness as the main brand communication focus. The changing nature of communications will continue to squeeze our brands' ability to effectively differentiate themselves.

So how can we avoid being squeezed? How do we '*unsqueeze*'? How can we survive? How can we regain and recharge the brand power we once had and restore the balance in an increasingly unbalanced world? The squeezes we describe are not negative forces. They are also not new. Some of these squeezes have been emerging over a period of over 20 years. They simply reflect a new world where the cumulative squeezing power of these forces have become unbearable for brands. What is new is the urgent need for brands to react to them to guarantee their survival. Brands are in danger of becoming the dinosaurs of the new era and it's important that they evolve.

Their very survival depends on their ability to survive. Our blood transfusion pack on the cover of the book shows one way of surviving. We too can find our own blood pack to gain energy and reflate ourselves. We call that blood pack *retailization*. We view retailization as a source of energy and ideas that can restore your brand power. The solution is obvious, and it's inherent within the blood pack. A new way of thinking about retail is our start point. We need to turn the squeezes to our advantage. We need to use the very things that threaten us to grow us. We use the power of the new retail era as a catalyst for your own evolution. We help you reconnect your shoppers to your brands through the power of retail thinking.

You must confront the new reality of the squeezed brand, the new reality of the age of the retailer. The key is to think like a retailer and brand from the shelf and out. It is a whole new ball game out there with new rules, new tactics and new tools. You can do all the conventional marketing in the world, but it is not going to guarantee your survival. You must rethink and potentially reverse your conventional ways of thinking about the world, reverse the brand thinking, marketing and spending patterns which you have traditionally taken for granted. Marketing as we know it is being severely challenged, and there is an overwhelming need for new communications formulas. It needs redefining. Like a retailer you need to find ways to encourage purchase and trial at the point of action. You have to focus on that point of action: the point where shoppers really get involved, the point of brand selection. Even your products may need to be rethought through to maximize their impact in the new retail environments that face us. Finally your entire organization needs to be retailized to bring out the best from your retail strategies: fresh thinking, new perspectives, new actions.

The shelf from where you sell must become the most powerful pivotal force in your world. The very concept of the brand is transforming – *from branding to the shelf to branding from the shelf*. This is where the action increasingly takes place. This is the arena you must master. It is critical for your business to *rethink, reimagine and restructure*, your entire business and your marketing efforts around that shelf, whether that shelf is a supermarket shelf, a high-street store, trade fair, internet site or shopping mall.

The reward for dealing with the issue is the ultimate reward for any brand: loyalty. Loyalty means sustained sales, it means growth and it means a future. We are living in a world where everyone searches for the next sale. Retail is fundamentally critical because no matter how hard you work at developing products and brands there is little point if you cannot sell them to your ultimate consumer. We may not all know it, but we are in a new era. A new world has emerged, one that has very different rules and one where we will

have to rewrite everything we thought we knew about marketing. It is a new world where organizations will have to embrace retail in ways they have never done before, a new world where we will act and behave in very different ways, a new world where we have to understand the shopper from beginning to end. The result will be a transformed brand – a brand that’s shopper relevant – a retailized brand. It’s a brand that has a reignited fire, a brand that thrives in the era of retail power.

This book will try to reveal how the world’s most successful brands sell themselves to today’s increasingly demanding shoppers and retailers. Two years in the analysis, ‘retailization’ is perhaps arguably the largest study ever conducted on how corporations and their brands are dealing (or not dealing) with this new era. The study includes an international analysis of the attitudes to the relationships between retailers, brands and shoppers in key retail markets, conducted exclusively for us in close cooperation with the world’s leading retail research company, ACNielsen. In addition we have conducted extensive interviews with some of the leading global brand marketers and drawn on countless cases and examples. We’ve talked to the likes of P&G, Coca-Cola, LEGO and B&Q, to name a few.

Who can benefit?

This book is for anyone in any company that wants to increase the sales of its branded products. This will extend from the CEO to the brand manager to the sales person. The issues we explore are pertinent to all of these people, and increasingly relevant to their futures. Our experience to date has shown us that senior management has enormous interest in this area, as it represents their most critical strategic issue, one that continues to grow in importance, one that needs a guide. The messages and lessons of this book are targeted at everyone in sales and marketing today, whether as a manufacturer, retailer or communications agency; whether they are directly involved or indirectly involved; whether they are an assistant brand manager or the CEO; whether they live and work in the United States, the United Kingdom, Scandinavia or China.

We have been brought up to believe in the power of advertising and the brand above all. But we have over time woken up and increasingly understood and started to deal with the new powers: the power of retail and the power of the shopper, the overwhelming forces shaping today’s corporations. We live in a world where everyone mentions retail, everyone talks about it, but very few people are doing anything about it! We live in a

world where the real issue for many brands is surviving the squeeze. The future is not about the death of brands, it's about making brands work in the era of retail and shopper power. It's about recharging their power and re-establishing their relevance in a world of retailers.

Do you want to survive the *squeeze*?

Are you ready to *retailize*?

Thank yous!

It took more than three people to write this book. First and foremost we would like to thank the people who graciously took the time to talk to us about retailers, brands and shoppers. Without them the book wouldn't have been as comprehensive. An invaluable contribution. Thank you.

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1

The rise of the retailer

The first squeeze is only going to get bigger and bigger

Tawas City, Michigan, has a population of 2,009. Tawas City also has a brand new 155,078 square foot Wal-Mart Supercenter. That is roughly 78 square feet of shopping per person. The whole of the population of Tawas City could comfortably fit inside their new Wal-Mart at the same time.

The Tawas City Wal-Mart opened its doors on 18 May 2005. As well as bringing everyday low prices to the citizens of Tawas City, Wal-Mart also brought 280 new jobs. The new superstore features 36 general merchandise departments including apparel and accessories, fine jewellery, a lawn and garden centre, health and beauty aids and a full line of electronics. The store also offers a bakery, a delicatessen, a frozen food section, and meat, dairy and fresh produce sections. It is open to customers 24 hours a day, seven days a week and includes 13 full-service, two express and four self-checkout lanes (Wal-Mart, 2005a). Shopping has come to Tawas City in a big way.

Welcome to the age of the retailer

We have moved from **the age of the brand to the age of the retailer** – a shift that has led many brands to a near chronic state of constant stress and confusion. They suddenly find themselves on the defensive as the chaos of change and disorder threatens the very foundation of their brand-based businesses. Not only are brands up against increased private label penetration and ruthless copy piracy, they are also facing supercharged and super-conscious shoppers who are more informed and more discerning than ever.

2 Retailization

However, their biggest challenge comes from some of the biggest players of commerce the world has yet seen – the global retailers. The sheer scale, concentration and power of retailers has left the world of brands breathless and scared. Increasingly, a few retail chains control most of the packaged goods retail business in most key markets of the world. Brands like to think they own the shopper, but the balance has tipped towards the retailer.

- According to *Fortune* magazine (Boyle, 2003), the largest discount retailers are responsible for 80 per cent of the daily groceries sales in the United States – 10 years ago it was only 30 per cent.
- In the United States, retail is the second largest industry in terms of both establishments and number of employees, generating approximately \$3.8 trillion in sales (About, 2005).
- In the United Kingdom, four chains have 75 per cent of the grocery market (*Economist*, 2005a) and nearly one pound in every eight is spent on shopping at Tesco (Couch, 2005).
- In Scandinavia the major retailers have more than 80 per cent of the market – a staggering 91 per cent of the Finnish market is dominated by three retailers (www.kesko.fi; www.s-kanava; www.tradeka.fi; www.elanto.fi).
- Aldi, Germany's big discount retailer and one of the strongest retail brands in Europe, has a market share of the German discount market of approximately 50 per cent (Ramos, 2004).
- Even in China the retail market is already dominated by four major retailers (Ørskov, 2004).

With these sorts of shares it is pretty clear who is in charge. As one grocery retailer CEO told us, 'Whoever owns the shelf, owns the market.' The consequences of the above numbers are self-evident. Not only are retailers increasingly taking charge of the brands' customers, they are also starting to own the key points of contact with them. They often know their customers much better than any individual brand. They increasingly own and shape customers' consumption patterns, influencing not only how they buy brands but also which brands to buy. Retailers increasingly dictate the prices charged and are themselves setting the terms for their relationships with each individual brand. This is much to the frustration of many brand owners, which to a large extent find themselves with no other option than to do exactly what the retailers tell them to do. No questions asked. The only thing on their mind is simply trying to maintain distribution.

Consider this text on the front label of UK retailer Pret A Manger's own brand Lemon Barley:

We've wanted to create a preservative free, chemical free alternative to cola for ages. The truth is we sell tonnes of cola (actually less and less), however, an all-natural, low sugar drink is what Pret's all about.

Let's see if we can do away with cola once and for all.

Right next to the bottles of Lemon Barley stand the cans of Coca-Cola. This says it all, really – the slightly arrogant and overwhelming power of some retailers today. Talk about influencing the shopping behaviour of shoppers. Talk about owning the point of contact. Talk about not caring less about the manufactured brands on the shelf. Talk about doing exactly as you please as a retailer. Talk about not being able to do anything about it if you are a brand. The balance of power has shifted dramatically.

Procter & Gamble (P&G) is the largest brand manufacturer in the world. After having bought Gillette for US \$57 billion, P&G is expected to achieve an annual turnover in the neighbourhood of US \$60 billion. But the biggest of the biggest brand owners seems almost cute and insignificant next to Wal-Mart, with its US \$285.2 billion turnover in the fiscal year ending 31 January 2005. It is a scary world when even a company with US \$60 billion revenue seems small when stacked up against the largest retailer in the world. Imagine being number three or number four in a market category! Coca-Cola, brand number five, is most probably having a seriously tough time out there. To make matters worse, research seems to suggest that consumers are not even that preoccupied with getting their hands on their favourite brand when shopping. The private label version could, for most people, work out just fine. But more about that later.

Brand inertia

What is amazing to us is not so much the growth of retailers, but the inertia that seems to have overcome most brands. In the market for shoppers, brands seemingly lack power and leverage. Yes, some brands are big and some brand companies like Nestlé and Unilever are very big, but increasingly they are dwarfed by the biggest retailers, who are increasingly setting the agenda.

There was a clear message to us from the retailers – don't expect to live on high fat margins anymore! You need to provide constant price value to our customer

Jørgen Vig Knudstorp, CEO, LEGO Group – interview July 2005

4 Retailization

The rise of the retailers is a serious threat to the future survival and ownership prospects of many brands. It is certainly a threat to their margins. A vicious spiral has emerged, as the future of most brand suppliers is one of increasingly squeezed margins and loss of communication power. The business case of the likes of Wal-Mart and Tesco is beguilingly simple – raise sales, negotiate better terms with suppliers, and pass some of that gain on to the shopper in lower prices to sell more. For both stores and shoppers this is a virtuous cycle, but it is pretty vicious for suppliers. The total sales of the product do not necessarily rise, since shoppers often do not use more products just because they are cheaper, but it secures volume-driven retailers an important price advantage in their competition for attracting shoppers. For brand owners it just starts squeezing the margins and profitability of their company: a pressure that increases with every negotiation the individual brand has with its constantly growing and increasingly powerful retailer partners.

Unless brand owners immediately start dealing with this issue, they will face an increasingly limited commercial and strategic future. They need to plan an effective way back into the limelight. We are deliberately painting a bleak picture, because we think that many brands truly face bleak times. When we started this book, friends and colleagues asked us whether we were declaring the brand dead – death by retailer. It probably would help us sell a lot of books, but it is simply not true. Some big brands are thriving. Pepsi for instance has 16 brands, each of which generates more than US \$1 billion of retail sales annually (Pepsico, 2005). The Pepsis, Sneakers and Gillettes of the world are not going anywhere. They are here to stay. However, there are many small and medium sized brands (and a few big ones) out there that are challenged by the rise of the retailer. In the wake of this reality they have no idea of how to approach their own businesses and often feel that they are no longer in control of their destiny.

With the rise of the retailers, the rules are changing dramatically. If you are number three of four in a category, you need to start doing things differently – as soon as possible. All of this has created an environment where brands and retailers have been fighting each other, when in reality they needed to cooperate. The truth is that the one cannot live without the other – **brands need retailers and retailers need brands**. Brands have been running excellent businesses. They have created true global business successes and they are not necessarily finished. Similarly retailers have been running excellent businesses. They have also created true global business successes. The trouble is their growth has been greater and arguably at the expense of brands. When something gets bigger, normally something else gets smaller. Particularly so when they occupy the same space. Hence the

squeezed brand. We must **stress** that the fact that retailers are now in the driving seat is not a negative to be used against them. The reason they are doing well is simply that they have enjoyed considerable business and image success. Retailers have been very successful in creating sales and managing hugely effective organizations. Their very success has propelled them to very strong market positions. In an article entitled ‘This sceptered aisle’ published in the *Economist* (2005b), it is stated that ‘if an anthropologist wanted to know what Britain was like, he would do well to take his notebook to Tesco’. That is partly because Tesco sells a third of UK groceries, but it is also because Tesco customers are made up of the wealthy, middling and poor in just the same proportion as shoppers in the UK as a whole. Tesco has become big by being like the United Kingdom. Brands need to look at Tesco for inspiration and knowledge, as they need to capture and emulate some of that success. This is essentially the whole foundation of retailization – using retail-centric thinking to create successful brand businesses. Using the very things that threaten us as a source of future inspiration and energy.

The big keep getting bigger

Wal-Mart’s boss, Lee Scott, was asked whether his firm was trying to take over the world. ‘I don’t think so,’ Mr. Scott replied with a small smile on his face, ‘all we want to do is grow.’

(*Economist*, 2004a)

When you visit the Wal-Mart in Tawas City you cannot help but be in awe. It is an absolutely fantastic store, but more than anything else, it is huge. And size really has a lot to do with the change we are experiencing in the market. Size matters! In the world of the big, the biggest are increasingly retail.

- The June 2000 edition of US *Reveries* magazine reported that ‘the top 25 retailers controlled 60 per cent of the retail sales volume in the world and accounted for about 20 per cent of spending on consumer marketing’, which it predicted would grow geometrically (*Reveries*, 2000).
- Some retailers have become so huge that they actually determine the state of the economy. Wal-Mart has been held responsible for the deflation recently occurring in the United States.
- German hard discounter Aldi, with its 50 per cent market share, is rumoured to be a major influencer on the overall German economy.
- In 2004 the French government reduced inflation by simply requesting the major grocery retailers to reduce their prices.

Brands thought they were in charge! A primary key to being a successful retailer is volume. By continuously playing an effective game of growing their economies of scale, the big retailers have gained momentum and accelerated their growth into an almost incomprehensible size. By being able to present double-digit revenue and profit gains year after year, retailers like Wal-Mart, Carrefour, Home Depot and Staples are leading a global retail market, forecast to be worth US \$1 trillion in 2010 (Gilmour *et al*, 2004). Wal-Mart of course is the biggest.

- As the largest company in the world Wal-Mart now has more than 5,200 stores in 10 countries around the world and employs more than 1,600,000 people.
- The workforce of Wal-Mart now exceeds GM, Ford, GE and IBM combined; the annual revenue is more than 2 per cent of US GDP (Head, 2004).
- With more than 138,000,000 customers a week (Wal-Mart 2005b), Wal-Mart sells almost US \$1 billion of goods every day and by 2010 will hit US \$500 billion sales every year.
- Of China's exports to the United States, 10 per cent goes to Wal-Mart, and if Wal-Mart were an independent nation it would be China's sixth largest export market, after Germany (Shafer, 2005).

One in every four US grocery dollars is spent at Wal-Mart, and even more staggeringly one in 12 dollars of all retail sales in the United States. This means Wal-Mart still only represents 8.9 per cent of US retail store market share (Wikipedia, 2005a), and it is not unusual for dominant firms in mature industries to command market shares of 30 per cent or more. So, in theory at least, Wal-Mart could still grow an awful lot bigger!

If Wal-Mart continues to grow at the same pace for the next 15 years as it has in the past 15 the company would have revenue of \$3.2 trillion dollars (about Japan's GDP or France and the UK's combined) ... employ 8.2 million people ... have a floor space of 4.2 billion square feet (150 square miles ... and occupy more land than the entire land area of the US's fastest growing city (Las Vegas).

(Colvin, 2005)

And it is not just US companies. Tesco in the United Kingdom is becoming so big and so successful it does not want to talk about it any more. We know! We tried! Tesco in particular has a corporate mission that specifically states that it wants to sell you everything you might need in your life, from cradle to grave. It does just that, from nappies to mortgages. Tomorrow funeral

services! To the amusement of everyone in August 2005 Wal-Mart of all companies encouraged the UK government to do something about Tesco's 30-plus percentage share of the food market. Wal-Mart felt that Tesco was becoming too big (Lewis, 2005).

In some markets overall retail concentration is truly overwhelming. Finland is experiencing a situation where 91 per cent of the grocery market is shared among three retailers. According to the Herfindahl-Hirschman Index, which is used as an indicator of market concentration, the retail markets in northern Europe are so extremely concentrated that one could start fearing monopoly-like conditions. With growth and retail concentration on the rise everywhere else in the world, northern Europe probably gives us a pretty good idea of what the future is going to be like. In the United Kingdom, the top three retailers, Tesco, Asda and Sainsbury, share 62.9 per cent of the market (Lewis, 2005), and there is no evidence that their share will not get bigger. Actually all three of them are expected to grow. So besides being big, there are fewer and fewer retailers as they acquire or simply outgrow their smallest competitors. As well as experiencing an almost ruthless sizing up of their retail partners, most companies have also experienced the uneasy feeling of having fewer and fewer retail customers. This is a situation that is leaving many brand manufacturers extremely vulnerable to the changing agendas of their retail partners. We talked to one big Swedish company that was facing a reality in which 93 per cent of its revenue came from three different retailers. Imagine the consequences of being kicked off the shelves by one of those three chains!

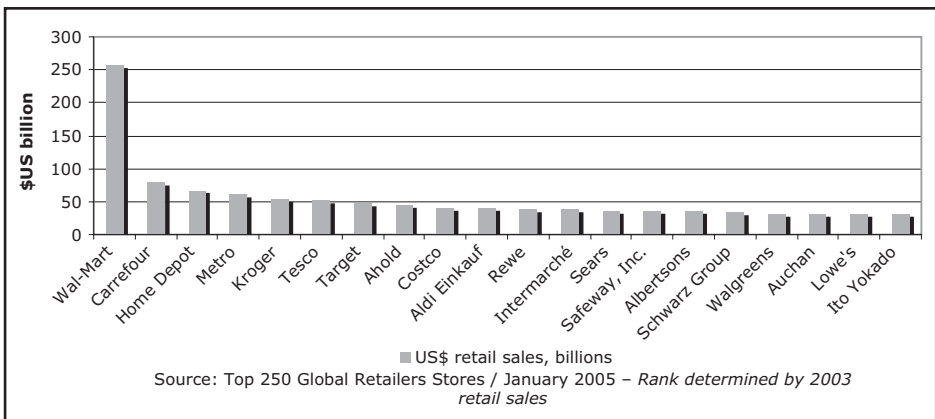


Figure 1.1 The top 20 global retailers

Hypermarketing the world

The hypermarket is the downtown of the 21st century. The rise of the hypermarkets around the world has made this scenario a reality. Their gargantuan size allows almost anything to be stocked. In Germany, discount airliner Berlin Air increasingly successfully sells airline tickets through hard discounter Penny (Netzeitung, 2005). Research into this stocking phenomenon shows that there are no customer-defined limits to the scope of what a hypermarket can sell (Grønning, 2004). You can literally buy anything you want for your life in just one place. Besides milk and bread, people are happy buying mortgages, travel, insurance, cars, gasoline and plastic surgery at their local hypermarket. Why go anywhere else?

The thing that determines what you can sell is the elasticity of your retail brand. As long as the brand is stretchable into the areas you want to go into. I think the days when customers bought certain products in certain stores have long gone. If you frankly have a bond of trust with your customers, it has the capacity to allow you into lots of different markets. Not necessarily within your core. With customers these days you don't have to provide the entire end-to-end service. It can be subcontracted to other people, but you must provide the connection. Your store ultimately must own the relationship with the customer and have the ability to deal with any issues and problems that result from that relationship.

David Roth, marketing director, B&Q – interview March 2005

Some key questions need addressing. How can your brand best profit from such an enormous traffic-creating powerhouse? How do you survive the hypermarket squeeze? How do you best integrate your products and your services into the overall offering of the retail brand? The hypermarkets are redefining our cities' shopping centres, the way we live and the way we buy. Recently the *Sunday Times* (a UK newspaper) ran a cartoon of two neighbours talking across the hedge. One was saying to the other, 'I moved away from the city to be closer to the stores.'

The silent conspiracy

There is almost a silent conspiracy going on, where no brand want to admit how much they are at the mercy of the big retailers. Nobody wants to admit that their business is getting somewhat out of control – even the likes

of Kellogg's and Gillette. In a recent article in the *Sunday Times* (Fletcher, 2005), Unilever, one of the biggest brand companies in the world, essentially admitted its future is at the mercy of the retailers. According to the article, Unilever used to believe that its sheer scale and overwhelming presence in almost every grocery aisle in the world resulted in commercial immunity. Unilever no longer believes so. It is as vulnerable to delisting as anyone else. Retailers are using brands to create traffic and to illustrate their brand positioning, whether it is the cheapest price, the best range or the best service. The size of their brand suppliers often has no impact on this strategy. In the words of the Nordic general manager of P&G:

Whether a brand comes from P&G or anybody else doesn't make a difference and it shouldn't make a difference, because the retailer has to take a decision with regards to what is best for their shopper and having brands on the shelves that do not sell doesn't do anything for the shopper, no matter who manufactured that brand.

Braian de Buitleir, general manager Nordic, P&G – interview, May 2005

This is dead serious business! If you cannot think smart when it comes to retail, you might find yourself in a blind and shrinking strategic alley. The traditional notions of brand loyalty are increasingly being challenged by both convenience-seeking shoppers and the ever-increasing size and bargaining power of brands' retailer partners. Brand margins are simply at the mercy of someone with a very different agenda. The future belongs to brands that acknowledge this new reality and start identifying new ways of getting back into the game. There is a need to eliminate confusion and brand inertia, a need to put the gloves back on and fight back. Our retailization process will hopefully inspire you to do just that. You do not have to form mega companies to thrive in this new world, but you do need to be more proactive and intelligent about the way you conduct your business and the way you sell.

The global e-qualizer

The world of course has not become smaller. It still takes 14 hours to fly from Los Angeles to Rio de Janeiro. However, the world has certainly started looking more and more alike, particularly when it comes to shops. Baltimore, Birmingham or Beijing? Who cares which continent they are on? They all have Starbucks, McDonald's and Gap. Walk into a shopping centre in Tel-Aviv, Tokyo or Toronto and the exact same stores – Swatch, Nike or Zara – greet you, with essentially the same products at increasingly the same

price. The days of global bargains for the traveller are fast disappearing. It is actually cheaper to buy Chinese-manufactured goods in Carrefour in France than in Shanghai!

You think brands and you think global. You think of retailers and you think local. But that was then; this is now. We are increasingly experiencing big retailers going global on a large scale, and in the process they are creating an ever more homogenous global shopping mall. Books like *No Logo* by Naomi Klein (2001) have attacked brands for being the drivers of globalization. This is somewhat unfair. Retailers are increasingly the globalizers of today and tomorrow, not brands. Uniformity is becoming the global and national norm. A recent pilot study in the United Kingdom by the New Economics Foundation (NEF) found that shopping centres have become indistinguishable from one UK town to the next. Town centres have lost their unique character and have become clones, with shops spreading 'like weeds in the garden', according to the economic think-tank report. An invasion of multinational chains has squeezed out specialist and individual retailers, resulting in homogenized high streets across the United Kingdom. In the place of 'real shops' has come a near identical package of chain stores replicating on the nation's high streets (NEF, 2002).

In a now famous speech, Andy Bond, the CEO of Asda, stated, 'We must shoulder the blame too, because we're not delivering what customers want. They want flair – and they are not getting it. Instead they are getting bland, amorphous sameness (*Grocer*, 2005a).

Just look at the speed of change:

- Globally, Starbucks has around 8,000 outlets. It entered the UK market only six years ago and already has around 400 UK outlets (Bremner, 2005).
- Worldwide, Gap has 150,000 employees in nearly 3,000 outlets in five different countries (Gap, 2005).
- McDonald's has 1,377 outlets in the United Kingdom alone. Worldwide it has more than 30,000 local restaurants serving nearly 50 million people in more than 119 countries every day (McDonald's, 2005).
- In China Louis Vuitton has already opened 13 flagship stores. More are under way (Vuitton, 2005).
- Between 2001 and 2006, Danish clothing company Bestseller opened 900 stores in China (Boutrup, 2005).
- France's Carrefour operates 9,200 stores in 30 countries, and the Dutch Royal Ahold operates 9,000 stores in 28 countries.

There is a lot of international retail going on. One could even say that the retailers are playing a global game of chess, with brands and shoppers as

their pawns. In September 2005 Tesco and Carrefour swapped stores and sites. Tesco traded six stores and 2 sites in Taiwan for 11 Carrefour stores in the Czech Republic and four outlets in Slovakia (Reuters, 2005).

Most of the international growth of retailing has come in recent years. Since 1986 the top 10 retailers worldwide have seen sales rise from US \$160 billion to US \$573 billion in 2000 (Gilmour and Gilliam, 2003). It will continue into the future – we think they have hardly started. As they become more and more consolidated in their home markets, retailers' drive for volume and economies of scale will force them to expand abroad. It is in their nature. They cannot help it. Why should they? The business opportunities are enormous. The local will inevitably become global. People are already using the term glocal – global with a local favour.

Brand managers need to be where the retailers are. They need to be active and integrated partners in their global growth. The increasing international scale and global power of retailers presents huge volume possibilities for brands.

Everybody loves a retailer

The retailer is a formidable force, and one that is here to stay, that brand managers need to deal with: not in the way they might do today, but in a far more creative and cooperative manner. A way that reflects a new type of retail-centric thinking. Twenty years ago retailers did not really figure as admired businesses on any lists – a pretty good indicator of how little retailers were appreciated. Many regarded them as merely a vehicle of distribution, not as a strategic business partner or a smart growing business. Things have changed.

- The latest 2004 measure of the world's most admired companies by *Fortune* magazine shows Wal-Mart at number 2 (2003 ranking at number 1).
- Home depot is number 14 (2003 ranking 20).
- Costco Wholesale is number 24 (2003 ranking 37).
- Walgreen is number 24 (2003 ranking 40).
- Dell, arguably the world's biggest internet retailer, comes in at number 3 (2003 ranking 6).
- UK retailer TESCO comes in at number 49 from nowhere.
- Coca-Cola falls from 11 to number 20.
- Nokia falls from 19 to 26.

At a country level the influence of retailers continues to rise. In 2003 Tesco and Carrefour became the most admired companies in the United Kingdom and France respectively (*Fortune*, 2004). However, business is not a popularity contest. The strength of a brand's market presence and its very profitability is dependent on its ability to deal with the rise of the retailers. The good news is that at the end of the day both brands and their retail partners have the exact same overall objective, creating sales! The lesson is simple: stop fighting each other and start working together to achieve mutual gains and benefits.

Retail is everyone's priority

It is *the* agenda! Retail has been viewed as detail, detail, detail – now it is the whole picture. Either deal with it or wither slowly away in agony. It will dominate brands' businesses whether they like it or not. They simply cannot ignore the full implications of the retail revolution if they want to win, if they want to sell. They must make retail strategy the core of their business strategy, and think retail whenever they make business decisions. They must be sure the organization and everyone in it is retail obsessed and retail knowledgeable: it is the number one priority.

If you work in the brand sector, the retail buck stops and starts with you! It is not necessary to form mega companies to thrive in this new world. Brands need to be more proactive and cleverer about the way they do business and the way they sell. Brands need to embrace a new philosophy and new actions if they are to restore their position in the world. Retailization is that philosophy. Try it out for size – we believe it works. **Unsqueeze the retailer squeeze.**

2 The age of the shopper

The second squeeze takes its throne

When a customer enters my store, forget me, he is King.

John Wanamaker, 1876

We also need to consider the other prime factor which is putting the squeeze on brands. The rise of the retailer is directly connected to the rise of another powerful phenomena; the rise of shopping. We love shopping. The act of shopping is here to stay, and there is a resulting need for us all to master the art of providing shopping experiences. This is equally the case for the retailer and the brand. *Retailization* is designed as a tool to help you create just that – superior shopping experiences. In an era of unheard-of prosperity and consumption, the hunt for great, awesome, fantastic, fun and exciting shopping experiences has never been more intense.

George Washington had a vision for this country.

Was it three days of uninterrupted shopping?

Jeff Melvoin, *Northern Exposure: Bolt from the blue* (1994)

In the United States the top four activities are watching television, reading, socializing with friends and family, and shopping. Since 1990 the order has not changed, but people are spending less time in front of the television, less time reading, more time being with friends and family, and a lot more time shopping (Leisure Trends, 2005). We are going to talk much more about ‘the shopper’ in a later chapter, and how this changing shopper is increasing the pressure on brands. Let us give you a taster of things to come.

We shop, therefore we are!

The rise of the shopper is closely correlated to the way we live, act and define our lives today. It has become an integral and defining part of modern life. Equally it is driven by the rise in income levels. Never have so many of us had so much to spend. After the consumption-led 1980s, we all expected people to slow down, to roll back and unplug a bit. In reality the 1980s turned out to be a snack, and the 1990s an appetizer. We ain't seen nothing yet. National economies go up and down, but over time the growth in shopping spending goes on and on, receiving occasional boosts by factors such as emerging shopaholics – as with the Chinese – and exploding real estate prices.

In 2004 in China, consumer spending was up 13.3 per cent over the previous year. For Chinese urbanites disposable income has risen 7.7 per cent. The Chinese are on a nationwide shopping spree the like of which has never been seen before.

- In 2004 the Chinese spent US \$74 billion on dining, US \$74 billion on travel and tourism, US \$30 billion on computers, iPods etc, US \$9 billion on cosmetics and US \$2 billion on luxury goods (USCC, 2005).
- The Chinese Academy of Social Science reports that in 2003 roughly 20 per cent of the Chinese population was middle class – a shopping-inclined middle class that is expected to double by 2020 (AT Kearney, 2005a).
- As a result, China is also experiencing a 'frenzied mall-building boom'. At the end of 2003, China's major cities boasted 236 shopping centres – 94 more than the year before (Leibowitz, 2004).
- The largest mall in the world in 2005 was in China (Marquand, 2004). However, the new South China Mall will dwarf the Golden Resources Mall in Beijing. Three times the size of the Mall of America (the shopping pride of the United States), the South China Mall will in 2006 be the biggest mall in the world.
- Not surprisingly, by 2010 China is expected to have at least seven of the world's largest malls (Kowinski, 2005).

In Russia, the slogan of today is to spend more and save less. As Evelin Kromchenko, a 20-year-old married to the chairman of a Russian bank, explained to *FT Magazine*:

You have to realise that the idea of saving for a rainy day is frowned upon here. Russians believe that if you keep money for a rainy day, you'll catch the rain. Instead, they think you should go out and buy a pair of Manolo

Blahniks. Nobody allows a rainy day to happen to a girl in those kind of shoes.

(FitzGerald, 2005)

General income and disposable income levels are on a continuous upward trend, as is spending. The middle class is growing at 10–15 per cent a year and possesses an almost insatiable need for luxury goods and services. The market potential is estimated to be twice its current size (AT Kearney, 2005b).

- In 2005, analysts estimated that make-up sales alone would increase from US \$5 billion to US \$15 billion in the next five years (FitzGerald, 2005).
- Moscow has the highest amount of billionaires on the planet (FitzGerald, 2005), and not surprisingly many analysts expect that in the near future Russia will become the biggest luxury market in the world.
- A TV show for aspirational future billionaire wives recently showed ‘how to dye your poodle to match your Chanel suit’ (FitzGerald, 2005).

We live in an era of mass affluence. Mass-affluent shoppers are picky and demanding. They are exercising massive pressure on both the retailer and the brand – constantly demanding performance and value for money. Not only are they demanding that their expectations be met, they also demand that these expectations be surprisingly and excitingly surpassed. For both brands and retailers, this has tremendous consequences for how they construct and design their products and their shopping experiences. It is one long hunt for the perfect value proposition; the perfect equilibrium. Rolf Eriksen, CEO of H&M, told us, ‘Our business idea is based on three basic parameters: fashion, quality, at the right price. H&M has combined these three and achieved beautiful balance. That is why we’re unique in the minds of our shoppers.’ A beautiful balance.

Getting the value proposition right

How do we get the value proposition right in the minds of our shoppers? It is a formidable task. When we buy a US \$1,300 bag in Louis Vuitton we have come to expect a glass of champagne and immaculate wrapping. Apart from the quality of the bag, it is what justifies the price, the satisfying experience of getting value for our money. However, when we shop in Costco, our value for money expectations are quite different. We look for a completely different set of parameters: bulk buying, self-service and low prices. Years ago we talked about the Tiffany/Wal-Mart effect when

describing the polarization of the marketplace between high-end luxury retailers and price-obsessed discounters. You have to look no further than the phenomenal global growth of both Louis Vuitton and Wal-Mart to realize that the TWM effect is still alive and kicking, it is also kicking the living day-lights out of broad, middle-of-the-road priced retailers with no focus.

In its executive brief *Consumer products 2010* (Gilmour *et al*, 2004), IBM confirms this argument. IBM states in its analysis that ‘within many categories, growth is greater at both ends of the price spectrum’, and further states that ‘companies caught in the middle with insufficient differentiation for either audience are experiencing major growth challenges’. The price spectrum positioning is divided into mass/value, ‘stuck in the middle’ and targeted/premium.

The impact of being correctly positioned is illustrated by an analysis of several retailers and brands in the period 1999–2002. For example, the mass/value US retailer Costco has experienced 12.2 per cent growth, and the targeted/premium US retailer Whole Foods a growth of 21.7 per cent. These two well-positioned retailers are compared with the ‘stuck in the middle’ US retailer Albertson’s, which in the same period dealt with a negative growth of –1.7 per cent (Gilmour *et al*, 2004). In the same period Target and Nordstrom did much better than Federated, and the growth of Tesco and Waitrose significantly outperformed Sainsbury’s (Gilmour *et al*, 2004). With regards to brands, the Tiffany/Wal-Mart effect impacted their growth too. In the United States, value brand Cover Girl grew by 4.3 per cent and luxury brand Clinique by 7.6 per cent. Squeezed in between was Revlon, experiencing a –5.2 per cent negative growth. When it comes to laundry detergents in the US marketplace, Purex grew by 8.1 per cent and Tide by 8.4 per cent. Era, on the other hand, had no growth. In Germany, Hyundai grew by 20.6 per cent and Porsche by 16.7 per cent. However, Volkswagen experienced a –0.7 per cent negative growth (Gilmour *et al*, 2004).

A 2005 article in the *Grocer* (2005b: 36) quotes Chris Outram, chairman emeritus at OC&C, as he attributes the rise of value brands to consumer fatigue with middle brands:

The really difficult position to be is right in the middle, where many historical core brands are. The consumer has got a touch of brand boredom and is quite happy to do one of three things – move up to premium, down to value or both.

In the same article Luke Jensen, director at OC&C, offers a further perspective:

Brands in the middle often stand for reassurance, whereas premium brands stand for aspiration and excitement. Reassurance has become less and less important as consumers are confident enough to go to Aldi for their shopping and then buy something from Gucci.

We believe that besides being extremely poignant still to this day, the Tiffany/Wal-Mart effect has evolved. First, we think it has evolved from just focusing on retailers to also dealing with the reality of brands, as the above examples suggest. Second, we think that the marketplace has changed somewhat, allowing for a more nuanced approach. Instead of Tiffany/Wal-Mart we could call it the Wal-Mart/Target/Tiffany effect, or discount/premium discount/luxury. It is not yet a proven science, but we think it is an interesting perspective, and we use it ourselves for inspiration and to describe successful brands and retailers in different categories. Here are some examples:

- George at Asda/Zara/Prada;
- Hyundai/Toyota/Audi;
- NoNameWatch/Swatch/IWC.

It seems we want it cheap, really cheap (Wal-Mart) or we want it cheap with an edge (Target) or we want the full-on luxury experience, where we pay a premium price for, among other things, lots of intangibles (Prada). Shoppers are really only prepared to spend a bit more money when it is a smarter way of shopping (premium discount), and only a lot more when they are getting a truly exceptional experience buying a truly exceptional product (luxury). Take personal computers. IBM has left the building! They left the category they themselves created. This is quite symbolic and dramatic when you think about it. There have been a lot of official and unofficial explanations for this, but the overriding story is that IBM simply could not figure out how to make money producing and selling PCs. We believe the reason for the departure of IBM is that it could not place its computers anywhere on our little line. The discount market for PCs has been conquered by cheap Korean or Chinese no names.

The next level in the value proposition is an affordable computer with a twist. Dell's direct business is just that. It can offer cheap, quality computers because of the way it has constructed its business. Finally, at the luxury level we find Apple. Here we pay a premium price for a niche and not very PC-compatible computer because of design and cachet. Maybe IBM could have profited from its computer business if it had forced one of the three propositions above upon itself. In reality, IBM was too expensive to compete with the no names, too generic and unimaginative to be a premium discounter

and way too mainstream and boring to be a luxury brand. Shoppers are tough judges. You'd better make sure you are doing it right. We believe that if you cannot be cheapest, smartest or most luxurious, you could be facing a bleak future. Brands living their lives on a supermarket shelf could be facing an even bleaker future, as private labels are increasingly eating up the cheap segment in most categories.

While this new approach has everything to do with mass affluence, as shoppers love to spend, we should remember they are still price-conscious. Even though more than half the people leaving a supermarket cannot recall what they paid for individual items (*Economist*, 2005a), shoppers still need clear justification – balanced value propositions – before they spend a little more or a lot more than they have to.

Mass affluence is also changing our perception of people's addiction to price. In the article 'How big can it grow?' (2004a), the *Economist* points to the fact that in the near future shoppers might begin to tire of the attraction of extremely low prices alone. As long as we are in a discount destination we do not really care precisely how much we pay for a given item. The article indicates that Wal-Mart, despite its focus on everyday low prices, could very well find itself with a need to sell higher-end items with a higher price tag, allowing its shoppers a slightly broader shopping experience. People want cheap, but they also want the possibility of trading up. This is particularly so for the many higher income-bracket shoppers pouring into discounters. Even Wal-Mart can smell the bigger margins available if it allows these shoppers the possibility to trade up. In a speech to a trade group in 2004, Wal-Mart's CEO Lee Scott, commenting on the impressive 2003 holiday turnover of high-end retailers when compared with his own stores, jokingly said that maybe they should consider putting a 'Wal-Mart–Tiffany's program out there, or a Wal-Mart–Nordstrom program based upon their sales' (Bhatnagar, 2004a). It is interesting to note that in 2003 the premium discounter, Target – Wal-Mart's closest discount competitor – outperformed Wal-Mart's sales growth in five out of six months (Bhatnagar, 2004b).

Brand manufacturers need to understand the power of the shopper and how to navigate through their expectations. They need to understand how the shoppers shape the retailers and equally the other way around. Finally they should try playing around with the discount/premium discount/luxury equation and see where they fit in, or even where their retail partners fit in. They might find they need to make some changes.

Shopper power

The customer is in charge in ways that profoundly influence the ability to sell products. The new kings and queens of consumption increasingly set their own buying agendas. There's only one thing you can be sure of, and it is not the brand agenda, or the retailer's. Shopper power is here to stay, and it is not going away.

Back in the old days, manufacturers could charge more for successful products, but as competition increased more products were made available not only for shoppers, but also for retailers. Retailers found themselves with the sudden opportunity of being able to pick and choose which products to present to shoppers. They were truly the kings of choice. Luckily this also meant that they could start squeezing the product suppliers on price. However, today, the shoppers are increasingly taking charge (*Economist*, 2005d). They have transformed themselves from semi-ignorant, passive serfs to informed and demanding shoppers. Shoppers have grown increasingly sceptical of brands and retailers alike and their endless marketing claims. They have become increasingly informed, thanks to the internet, as they are able to compare prices, service levels and features at the click of a button. This is knowledge they actively use as a weapon in their increasingly aggressive and independent shopping behaviour. Shoppers are squeezing the brand to perform and be priced according to their wants.

This new shopper power is changing the way the world shops. The ability to get information about whatever they want, whenever they want, has given shoppers unprecedented strength. In markets with highly transparent prices, they are the true kings and queens. The implications for retail and brand businesses are enormous: threatening for some, welcome for others.

'I am constantly amazed at the confidence level and sophistication of the average consumer', says Mike George, Dell's chief marketing officer and general manager of its consumer business in the US. Dell soared to the top of the personal computer business by cutting out retailers and selling directly to consumers. If Dell changes prices on its website, its customers' buying patterns change literally within a minute. 'That tells you people are well-researched and knowledgeable', adds Mr George. 'For the first time the customer truly is boss, which is fascinatingly frightening, scary and terrifying, because everything we used to do, everything we used to know, will no longer work', says Kevin Roberts, chief executive of Saatchi & Saatchi.

(*Economist*, 2005e)

When these super-charged and scarily informed shoppers are out there they do not waste time. Their loyalty stretches only a couple of seconds: as Rolf Eriksen, CEO of H&M, told us in the Preface, ‘Our success depends on what customers think when they meet us, and we believe that our customers spend four seconds to decide whether they like the meeting or not.’

Christopher Robert, the VP of retail marketing at Coca-Cola, put it this way: ‘When the consumer comes in like a shopper, there is a moment of consideration no matter what portfolio she is looking at. And it’s a very quick pseudo-intellectual interaction made in 3 to 6 seconds.’

Plenty of research backs these statements. The *Economist* (2005a) reports that shoppers waste no more than six seconds on average looking for a specific brand before they settle for an alternative. This is fascinating stuff. It dramatically increases the squeeze, especially if we think back to the question of whether shoppers write orange juice or Minute Maid on their shopping lists. In a 2004 report, retail experts POPAI described how more and more brand decisions are made in-store. In Europe, 75 per cent of the purchase decisions are made after the shoppers enter the store. In the United States, the number is 70 per cent (Liljenwall, 2004).

Of course, this does not mean that brand and preference building are a waste of time outside the store. It does, however, mean that it all comes down to those critical seconds. Everything can happen once the shopper enters the store. A UK report from 2004 observes that 43 per cent of shoppers claim that point of purchase (PoP) advertising can sway their purchase decision (*Marketing Week*, 2004). However, PoP is just one of many factors that make those six seconds so crucial to get right. All the PoP in the world cannot rescue an irrelevant and staid product.

All of the above to some extent helps us to understand why our research shows that so many shoppers do not – in theory – go that extra mile for their favourite brands. Either it is on the shelf, clearly identifiable and easy to find, or if it is not, the shopper jumps ship and moves on. How critical can a specific brand of biscuit or shampoo be anyway?

Six seconds

Those six seconds are a critical stretch of time. One would think that brands would make the six seconds their number one priority. Is it your number one priority? One would think that brands would make the six seconds the starting point for all their decisions. Are you making them the starting

point, making them the prime focus for your entire organization? We think you should. That is why we created the retailization process the way we did.

Of course the reality is not always that black and white, nor that radical. However, we think it is a sharp and sensible starting point for marketing thinking. From consumer marketing to shopper marketing, retailization is about maximizing the potential for creating that sale(s) in that specific moment when everything comes together: the shopper, products and the retailer.

If I'm going to get shelf-space in the major retailers, I need to stand for something, and that something needs to be relevant and it needs to be clear. That's what brand-building is at its most basic...I have to get people pre-dispositioned to the Heinz brand and then hope that the wavering hand on the shelf veers towards the turquoise can [the colour of the Heinz baked-bean label] rather than another one.

Scott Garrett, the brand director for Heinz in Britain and Ireland
(*Economist*, 2005a)

We often say branding from the shelf and out, when we try to explain retailization to somebody. When you read the quote from Scott Garrett above, you might understand why. Between the lines, you can sense the retail squeeze and the shopper squeeze he's encountering.

But how can you unsqueeze yourself? How do you take the pressure off? That is the million-dollar question. One of the strongest answers could very well be the can of baked beans itself. The solution seems to be lying in the strength of products rather than brands. We shall discuss this more in [Chapter 10](#) (on product concepting). We believe that the product should be at a higher level of importance than most companies would like to think, having spent fortunes on developing brands rather than products. There are many exciting brands out there on the retail shelves, but fewer exciting products. Maybe we are in a situation where the brand is becoming the generic and the product is becoming the true differentiator. Just think Walkman and Big Mac. It is exciting to start focusing on the product again, as this might be your strongest weapon against the squeeze. When we talked to Eilert Petersen, a renowned retail expert, he made three scenarios very clear when discussing how to unsqueeze a brand that is number three or four in a given category:

You only have three options really. Either you sell your business to one of the big global brand players who have the financial long-term international muscle that you don't have or you transform your business to a pure private label supplier focusing on volume and efficiencies. Both solutions most

probably will change your business as it is today radically. The last option is creating demand through a superior product. Something everybody will want to put his or her hands on. Both retailers and shoppers.

It makes one think.

In an article in the *Grocer*, Luke Jensen (director at OC&C) offers this perspective on squeezing in the middle brands:

The rise of value brands will force companies to take a totally honest look at their own brands. If you are just another brand, and in a market that is susceptible to a value-for-money proposition you're in deep trouble. All you can do is hope that you've got a real brand or, if you haven't, declutter your value chain sharpish and play them at their own game. If you're not sure, then you probably ought to exit the market quickly.

(*Grocer*, 2005b: 37)

The increasing global concentration and growth of retailers, and the strength of informed shoppers, are placing both of them in unparalleled positions of relative power with respect to brands. The result is an aching squeeze. We do not think we exaggerate when we state that for many brand manufacturers it is becoming a matter of survival to deal with these issues which impact their ability to sell. The solutions need to be revolutionary, as the old and tried approaches are failing. As the Sioux say, 'When you discover you are riding a dead horse, the best strategy is to dismount.' Unsqueeze the shopper squeeze.

3 The private dilemma

The third squeeze shows its strength

The tighter you *squeeze*, the less you have.

Thomas Merton, Trappist abbot in Kentucky, 1915–1968

The majority of brands feel squeezed, squeezed by the rising power of retailers and by the power of shoppers. Many brands are squeezed to such an extent that their managers do not know what to do with themselves. They feel increasingly lost and increasingly unable to identify workable solutions. They are increasingly not redirecting their business thinking to meet this new retail reality. This inertia is leading to new dilemmas for the brand.

In 2004 one of Scandinavia's biggest retailers, the COOP, decided that Kellogg's was not being a sport as it was failing to comply with the pricing wishes of the big retailer. This resulted in Kellogg's being delisted in all of the COOP's Scandinavian stores. The market could not believe it. We suspect that neither could Kellogg's, which as a result was rumoured to have lost hundreds of millions of kroners in annual turnover. A report by the Scandinavian company, Wowern, set out to gauge the impact of this delisting on shoppers. A staggering two-thirds of them could not care less that Kellogg's had been delisted, and pledged that they would just buy whatever was available on the shelves, Kellogg's or no Kellogg's. In particular, younger age brackets – the shoppers of tomorrow – were not that concerned about the lack of Kellogg's. In 2005, after nine months' absence Kellogg's was back in the COOP stores and we suspect that the COOP got what it had initially wanted as it relisted the cereal brand on its shelves. Talk about being squeezed (Jessen, 2005)!

Who controls Tony the Tiger? The brand or the retailer? Who owns the cereal shopper? The world's biggest cereal brand, or big retailers? Who controls the margins of Kellogg's? Kellogg's itself or its retail partners? Are brands out of control? Are brands out of their own control? Of course the whole 'I'll throw your entire brand out of my store' thing is just a big part of the whole power game. It is rarely a chronic state, and more a result of politics, emotions and inexperienced negotiators. More importantly it is not a unique story. For a while almost all of Gillette's products were removed from the shelves in another large-scale Scandinavian retailer, ICA. ICA accused Gillette of raising prices too quickly and boycotted the brand to increase pressure on the company (Branner, 2005). For us it seems like a weird and very destructive negotiation strategy. We agree that it clearly demonstrates the excessive power of retailers, but the fact that these big international brands keep being relisted also demonstrates their power and ability to create sustainable sale(s). It tells a story of the symbiotic love-hate relationship which can occur between retailers and brands, a struggle that squeezes everybody, including the shopper. The losers in this hardcore negotiation culture must certainly be the smaller brands without the financial stamina to play this game. They might end up never coming back if they are unfortunate enough to be delisted. The Kellogg's/COOP story most probably does not have a winner. However, the very fact that big-scale international brands such as Kellogg's and Gillette on occasions get kicked out of distribution outlets is frightening.

Retailers are putting brands under a significant squeeze. When the largest retailer in the world is several hundred times larger than an individual brand, it is clear who has the biggest muscles. Brand owners need their products to be distributed, but more and more they feel that this distribution comes at an increasingly overwhelming cost. However, can it really be so overwhelming that they fail to react and to reorganize? Hopefully retailization will serve as a kick-start for doing just that. Together with ACNielsen, arguably the most shopping knowledgeable research company in the world, we set out to do our own research and measured the relationship between brands and retailers. In July 2005 we asked 3,000 shoppers in Denmark, Sweden, the United Kingdom, Germany, Spain and the United States about their opinions on aspects of these issues. We named it the International Retailization Study 2005. The results are illuminating and surprising.

The International Retailization Study 2005

Our initial objective was to re-examine on a broader base the implications of the Kellogg's story. Amongst other issues we wanted to double-check the finding by Wowern that two-thirds of shoppers did not mind that Kellogg's were missing from COOP supermarket shelves. It is critical to understand this, as it questions the length to which shoppers will go to get their hands on a specific brand.

The International Retailization Study 2005 seemed to back the story. Only 21 per cent of shoppers would change store if that store ceased to stock the cereal brand they normally buy. Just 21 per cent! Makes you shudder, doesn't it? When we specifically asked about Kellogg's, the figure rose to 26 per cent internationally. So the brand does make a difference, but is it enough? Of course one should always be very wary when drawing conclusions from research, but it seems to be interesting enough to make us all start wondering. As Kellogg's is the global cereal brand market leader, would you not expect a more loyal consumer base considering the billions it has spent on building its brands and market leadership? Other categories and brands fared no better (more about that later). However, even though our research points to the fact that shoppers quickly dismiss their loyalties and preferences, it seems to be more about how we approach our point of purchase rather than whether shoppers are loyal to a brand or not. We think it is a question of the challenges of brand selection rather than the challenges of brand loyalty. Making your brand happen at the point of selection is crucial. As Gino Van Ossel, chairman of the Retail and Trade Marketing Research Centre in Belgium, puts it:

We're moving from consumer marketing to shopper marketing. What do you write on your shopping list: fruit juice or Minute Maid? We find that consumers are increasingly deciding in-store which brand and even which products they are going to buy.

(Versteyleen, 2001)

The replaceable or irreplaceable brand

What does it all mean? First and foremost, it could mean that shoppers think in 'wants' rather than brands when they plan their shopping. What do they feel like? What do they want? They want orange juice, toothpaste and a cool computer. Only when they hit the store do shoppers start making decisions

between competing brands, between brands and private labels, and start making their choice between competing products, truly making the store the point of action. It also means that convenience rules. As shoppers our need for convenience trumps everything, and very quickly eliminates our immediate preference for a certain brand. For the most part, shoppers are not prepared to waste time going to another store to get that specific brand; in most cases a substitute will do just as well. Therefore the research also suggests that in the short term no brand is irreplaceable. Now we can start to understand why some retailers cannot resist the temptation to delist brands in order to teach them a lesson and simultaneously manifest their own power. The importance of owning the point of contact becomes very clear in our research. Whoever owns the place of purchase sets the agenda: that is, the retailer. Or like the previously-mentioned quote from a retail CEO: 'Whoever owns the shelf, owns the market.' This is squeeze!

However, there is another side to this story. Can retailers live with more than 20 per cent of their customers leaving their stores unhappy because they did not get the brand they wanted? With their focus on volume, can retailers afford to lose even 19 per cent of their sales in a given category? What is worse is the fact that they open the door for their customers to potentially escalate their level of shopping at competing retailers, and therefore make the initial damage even greater.

Brands on the shelves

Another aspect of our research unsqueezes the brand a little bit and actually puts the pressure back on the retailer. With the exception of Germany, the shoppers stated that the brands on the shelves are more important to them than the retail brand that stocks them. Internationally only 32 per cent of shoppers state that the retail brand is the most important, as opposed to 55 per cent of respondents who state that the brands on the shelves are most important. In their minds shoppers prefer brands, but when it comes to the crux, convenience at the point of selection wins the day. Clearly brands have, through advertising, for the most part been able to create a sense of preference. However, it seems that preference is not that easily converted into sale(s). Given such high levels of preference it should be in the interest of both the brand and the retailer to maximize the brand purchase experience; maximize the conversion of preference to selection and purchase.

The research also indicates that retailers in general have not been very good at building their own retail brands. Look at the United Kingdom, one

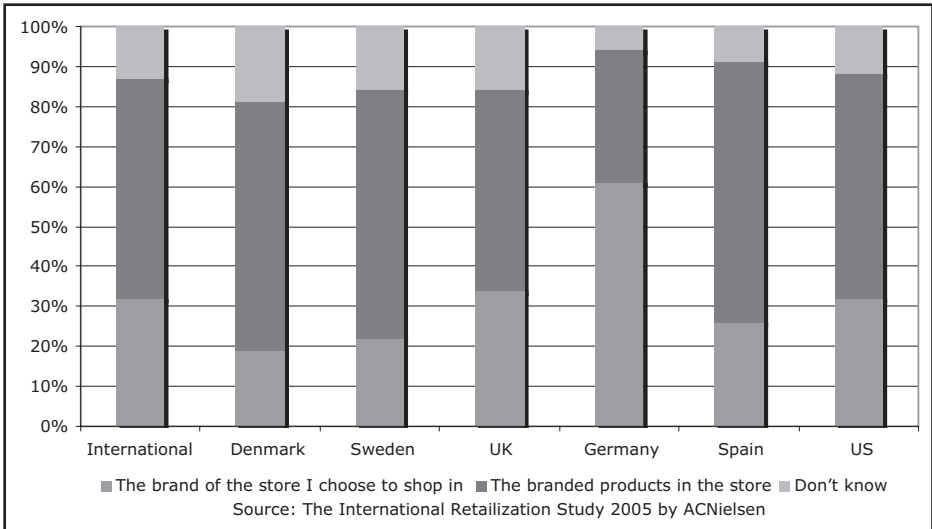


Figure 3.1 Importance of the brand versus the store that holds it

of the world's most concentrated retail markets, with one of the highest levels of private label products in the world. Only 34 per cent of shoppers find that the brand of the retailer takes precedence over the brands they stock! Considering the millions of pounds that Tesco and Asda over the years have put into great and famous brand-building advertising campaigns, this seems disappointing. Retailers these days are some of the world's biggest spenders when it comes to advertising. If they cannot build their own brands, should we expect them to be able to create strong own-label brands in a whole range of different categories? From this perspective it seems highly unlikely that retailers can live without the traffic-building capacity of, and immediate shopper preference for, strong manufacturer brands.

Figure 3.1 suggests that brands really are important for the retailers. Brands could very well play an important role in forming the shopper's overall preference for a particular store. The brands clearly contribute to the overall quality perception of the retailer. The much talked-about scenario of supermarket chains containing only private label products seems far away. (Let us for a minute forget the strongest grocery retail brand in Europe, Aldi, with its 95 per cent private label penetration (ACNielsen, 2005a: 6).)

However, the traffic-building capacity of brands might also be something that adds to the squeeze. Some categories find themselves constantly 'on sale', or engaged in continuing intense promotional price wars with other brands. These promotions are often dictated by the need of retailers for great brand bargains, and certainly do not do anything for brands' squeezed margins.

The rise of private labels

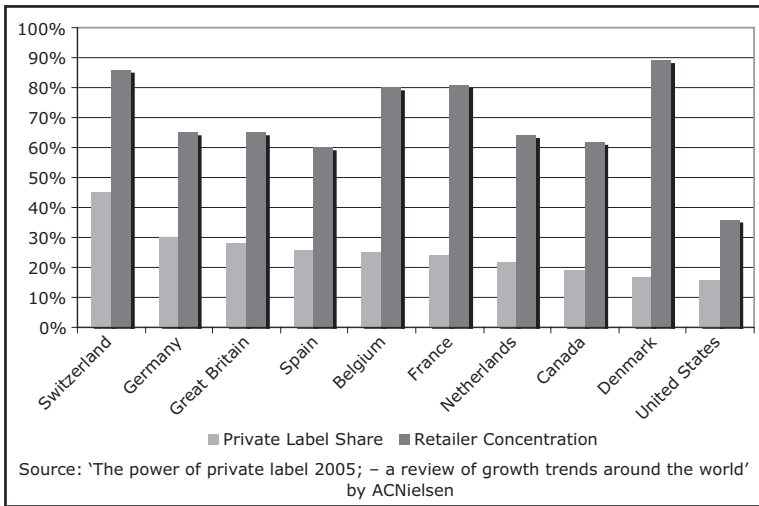


Figure 3.2 Concentration of retailers in the most developed private label markets

Despite some of the contrary evidence we have presented so far, private label is here to stay. At a glance, our own research suggested that the retail brand is more important than the product brand; or rather, that the convenience of the retail location will at any point supersede the loyalty towards the brand itself. Only 11 per cent of US shoppers would change store if it stopped stocking their favourite brand of cornflakes and only 12 per cent of Spanish customers would change store if their supermarket stopped stocking their favourite ketchup brand. Alongside the tremendous growth and concentration of retailers, we are experiencing a continuous global rise in the share of private label products on the shelves. In a 2005 report entitled 'The power of private label 2005', ACNielsen reports that:

- Globally, private label accounts for 17 per cent of value sales.
- In comparison with 2004, private label sales grew by 5 per cent.
- In places such as the United States the growth is 7 per cent.
- There is no evidence that the growth is going to stop.
- The upper level is currently defined by Switzerland, where overall penetration of private label products has reached 45 per cent, the highest in the world.
- Europe has the highest rate of private labels of any region.

- In 2005 the European private label growth rate was 4 per cent, which is interesting considering that the aggregated sales of manufacturer brands remained essentially flat (ACNielsen, 2005a: 9).

Next time you are hurtling through a supermarket, slow down and look around the packaged goods battlefield. Make a point of not only looking at the tremendous amounts of private label products present, but also checking out their levels of sophistication and differentiation. Private labels have come a long way, and in the majority of categories shoppers most probably cannot tell the difference between a 'real' brand and a store brand. More importantly, they probably do not care whether it is a real brand or a private label brand.

But that's not all. The level of retailer concentration in a given market seems to relate to the level of private label concentration in that market. In its 2005 report, 'The power of private label', ACNielsen reviewed PL growth rates around the world and among other things looked at the relationship between retail concentration and private label penetration. Nielsen's conclusion was that high retail concentration correlates with strong private label development. In a market like Switzerland where retailer concentration – measured as share of sales held by top five retailers – is 86 per cent, the private label penetration is 45 per cent (ACNielsen, 2005a: 10).

Decades of relentless retail concentration and resulting private label growth have resulted in scenarios of brandless future supermarkets. In Aldi – which is, according to ACNielsen, Europe's strongest in-market grocery retailer brand (2004) – private labels account for 95 per cent of sales. In most large retailers you will find that the penetration is noticeably higher than the national average. For instance, in Tesco private label products account for around 50 per cent of its grocery offer (*Grocer*, 2005c), while the national UK penetration of private label is 28 per cent (ACNielsen, 2005a: 10). The more concentrated the retail market, the higher the level of private label sales (ACNielsen, 2005a: 10).

Retailers like their private labels because they typically provide 25 per cent more profit than branded products, says Datamonitor, a market-research company (KhiMetrics, 2005). As well as being the teacher's pet, private labels severely challenge the pricing ability of brands. Shoppers might not be able to remember the price of an individual product, but they remember whether it was more or less expensive than a similar item. (*Economist*, 2005a). However, it is more than a game of margins, as Euromonitor recently said in a 2003 retailing report: 'Private label also allows retailers to develop a strong store image, with good quality private label items exclusive to the store helping to improve customer loyalty.' This is especially the case with high-quality

private labels, such as Marks & Spencer ready meals in the United Kingdom, which have long held a reputation for being top quality, and thus perpetuate positive store brand image and help increase market share. Some retailers actually sell private label products so successfully that they are priced at the exact same level as the branded products. Sometimes they are even more expensive!

No longer me-toos

Private labels are no longer about me-toos and are posing a significant squeeze on brands as more and more retailers are focusing on providing high-end product concepts to their shoppers. In the United Kingdom, Tesco, Asda and Sainsbury are all focusing on premium private label products. According to the *Grocer* (2005c), sales of premium private label products have leapt from 38 per cent to 41.5 per cent, the highest levels measured in years. The *Grocer* points to the fact that the premium private labels are driving private label growth. These customer-targeted brands are specializing in providing significant added value to shoppers by offering them everything from low-carb healthy ready meals to organic meal solutions (*Grocer*, 2005c). Brian Sharoff of the British Private Label Manufacturer Association gives this comment on the squeeze:

Manufacturers haven't done themselves any favours by allowing retailers a clear run. These are categories dominated by retailer brands. A part of this has to do with the inability of the 'A' brands to innovate and be creative. Part has to do with greater competition among the retailers as they battle to create greater awareness of their own labels.

(*Grocer*, 2005c)

If the latter is true, it points to an even more remarkable and scary thought. Besides being better at innovation and solving customer issues, premium private label products are important to the retailers not only because of better margins, but also because of their strategic role in creating differentiation and loyalty. Where on earth does that leave the brand? The generic must-have? The commodity?

Clearly the UK market is at the forefront of things and therefore important to observe, especially considering that shoppers around the world are changing their outlook on private label products. In 2005 ACNielsen undertook another 38-country online consumer opinion survey (2005b), measuring shoppers' changing attitudes towards private labels:

- When asked whether private label products are a good alternative to other brands, 68 per cent of global shoppers thought they were.
- In the United States 77 per cent of the respondents agreed with that statement, and 78 per cent of European shoppers agreed.
- In Asia the number was lower, but still 51 per cent of shoppers thought that private label was a good alternative.
- For a long time private label has acted as a price challenger to the branded version, and therefore it comes as little surprise that according to this survey 69 per cent of global shoppers thought that private labels were extremely good value for money (North America and the Pacific 81 per cent, Europe 73 per cent and Asia 59 per cent).
- However, more surprising is the fact that 62 per cent of global shoppers think that the quality of most supermarket brands is at least as good as those of the usual big brands. In Europe and North America the numbers are 68 per cent and 72 per cent.

Clearly a change is happening. Conventional thinking has led us to believe that the lower price of private label products was usually and probably correctly associated with lower quality. High quality was the standard for and privilege of branded goods. That's actually why we were supposed to pay the premium price! This privilege seems to be gone, adding pressure on the branded products' premium price.

Image-wise, things have changed as well. Even at the supermarket we have been buying certain brands partially because we wanted the higher quality, but also because we wanted to signal something about ourselves to the world around us. Private labels were not necessarily *comme il faut*, and if anything signalled that one could not afford the more expensive branded products. However, no more!

- Only 42 per cent of today's global shoppers think that private label products are meant for people who are on tight budgets and cannot afford the best brands.
- When we get to areas of the world with a more mature and consolidated retail environment, it becomes even clearer. Only 20 per cent of US shoppers and 28 per cent of Europeans think that private labels are a tight-budget alternative.

If the price, quality and image equation seems to be fading away, the narrowing gap between brands and private labels must be increasing the squeeze on the brands. There is a real danger that shoppers are beginning to believe private label is a parity quality product to brands, eroding the reason for paying more for a brand.

What is quality?

In the International Retailization Study 2005, we tried to get a better look at exactly what was happening with private labels, and especially what was happening with private labels in specific categories. Our findings certainly supported the other ACNielsen studies, as they clearly show that the quality perception of shoppers when it comes to private labels is pretty high.

- When we asked shoppers whether they thought private label cornflakes were of a lesser quality than the branded ones, only 29 per cent of the respondents thought so. In Germany and Spain the figure comes down to 17 and 18 per cent respectively.
- With ketchup, 31 per cent of respondents overall think that the private label version is of a lesser quality, and with shampoo the figure is 29 per cent.
- When it comes to cola, the dominance of a few strong brands exerts itself, as 53 per cent of respondents think that a private label cola would be of a lesser quality.
- However, this still leaves 47 per cent of shoppers thinking that the quality of the private label cola would be the same as Coca-Cola or better. The real thing does not seem so real.

Milk is the ultimate low-involvement category, and it shows. Only 10 per cent of the international sample (in Denmark, Germany and Spain

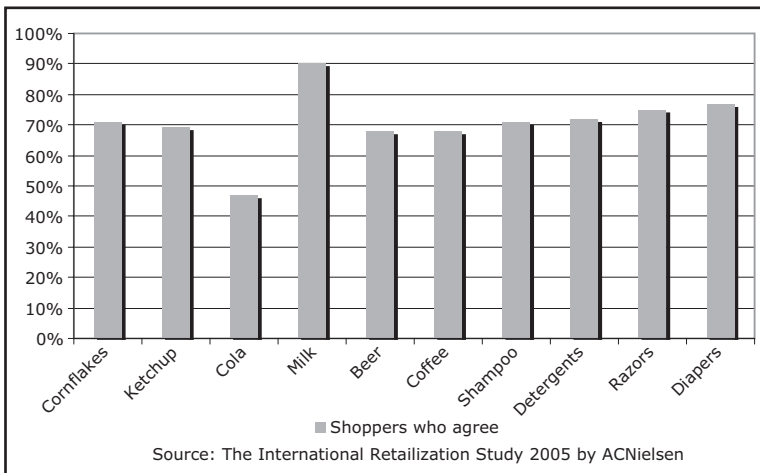


Figure 3.3 Private labels are at least of the same quality as the branded versions – within product categories

the number is less than 5 per cent) would expect the private label version to be of a lesser quality. Not only is the overall number the lowest number measured in our survey, but of the categories we tested, milk is also the category in the world with the third highest average penetration of private label, at 43 per cent (ACNielsen, 2005a: 14). In categories where we expected brands to make more of a quality impact, we were surprised. When it comes to private label beer, only 32 per cent of respondents think they are of a lesser quality, and surprisingly with razors only 25 per cent would expect the store's own brand to be of a lesser quality. Even diapers (nappies) surprised us, with a number as low as 23 per cent. To emphasize this point, just take a look at the private label programme for diapers (nappies) at Wal-Mart. Today it's estimated that it exceeds the size of Procter & Gamble's Pampers and Luvs brands put together.

The lost brand sale

As we mentioned previously, private labels exercise a tight squeeze on brands. One reason is the above-mentioned point that convenience seems to severely challenge brand selection. If the product is not right there on the shelf where we expect it to be, we quickly choose an alternative. Remember that shoppers only spend approximately six seconds to make that choice. So it is 'Wham bam, thank you mam,' and your brand was not the chosen one. In addition, converting this 'lost brand sale' to a private label sale seems to be easier these days, with the improved quality and image perceptions of private labels. The greater value and price offering does not harm either. Given this environment you cannot blame retailers for being so quick to threaten brands with delisting. But what would actually happen? Will shoppers punish the retailer for not having their favourite brand on the shelf? Is it wise for the retailer to delist a certain brand?

For the most part people claim that they will not change store if their favourite brands cease to be stocked. It is difficult to conclude anything dramatic about brand loyalty based on this. It is also not the point. It is just interesting to note that people do not seem to be prepared to change shopping behaviour to maintain brand behaviour.

- When it comes to ketchup only 28 per cent of respondents would consider changing supermarket if their current one stopped stocking their favourite brand.
- For beer the number is 27 per cent and for laundry detergent, 31 per cent.

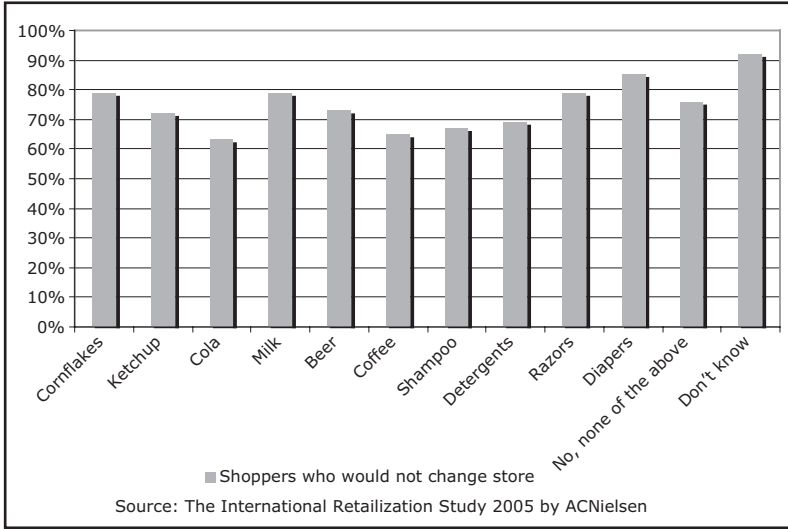


Figure 3.4 Proportion of shoppers who would not change store if their primary store stopped stocking their favourite brand

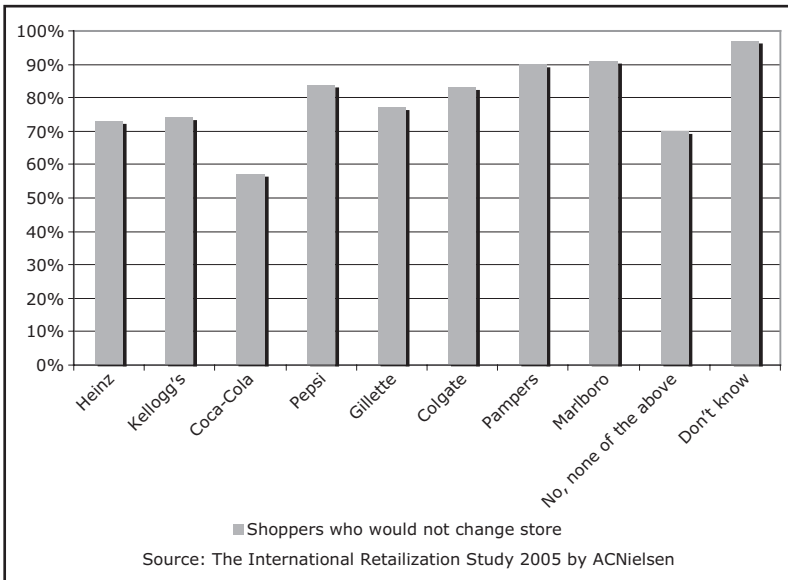


Figure 3.5 Proportion of shoppers who would not change store if their primary store stopped stocking their favourite brand

- At the low end you find categories such as diapers (nappies), with only 15 per cent of respondents considering changing store if their favourite brand is delisted.
- Cola is interesting: 53 per cent (in some countries as high as 63 per cent) of shoppers expect private label colas to be of a lesser quality than the branded ones.

Arguably this should mean that many people would change stores if their favourite brand of cola was not stocked there. This indeed seems to be the case, as 37 per cent of shoppers would apparently change store if their favourite brand of cola was no longer present on the shelves. This is actually the highest-rated average of all the categories we measured. When it came to Coca-Cola it clearly outperformed its category, as 43 per cent of shoppers were prepared to change store. In Spain the number is 64 per cent. We suspect that the Spanish retailers spend an awful lot of time keeping Coca-Cola happy. Coca-Cola has clearly managed to convince the global shopper that there is only one cola that works. Now it seems real again.

The point of contact

Shoppers are first and foremost shoppers. They are quick to make an alternative choice, and brands need to work harder than ever to perform at the point of selection. There is no hiding the fact that retailers truly own the point of contact between shoppers and brands. This is not working to the advantage of brands, it just adds to the squeeze. However, please remember that the retailers themselves are not the invincible and independent entities that some of them probably would like to think they are. Supermarkets are low-margin, high-volume businesses, and every penny counts. Even the smallest fluctuations can impact earnings: 10 per cent of shoppers leaving a given category will seriously impact profits and cashflow, while increasing competitors' shares. This is not something a supermarket likes to think about.

There is also another angle, a UK one. When you look at the UK retail market you see one of the most consolidated sophisticated retail markets in the world, with one of the highest levels of private label products in the world. Looking at [Figure 3.6](#) we can sense that UK shoppers are the ones who are the happiest about their supermarkets. Of the analysed markets, UK shoppers seem the most impressed when it comes to the performance of their supermarkets compared with five years ago. They rate supermarkets better than other countries' respondents when it comes to better choice of products, better pricing, better shopping experiences, better service levels, better private labels and a better assortment of known brands. One could argue that

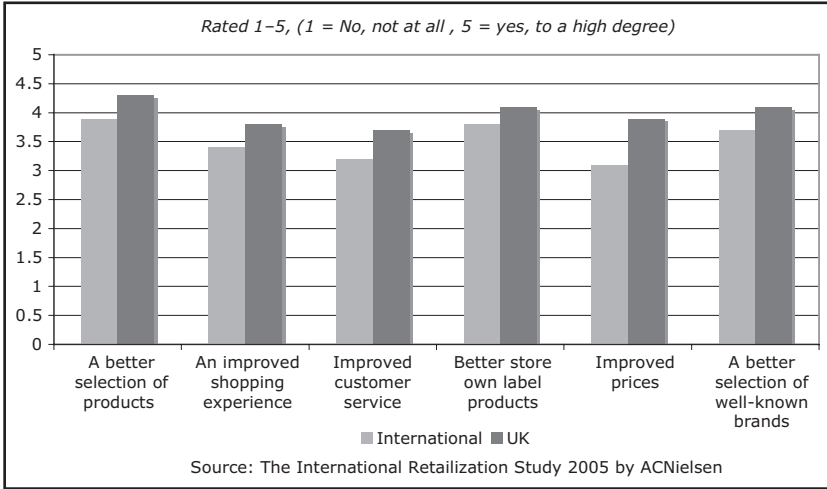


Figure 3.6 Retailers’ offerings are better today than they were five years ago

the intense consolidation and competition existing in the UK market has resulted overall in better grocery shopping for UK consumers. We can also tell that of all tested countries (except for Germany), the UK has the second strongest retailer versus brand ratio, meaning that UK shoppers put a stronger emphasis on the retail brand rather than the brands the retailer has on its shelves (IRS, 2005). The UK consumers seemingly love their supermarkets, *but* this love does not translate into as strong a squeeze. In our survey, UK shoppers are the ones that most often expect private labels to be of a lesser quality than branded versions (IRS 2005). Additionally, they seem, when asked about specific brands, to be more willing than other nationalities to change store if their favourite brand is not around. Could it be that the squeeze can be so strong that it starts to unsqueeze? A bizarre question, we know. Could it be that the UK retail market has become so concentrated and so private-label-saturated that shoppers are reacting? Maybe brands are becoming exotic and interesting again because they offer an alternative choice. Or could it be that the choice offered is the shopper’s choice rather than the retailer’s choice? Maybe UK supermarkets and their products are becoming so homogenous and bland that UK consumers are desperate for branded flavour.

Let us unsqueeze the brand a bit more, at least from a private label perspective. When it comes to the point of sale environment any product works best when it offers a significant point of difference. Historically private label works best when it offers a significant point of price difference. According to

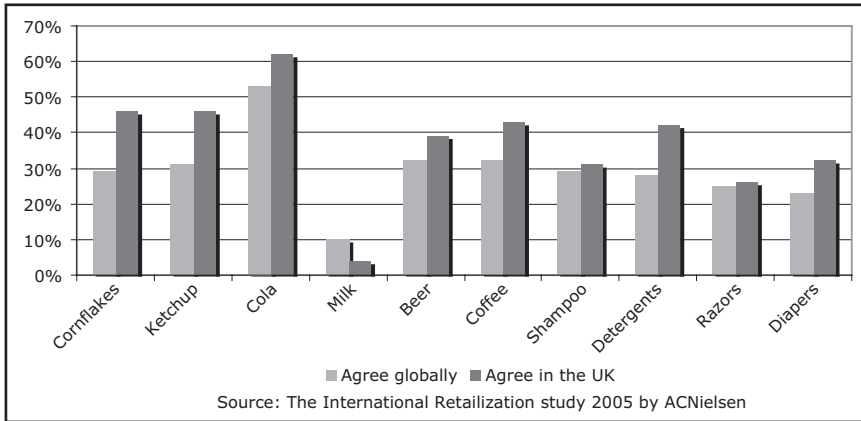


Figure 3.7 Private labels are of lesser quality than the branded versions – within categories

ACNielsen the global average in pricing difference between brands and private labels is 31 per cent, a substantial and easily identifiable difference for shoppers. As mentioned earlier, research shows that shoppers rarely remember the price of an item (*Economist*, 2005a), but in a point of purchase situation they react towards price when experiencing the better priced private label product next to the premium priced brand. As shoppers, we are forced to justify to ourselves why we are willing to pay that extra margin. It is often an easy justification when it comes to Coca-Cola, but a difficult one when it comes to milk. However, in some categories and in some markets the price difference is narrowing, in some instances down to 5–10 per cent (ACNielsen, 2005a). This could spell trouble for retailers. With no experienced price advantage, shoppers will start looking for other means of justifying their purchase, and other factors to build their preference. The private label brand becomes a ‘real’ brand and must compete on equal terms with the original ‘real’ brands. This is a completely different ball game with new challenges.

Tesco cola

Do consumers really believe that Tesco can make better-tasting cola than Coca-Cola, or a sharper razor blade than Gillette, or a hipper MP3 player than an iPod? We somewhat doubt it. If you asked shoppers directly, the brand would be likely – for now – to come out on top. However, there could

be a very different agenda. Maybe retailers want to create higher-quality or better-image products than the branded ones, something that can compete head on with the real brands. Are they then opening a can of worms? They are alienating and competing head on with one of their important partners, a partner that actively contributes to earnings and the overall quality perception of the store, not to mention traffic. Can retailers really create something that equals the image quality of brands that have years of communication and consumer experience? Can retailers really create innovative and creative products? Can they really create quality, or rather, will shoppers allow them to?

ACNielsen's global private label survey asked shoppers whether they expected private label brands to be suitable when quality really mattered. Suddenly the numbers got interesting from a brand perspective:

- Only 40 per cent of global shoppers would expect retailers to be able to create quality where quality really matters (ACNielsen, 2005b: 18).
- When you look at the more mature retail markets with more private label experience, the number drops even more. In Europe the number was 35 per cent, and 27 per cent in North America.
- Looking at the numbers one could argue that the more experience people have with private labels, the less they expect them to be able to deliver superior quality.
- When taking the UK example into consideration this could well be the case. In the United Kingdom, 56 per cent of people *disagree* with the fact that supermarkets' private label products can deliver superior quality (ACNielsen, 2005b: 18).

Fortunately for brands, there is still a credibility gap over what retailers can actually achieve. They had better hope it lasts a little while longer.

Finally, we mentioned earlier that some private label brands are in some retailers just as expensive as the brand equivalent. This is more the exception than the rule. For now private label is very much driven by hard discounters such as Aldi and Lidl in Europe. Hard discounters are responsible for a major part of retail growth in regions such as Europe, and with up to 95 per cent private label share, they more than anything set the standard for private label trends – a trend which is very much centred on low-priced no-name products (ACNielsen, 2005a).

Putting the squeeze back on

The changing quality perceptions of shoppers when it comes to private label will in the long run challenge the above scenario, and therefore challenge brands. In addition, the dramatic increase in premium private label growth will change the whole outlook on what private labels can offer and at what price. Traditionally, private labels have functioned extremely well in low-involvement, low-tech categories such as milk, eggs, sugar and flour. These are categories where shoppers do not necessarily think all that much about quality, or rather, they expect anybody (either brand or retailer) to be able to deliver the quality they expect. Milk is a great example. As we saw earlier in the International Retailization Study 2005, only 10 per cent of shoppers would expect the private label version to be of a lesser quality, which explains the 44 per cent level of private label in the category. However, refrigerated food accounts for the biggest global private label share category, with penetration reaching 32 per cent and value sales growth of 9 per cent. The biggest private label growth is to be found in cosmetics, where the global growth rate is 23 per cent (ACNielsen, 2005a). Are you paying attention, L'Oréal?

Things are changing. Shoppers are allowing more complex product categories to be privately labelled. But how about beer? Subjectively, one would think that this is a high involvement category with no place for private label. The authors have all worked a lot on beer brands, and we know that the general opinion is that quality, the brewery and image are closely intertwined. Communication plays an important role in this category, shaping the image of the beer brand. For customers it is important where the beer is served, and quality perception is also closely connected to the trust the customers have in the seriousness, skill and dedication put into the manufacturing process. This could surely not be farther from private labels' non-existent communication strategies, exclusively distributed at the supermarket and general lack of beer manufacturing heritage. A private-label beer could not possibly be perceived as high quality – or so one would think!

- The International Retailization Study 2005 shows that 68 per cent of shoppers disagree.
- In a well-established, historically rich beer culture like Germany, the score is 76 per cent.
- Private label beer seems to be no problem, and when you consider that global private label penetration in the beer category is only 3 per cent, the beer brands should start preparing for the squeeze.

- 72 per cent of shoppers expect private label laundry detergent to equal branded versions, and yet penetration is only 8 per cent.

A massive 71 per cent of shoppers expect private label shampoo to be at least as good as branded shampoo, and still global penetration is only 3 per cent. Retailers have all the reasons in the world to run right in and get their (probably) fair share of shampoo earnings. We just mentioned the 23 per cent private label growth in cosmetics. It is just a matter of time before it hits shampoo, one would think. Are you paying attention, L'Oréal?

Even truly innovative products can no longer expect to keep the market to themselves for long. Gillette spent \$750m and seven years developing its three-bladed Mach 3 men's razor, for which it charged a fat premium. But only months later it was trumped by Asda, a UK supermarket that came out with its own version for a fraction of the price.

(Economist, 2001)

When Asda launched its private-label razor it made sense according to our data. Seventy-five per cent of shoppers would not expect private-label razor systems to be of a lesser quality, yet global penetration is apparently less than 1 per cent. It will be interesting to see if this move in the long run will affect Gillette's impressive dominance of this category. Remember that only 23 per cent of shoppers claim that they would change store to get Gillette if their store stopped stocking the brand. Some categories are living in a state of

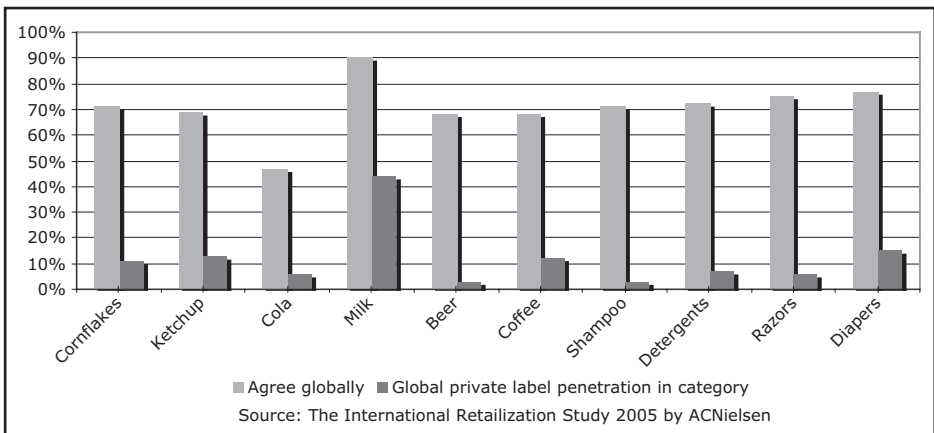


Figure 3.8 Private labels are at least of the same quality as the branded versions – within categories

private label denial. Clearly the squeeze could get a lot worse, before it hopefully gets better.

The winning private label business

The incentives for retailers to move in on these traditionally more high-involvement and complex categories are huge, as private labels in general contribute significantly to their bottom line. In a May 2002 online article for *brandchannel.com*, Jan Hol, Vice-president public relations and public affairs for Ahold, comments on the fact that private labels comprise a considerable part of Ahold's overall sales: 'If you take the Albert Heijn Company, with sales around US\$ 7 billion (€7.7B), 30 percent of their sales come from private label. In Sweden, ICA derives between 30 and 40 percent from private label' (Rusch, 2002). ACNielsen reports in *Private Label Trends 2004* that private label is becoming increasingly attractive to retailers, and results are showing in the marketplace as US private label product sales growth outpaces branded growth, competing in three of every four categories. So if there is no private label on the shelf beside your products today, expect one tomorrow. You might want to start thinking about how to outperform them.

We are back to the product again. How well does your product perform compared with the private label challenger in terms of innovation, freshness and relevance? Are you as a company able to create substantial levels of differentiation, or is it easy to copy your proposition? Can your products outperform the retailers'? If not, you most probably have a problem. Differentiation or commoditization? You pick!

The rise in penetration and shopper acceptance of private labels is continuing the squeeze on brands, as retailers' labels become as powerful as, and in some cases more powerful than, the brands they stock. The retailers' closer relationship with customers and their increasing ability to solve their issues through premium private label ranges are worrying. Brand managers have no choice except to deal with this. They need to understand what is going on in their channels and what they are up against. Brands need to implement strategies for the private label products that they compete against. Brands must find ways of beating private labels in terms of performance and customer relevance. Private label is a key feature of retailers' development, and brands need to incorporate that fact into their marketing strategies and plans. Make sure your strategies account for these shifts.

Retailization has its starting point there on the shelf partly because of this. You need to understand what you need to do in order to get ahead and

outperform. Relevant differentiation in high-performance products is most probably the prime way to unsqueeze the pressure from private label, but also work together with retail partners. Brands should help them define the role and goal of their private label products and work together to define how they can make the most out of their branded presence. How can you help create a higher level of shopper satisfaction through great branded products?

One thing is for sure: there will only be more and better private label products in more categories in the future. Even 7-Eleven has responded to the growing need for healthy foods by introducing a line of private label functional foods and beverages (ACNielsen, 2005a). Brace yourself for impact. **Unsqueeze the private squeeze.**

4 The new communication world

The fourth squeeze rethinks its role

The single biggest problem in communication is the illusion that it has taken place.

George Bernard Shaw, 1856–1950

The good old days

Back in the old days, brands had a significant advantage – they communicated! And because of their communication they were able to create bonds with their customers, shaping their preference by providing them with rational and emotional argument.

Recently, we were doing a seminar on private label trends, and showed a case of Danish raspberry jam. In Irma, the high-end supermarket chain, a glass of branded raspberry jam will cost you DKK16.95 (approximately US \$2.85 or €2.27). Next to this jam, you find Irma's own private-label raspberry jam, which will cost you exactly the same amount, DKK 16.95. Commenting on this, we pointed to the fact that the retailer's loyalty at any time of course would be towards its own jam, providing it with the best possible sales conditions, very likely at the expense of the attention and resources provided for the branded jam. A member of the audience raised his hand and stated, 'Yes, that's all fine, but still I'll buy the brand I recognize from the television.'

The nature of communication has changed dramatically. Things are changing at a rapid pace, and conventional communication is increasingly being challenged. Despite all this or maybe because of it, we find most brands and their communication partners are somewhat surprisingly still spending enormous amounts of time and investment in developing strategies that assume the retail environment hasn't changed. How can anyone ignore the overwhelming power of the changes that surround us, that squeeze us? We have to deal with the changes, because they're not going away. Historically brands have tended to develop one strategy to deal with all their retailers. That was fine when they were just distributors and small and fragmented. Now they are very big and powerful, and you need to develop retailer specific strategies that individually and uniquely meet their needs and yours. We believe that the traditional approaches to communication and advertising are no longer as effective as they once were, and they are certainly not resolving one of our prime issues: securing the six seconds! Change is all around us.

Once upon a time communication helped secure shoppers' preference, and as a result, choice at that crucial point of purchase, not necessarily because the communication was always present, but because the accumulated effect of the total communication efforts was stored somewhat safely in the minds of the shoppers. Mass communication used to be the brand guardian, reminding shoppers of all the great rational and emotional arguments to maintain brand preference. In the process it effectively protected the brand against competing brands and private label challengers. Mass media used to be the brand saviour. Historically, brand owners have believed that the key area of impact was the front end of the communications process, and they have as a result invested disproportionately in this area. This has been achieved by simply building awareness through advertising, which has often been seen as the be all and end all of commercial success – a straightforward task. They simply advertised to increase brand awareness and therefore preference. The better the communication, the more likely that consumers would trot down to the store and buy the brand, just like the Jam Man. This simple model has been the mantra in one form or another for the last 50 years. In fact brands spent US \$370 billion globally in 2004 on advertising to support this simple model (*Economist*, 2005d).

But as Seth Godin states in his 2003 book, *Purple Cow: Transform your business by being remarkable*:

I believe we've now reached the point where we can no longer market directly to the masses. We've created a world where most products are

invisible. ... The traditional approaches are now obsolete. One hundred years of marketing thought are gone.

The simple model is under fire. Here is why.

1 Fragmentation

If you Google the word *shopping* you get 712,000,000 hits. Go shop!?! Welcome to the twenty-first century, we say: this is a picture-perfect symbol of the almost headaching fragmentation we all experience when it comes to media these days. Try Googling the phrase ‘TV channel’ – 136,000,000 unique hits, an endless list of TV channels, an endless list of media through which to communicate. Utter and complete media fragmentation has become the norm.

Strategically it has long been argued that the bigger your share of voice, the more successful you will be in the marketplace. Times have changed, though, and as a result the days of mass communication are seemingly coming to an end – or rather becoming a game for the few. Big brands like Nike, Gillette and Pepsi can still afford to dominate the media landscape, but for smaller brands it is becoming increasingly difficult to rely on mass communication as an effective way of creating sale(s). It is becoming irrelevant and expensive. For these brands it is becoming increasingly difficult to achieve brand awareness and penetration by traditional communication means. We live in a world of fragmented media communications, where no one medium has a mass impact. Mass television has been replaced by niche cable and satellite and eventually will be replaced by internet television. Whereas one television channel would do the job historically, tens and sometimes hundreds of media are now required to do the job.

Consider these facts:

- In 1960, a typical US household had fewer than six channels and 37.3 per cent of viewers watched the top show, *Gunsmoke* (Mount, 2005).
- In 2003, a typical US household had more than 100 channels and only 11.5 per cent of viewers watched the top show, *ER* (Mount, 2005).
- The average US consumer’s ability to recall advertised products has dropped from 35 per cent in 1965 to 10 per cent in 2000 (Mount, 2005).
- Willard Bishop Consulting reports that in 1995 it took three television ads to reach 80 per cent of women in the United States. In 2000 it took 97 (Bishop, 2003).

Can you imagine the incremental cost! At the end of the day most brands are unable to play the mass media game, as the cost of reaching mass audiences has dramatically exceeded the potential sales generated – and of course their ability to fund it.

2 *The cost of awareness*

Let us go back to Jam Man, who stated that he would choose the brand of raspberry jam he knows. First and foremost he will do that because he expects the premium brand jam, which can afford to communicate, to be better than the private label version. But we have seen plenty of evidence by now that points towards the fact that this is changing. These days, anybody can claim ownership of quality. Second, he chooses the brand because he knows it and has therefore established some sort of emotional bond with the brand. Hey, great! Communication still works. But look at the price!

In 2004 ZenithOptimedia forecast that the worldwide growth in advertising expenditure on major media during 2003–07 would be approximately 20 per cent (Dawley, 2005). Looking at the United States, the cost of reaching 1,000 households in prime time has exploded from US \$7.64 in 1994 to US \$19.85 in 2004 (NMK, 2005). Keeping the brand on the forefront of Jam Man's mental shopping list is requiring an increasing cost. The insane fragmentation means the cost associated with actually finding and communicating with Jam Man is ever higher and the effort more difficult. Large and normally old brands have established some sort of pole position and can benefit from years and years of accumulated, carefully built awareness. However, imagine a new entry into the marketplace, a new brand with new innovative products and great ideas. How does it play this game? How can it afford it? Not only does it need to launch itself into the category, it also needs to directly challenge the leader *and* have the financial stamina to maintain that presence for an extended period of time. For challenging brands it is very easy to observe the category of choice and calculate the cost not only of entry, but also of staying on top of the media game for as long as it takes. This is a chilling experience for many brands. Even large brand manufacturers such as Unilever and P&G are terminating large numbers of weak brands to focus on fewer, but stronger brands. They simply can't afford to support everything the way they did.

Not only is awareness getting more and more expensive, it also seems to be losing its point. Of course brands need to inform shoppers of their existence and tell them what they intend to do for them, but the days where customers flocked to the store to buy products just because they loved the

adverts are long gone. When we were younger we liked and preferred brands like Nike because their advertising was so cool. We loved this new hip communication and therefore we loved the brand. Even if you were not an athlete you could still have the coolest Nikes on the block. Things have changed as the entire world has become 'cooler'. Cool products and brands are everywhere, as marketers try to emulate the Nike approach. Cool has almost become a commodity: everybody can play it cool. Awareness no longer automatically creates preference.

We have been very good at creating awareness, but not so good at ensuring that awareness leads to preference. Cool advertising used to carry an enormous responsibility for doing this, and even today in certain categories like beer and soda it still probably does. But today's shoppers are much more sophisticated and demand much more of brands and their products. A cool identity does not guarantee shoppers' desires any more, but desire will always guarantee a cool identity. Here we go product gossipping again. But in these days of corporations increasingly demanding cost-effectiveness in all their actions, mass communication is no longer as justifiable. They have to be increasingly precise with their targeting, and increasingly sure that they are producing a reaction – a sale. A survey by Deutsche Bank concluded that 'increased levels of marketing spending have become less important than having new items on the shelf and increasing distribution' (*Economist*, 2004b).

3 Ad avoidance

It is hard to talk about communication and not mention the increasing phenomenon of ad avoidance. People are getting weary after years of constant advertising bombardment. According to a 2004 Yankelovich survey presented at the annual American Association of Advertising Agencies conference, 'more and more (consumers) are turning against companies, which are providing intense mass marketing'. More and more people are turning away and tuning out traditional communication. The survey showed us that as many as '65 per cent of people feel "constantly bombarded" by ad messages and that 59 per cent feel that the ads have very little relevance to them. Almost 70 per cent said they would be interested in products or services that would help them avoid marketing pitches' (*Economist*, 2004b).

Today consumers are surrounded by choice. They are commercial targets, bombarded with up to 3,000 pitches a day. With such intensity it is only natural that they become immune to and very selective towards most of the messages. 'Consumers are like roaches,' say Jonathan Bond and Richard Kirshenbaum in their book *Under the Radar: Talking to today's cynical*

consumer (1998). 'We spray them with marketing and for a time it works. Then, inevitably they develop an immunity, a resistance' (*Economist*, 2001).

Alongside this rapid rise of communication cynicism, old media are being challenged and new media are flourishing.

- According to Willard R Bishop Jr, writing in *Wine Business Monthly* in 2003 on emerging trends in retail marketing, consumers in general spend 50 per cent less time watching television, 22 per cent less time reading magazines and 21 per cent less time reading newspapers than they did only five years ago (Bishop, 2003).
- According to a US ACNielsen study, network television viewers diminished by 2 per cent annually for the decade. In the same period, the US population grew by 30 million people (NMK, 2005).
- On the other hand television viewers' and everybody else's use of the internet is exploding. Andrew Robertson, CEO of BBDO, quotes a study of 3,000 respondents worldwide which concluded that globally people state that their mobile phone is their favourite device. Second is the internet and only in third place will you find television (NMK, 2005).
- The Chinese actually spend more than twice as much time on the internet as watching television (China.org, 2005).

Not only is the internet a very targeted medium, rendering traditional communication thinking meaningless, it also effectively allows users to cut out any advertising that they find irrelevant and annoying. In general, technology is dramatically pushing the boundaries of how much advertising people need to be exposed to. Why spend three hours watching a feature film on prime-time television enduring four-minute commercial blocks every 15 minutes, when you do not need to? Why not just watch commercial-free pay-TV or download your programmes and movies directly from the internet? Or how about DVR systems like TiVo which enable people to automatically and completely cut out the television ads from their viewing behaviour? Forrester Research expects the penetration of TiVo-like devices to reach 45 per cent of all US homes by 2009 (Mount, 2005).

4 Back-end and front end

We are not trying to be anti-advertising because we still believe it plays an important role. So do shoppers! According to a 2004 *UK Marketing Week* article, 75 per cent of shoppers enjoy good advertising (*Marketing Week*, 2004). As you will see shortly, we are actually strong believers in communication. Communication plays an integral and very important role in the retailization methodology, but we do question the role communication

should play, and how best to reallocate the funds that are traditionally allocated to pure old-school advertising. The rules of the playground have changed and your thinking should change with it.

If communication is going to help you unsqueeze your products and your brand, you need to start thinking radically differently. That thinking – not surprisingly by now – starts at the point of purchase. We must make a point of telling you that this is *not* a book about in-store communication or on how to produce effective PoS. This is *not* about above or below the line, it is about thinking through the line. It is about letting the squeeze, or rather your sale(s), form and shape your thinking. All your strategies – including your communication strategies – should stem from that singular point: the retail context. All your thinking needs to be in reverse from the conventional.

Paradoxically, in a world of exploding fragmentation, there is one channel that is heavily concentrating on a global scale: retail! The world of retail is where the big are getting bigger and bigger by the day, and increasingly homogenous as a result of rampant consolidation. This is also the medium of the present, and increasingly the medium of your future. Mass channel is the only mass left! As *Fortune* magazine states, ‘The mass channel’ has overtaken ‘mass marketing’ (Boyle, 2003). It is the consolidating point for your business in terms of sales, marketing, bottom line, everything! And it truly should be.

Christopher Roberts, Coca-Cola’s vice-president of retail marketing, adds:

Consumers are really changing in terms of their habits. Lack of time, money and an increased focus on their families has created a situation in which the traditional ways of reaching your customers via television, radio, papers and outdoor are less effective. In the retail environment, you will find a huge amount of media and means of involvement through your packaging and the whole experience connected with buying your products. You have the opportunity to talk to your customers directly and indirectly.

In The International Retailization Study 2005 we asked shoppers to rank the most important factors for them when determining the quality of a product. The actual experience connected with buying the product came in at number two. Number one was trying the product.

Communication is about facilitating the sale(s) of your product. It should not be about impressing your competitors or buying your brand popularity. We will show you new ways to approach communication. You should start by asking what your communication objectives are today. Ask yourself whether the (probably) large amounts of financial resources that you allocate

towards communication are helping you achieve those objectives. That means creating sale(s).

Unsqueezing the brand

Not one company exists whose management does not say that it wants an organization flexible enough to adjust quickly to changing market conditions, lean enough to beat any competitor's price, innovative enough to keep its products and services fresh, and dedicated enough to deliver maximum quality and customer service. But all these wishes and objectives are meaningless unless companies can realize them within the new world of retail and shopper power; unless they have the creative power to be able to unsqueeze themselves.

Unsqueezing yourself should be one of your biggest priorities. Marketers must ask themselves, *'Is this the single biggest issue in my business?'* Forget about writing the long-term strategies for your brand, you must write the retail strategy for your business. You have to learn to sell again! How can you make your products perform and impress? In the near future retail will be the core of most companies' business strategies. Your future is not going to change by creating a love brand or a cult brand. Your future is about determining how you deal with the squeeze of retailers; the power of their private labels, and equally how you deal with the squeeze from shoppers. Your future is going to be determined by how much you are prepared to reverse your traditional communication thinking.

As traditional communication continues to fragment, retail alone consolidates. As traditional media becomes more and more expensive it is becoming increasingly important to concentrate your efforts at the point of impact. Today the business heroes of tomorrow are being defined. It is a crazy future full of promise and new experiences. It is also a future full of risks and potentially lost opportunities. This is a future where connecting to people is more important than before, and connecting people to brands is more difficult than ever. This is a future where people shop more and more, and the environment they shop in becomes increasingly important to them. This is a future where there are more choices than ever, but there is less time and less information to allow people to make the right decisions. This is a future where the point of contact constitutes your biggest challenge. This is a future where retail is at the core of your entire business.

In order to be successful in this new future we need new tools, new guides that can help us re-prioritize and help us navigate. You need a guide that

can help us achieve strategic clarity, a guide that can help you to *regain brand power in a retailer world*. Let us present our guide.

Retailization.

Start unsqueezing.

At this point in the book

Key headlines so far

- The retailers are the globalizers of today and tomorrow, not the brands.
- With more than 138,000,000 customers a week, Wal-Mart is the biggest retailer in the world selling almost US \$1 billion of goods every day.
- Wal-Mart has been held responsible for the deflation recently occurring in the United States.
- One in four US grocery dollars is spent at Wal-Mart and even more staggeringly one in 12 dollars of all retail sales in the United States.
- In the UK marketplace £1 in every £8 spent on shopping is spent at Tesco.
- Roughly two-thirds of shoppers would not change their favourite store if it stopped stocking their favourite brands.
- Whoever owns the shelf owns the customers.
- Growth in private label sales exceeds the growth of brand sales.
- Shoppers spend no more than six seconds on average looking for a specific brand before they settle for an alternative.
- In 1969, a typical US household had fewer than six channels and 37 per cent of viewers watched the top show, *Gunsmoke*.
- In 2003, a typical US household had more than 100 channels and only 11.5 per cent of viewers watched the top show, *ER*.
- In 1995 it took three television adverts to reach 80 per cent of women in the United States. In 2000 it took 97 adverts.
- The average US consumer's ability to recall advertised products has dropped from 35 per cent in 1965 to 10 per cent in 2000.
- There is no such thing as power brands, only products that sell a lot.
- Sale(s) are the only testimony to our success.
- Product is king. We tend to forget that the brick built Lego, the 1011 built Nokia, the Walkman built Sony, the Air Max built Nike and the iPod is currently building Apple.
- Brands need retailers and retailers need brands.

5 Retailization

Unsqueezing the squeeze

A long time ago cowboys invented the term 'branding'. Simply by stamping their brand on a cow, they could ensure the whole world would know who it belonged to. By using fire they ignited the potential of their cows. Today cowboys spend more time singing than branding cows. However, that does not mean that they cannot think out of the box and teach us a lesson or two about branding and business. The biggest singing cowboy of them all, Garth Brooks, certainly can. In country and western music Mr Brooks is an enormous brand. He has outsold all other artists of all time except the Beatles, Elvis and Led Zeppelin, having sold well over 100 million albums in the United States alone. And he clearly likes money, as we can tell from his famous song 'Big money' from the album *Scarecrow* (2001). In August 2005, the country and western megastar announced that his future recordings would be sold exclusively at Wal-Mart, the world's largest retailer. This is the first time ever an artist has made an entire catalogue available through one single retail outlet.

This is a particularly interesting event because it tells a story, a story of the world we live in and the business world we work in: a squeezed world and a piece of thinking that unsqueezed it. First, it is a story about size. The biggest artist has decided to use the biggest retailer. As we have seen, retailers like Wal-Mart are growing like never before, and dramatically changing not only the business environment they operate in, but also the way that environment deals with them. The rules of the past are therefore not the rules of tomorrow. Wal-Mart's sheer scale is providing it with unparalleled numbers of customers, who are the envy and hidden desire of most brands – even Garth Brooks. On the other hand the very size of retailers is providing them

with an unheard-of bargaining power, a power that leaves most brands petrified. It is also about customer ownership and how it is changing hands away from the brands and into the hands of the retailer. Whoever owns the shelf owns the shopper. Those who do not find themselves increasingly lost.

It is also a story about the rise of the shopper. Who cares about traditional demographics? It is all about the shopper. People who shop at Wal-Mart apparently also shop Garth Brooks. Sometimes this is the only thing we need to get right to make a smart business move, like Mr Brooks and like Wal-Mart. It is therefore also a story of team work, of the importance of working together to create satisfied customers and working together to create superior shopping experiences – the only thing that guarantees customer loyalty.

Garth Brooks has reignited the power of his brand by applying the power of retail thinking. He has used two of the big squeezes, the retailer and the shopper, to his advantage. Size, cooperation and customer understanding have been his key strategic parameters. He has truly connected his customers to his brand. He has optimized the power of retail thinking – a way of thinking we call *retailization*. The result – as Garth Brooks would say is – *big money*. By placing retail at the core of your business thinking you too can go on to make *big money*.

So what exactly is retailization?

Now we have come this far, it is about time we clearly defined retailization. The simple definition is: *optimizing sale(s) by connecting brands to shoppers through the power of retail thinking*. How do we do this? *Simply put, we optimize the value of the brand at all the points of contact it has with the retail world*. We start by imagining the brand as a source of light. Traditionally, as we described earlier, that source of light has been pointed towards consumers, with the objective of building brand preference and ultimately purchase. However, this objective has become increasingly meaningless, as the power of mass communications has fragmented and eroded, and the ultimate consumer has developed from a passive consumer watching television to an active shopper seeking the best he or she can get. Our mission is to help the brand provide the shopper with just that – the best products bought in the best possible way.

Our main tools are the very things that squeeze today's brand. We use them to turn them to its advantage, to make brand selection a reality and to realize a sale or even more importantly sale(s). In other words, we aim to realize the full retail potential of your brand. We use the *key points of retail*

contact that a brand touches as a catalyst to restore and recharge the brand energy that has long been drained from it. We use those key points of contact as a way of focusing thinking and subsequent actions. The retail points of contact are in essence lenses which allow us to refocus brand energy, reigniting a new more powerful brand, *a retailized brand*. This is a brand that unsqueezes the squeezes.

The rest of this book is about how we accomplish this feat: not just us, but the many brands that have already retailized themselves, and the many more that will.

Creating sale(s)

In the previous chapters we stated somewhat bluntly that the retailer and the brand share the common goal of sale(s). We would like to elaborate on this, if not for anything else to explain the purpose of the graphically enticing, yet slightly annoying bracket. (If you do not find it annoying now you may after reading this book. It appears 98 times.)

A couple of months ago we attended a conference on integrated communication, where one of the speakers posed the following question to the audience: ‘What is the most important success factor for a bakery shop?’ After a couple of clearly wrong answers, he stated that of course the person behind the counter was that factor: that is, the company’s employees. We beg to differ! Haven’t we moved beyond strategic one-liners? Aren’t we all now aware that there is no such thing as a single-focused reason for a company’s success? What about the bakery shop’s location? What about the proximity of the nearest competitor? What about the baker’s shoppers? What are they looking for? What kind of bakery shopping experience are they craving? Or what about the bread and the cakes on the shelves? Are they of high quality? Are they value for money? Are they the right kind? Are there long lines when you need to buy? Do they sell out quickly? And so on. Any business is a complex and dynamic one. There is no single solution, only constantly changing challenges and priorities. The only constant is change! However, there is one overriding objective you should always focus on: creating sale(s). Because everything you do stems from this one simple objective.

We put the ‘s’ in a bracket, because we strongly believe in the repeated sale. We have all become very good at generating that first sell, and frankly that is also the easy one. The tough ones begin at sale 2, 3 and 47. Sale(s) 2, 3 and 47 matter more because they represent the only real proof that we are

doing it right. They are the ultimate testimony to our success, not that first sale. Anybody can do that.

We are all hunting for sale(s). Despite years of obsession with the creation of power brands, it is worth remembering there is no such thing as power brands, only products that sell a lot. A great brand is one that generates large volumes of sale(s) – bad ones cannot. A good retailer is one that generates large volumes of sale(s) – bad ones cannot. Therefore the focal point for our retailization process is achieving sale(s). It is the only thing that matters; it is the only thing we all can agree on. You have to ensure that you are totally focused on these sale(s) closures which are so important for your ongoing business success. Truly successful businesses have always been about creating long-term sustainable sale(s). We can only do this by making people buy our products in our stores, again and again. If our products (brands) and the experience connected with buying them (retailers) are meeting shoppers' expectations, we are rewarded by their loyalty (repeat purchase) and their enthusiasm (word of mouth endorsement). We have successfully put the second (s) into sale(s). Business is that straightforward.

Creating sale(s) is important because every transaction is a relationship. Here you are sitting reading our book. That is a relationship. You have paid money and used your valuable time. Hopefully we are rewarding you with an entertaining and inspiring read. If you are satisfied you might come back and buy our next book. You might even tell other people about this book. Sale(s)! If you think it stinks, well, then the train stops right here. It is the same with your job. You are in a transactional relationship with your company. It pays you and pampers you; you work and give it your best – that is, if it pays you enough and you like working there. Equally if you are not living up to its expectations, you get laid off – give and take. The relationship between brands/retailers and their shoppers is transactional. If shoppers like what they get, they will come back for more. There is also the same relationship between retailers and brands. Retailers provide traffic and a stimulating shopping environment while brand manufacturers provide great products. If both of you do a great job, you will successfully generate sale(s) and keep everybody happy.

Give and take, creating sale(s) – it sounds like a partnership. However, the talk of the town still centres on the conflict between suppliers and retailers, subservient brands and ruthless retailers, brands being exploited and sucked dry by huge retailers who are only out there for themselves. To a certain degree, this truly is the scenario, but it is not the norm. Of course, there are friction and conflicting interests, but they are evidence of misguided outlooks and strategic inertia. There is also a built-in conflict. The retailer's objective is to get shoppers to shop in the store, regardless of which brand the shoppers

buy. The individual brand in itself is of secondary importance. On the other hand, the brand manufacturer wants to push its brands regardless of which store will sell them, as long as the store puts it on the shelves. However, the most successful retailers and brands these days are the ones that have joined forces and together created unique, exciting shopping experiences for the shoppers. In fact the most successful retailers and brands these days are probably at the point where they both think they are retailers, and where they both think they are in the business of creating sale(s) through creating exciting products and sensational shopping experiences. It is not about distribution, It is not about suppliers – it is not us or them. It is *us!*

An Armani latte

Our retailization journey started with two very different experiences. The first of these was in Milan, with a lunch at the Armani Caffé on via Manzoni, recuperating after an intensive, but very therapeutic day of power shopping. Sitting in these picture perfect, or rather Armani perfect, surroundings, being waited upon by Armani perfect waiters with Armani shopping bags next to us, was pure bliss. Our bags did not only contain suits. We had stopped at Armani Dolci to pick up some of his signature and shamelessly good chocolate, and even bought an exquisite flower arrangement at Armani Fiori to bring back home. While sipping our espressos, we read about how Giorgio Armani is entering the hotel market, as he is creating a worldwide collection of luxury Armani hotels. By 2010, 10 hotels and resorts will be opened in cities such as London, Paris, New York, Tokyo, Dubai and Shanghai.

Giorgio Armani. Disneyland for fashionistas.

It made us talk. Giorgio Armani had come a long way from being just another guy who designed and sold suits. Giorgio Armani has evolved into a massive lifestyle brand: Giorgio Armani, Armani Collezioni, Emporio Armani, Armani Jeans, Armani Exchange, Armani Casa, Armani Junior, Armani Profumi, Armani Cosmetics, Armani Orologi (the watches), Armani Occhiali (the glasses), Armani Gioielli (the jewellery), Armani Accessories (you name it, they make it), Armani Arte (the Art collection), Armani Dolci, Armani Fiori, Armani Libri (the bookstore), Armani Privé (the nightclub), Armani Caffé, and finally Armani Hotels!

These are enough areas to be able to create a full-on department store, even a shopping mall. Armani has not only created a lifestyle brand, he has recreated himself as a retailer: a retailer of jewellery, furniture, flowers and

hotels. The list is seemingly endless. *In essence Armani has fully realized the enormous retail potential of his brand: that is, retailization.*

Thinking like a retailer instead of a designer, Armani has made the most of his brand. He has put retail at the core of his business and focused on creating a coherent and sensational shopping experience. At every point you touch his brand, you get that satisfying feeling that he has created it with this as his top priority, providing his customer (you) with the ultimate superior shopping experience. For this we reward him with our continued shopping. We want to come back for more again and again – thinking like a retailer.

An applelicious experience

The second experience happened a couple of years ago on North Michigan Avenue in Chicago, a long way from Milan. We had gone to see the new Sony Style Centre, which apparently was a new effort by the company to represent itself in retail. Suddenly, we noticed a large white apple on the side of the building next door. We were intrigued and ventured forth. Much to our surprise this turned out to be one of the new Apple Computer stores. We entered and were greeted by probably the best brand experience we had ever received. The store was simply a pure personification of the joy and genius of the Apple proposition: think different! It opened at 10 am and more than 800 people rushed in. When we walked past it on our way home from dinner there still seemed to be 800 people inside. Some of them had probably spent the entire day there.

Why were they there? They were there for the friendly work stations, which allowed them to learn video editing, music production and photo processing. They were there for the Genius Bar, a simple customer-friendly resource that answered all their questions. They were there for the auditorium where they could spend all day learning about Apple products and applications from professional tutors. They were there because they wanted to engage with Apple's innovative and imaginative products. In the process they lived and breathed the Apple brand. Next door at the Sony Style Centre, silence echoed around an almost empty store. We had seen the future. Apple did not need to sell just one product. It sold the whole company in this involving and inspiring shopping environment. Here was retailization thinking laid out before us in a truly splendid way. *Apple has realized the retail potential of its brand – retailization.*

From Armani to Apple, a clear thread connects both brands, something that smells and tastes of the thinking that in our minds became retailization.

Would this line of thinking be relevant for you? Would it be relevant for anybody dealing with shoppers and anybody in the market for creating sale(s)? Would it be relevant whether you sell aeroplanes to airliners, chocolate bars to hungry teens or marketing books to business people?

We believe that we all need to become retailizers. We are all retailers, you see. If you are not, you need to start thinking like one. We are (or should be) in the business of selling. Retail thinking is the conduit for selling. These days, with increasingly bigger retailers setting the agenda, it has become critically important to be able to think like them, act like them and work like them. The world has gone shopping mad. Make sure you are able to go along for the ride. You need to put retail at the core of your marketing thinking. You need to optimize sale(s) by connecting your brands to your shoppers through the power of retail thinking. You need to retailize your business.

AIDA or is it ADIA?

The days of mass marketing are over.

Larry Light, global marketing chief, McDonald's (*Economist*, 2004c)

A decade ago, P&G used to put about 90 per cent of its advertising budget into television, but now it spreads the money more widely. For some new products, television may account for only a quarter of the total spending (*Economist*, 2005e). The Coca-Cola Company used to be one of the biggest television spenders in the world. It still is, but finds itself restructuring its efforts away from mass-communication (*Markedsføring*, 2005). Brands are increasingly refocusing their marketing efforts. Worldwide, the PoP advertising industry is a US \$30 billion category growing at 7 per cent annually (Liljenwall, 2004), away from the big screens and towards the big stores. When companies like P&G and Coca-Cola are changing their ways, the rest of us should be paying attention.

Again, this is not a book about below-the-line advertising. We are about refocusing our total marketing efforts around those six seconds where the business needs all the help it can get. Rumour has it that in 2004 when Boots, the UK's major health and beauty retailer, looked for a new advertising partner it asked the competing agencies to create a new line of campaigning created 'from the window and out'. This might not seem revolutionary, but it truly is. Boots are not trying to communicate people down to the store, they are trying to communicate the store up to people!

The point of action is determining the storyline. The shopping experience is the promise. The store and the products are the heroes and heroines. Companies with some of the world's biggest advertising budgets are starting to communicate in this new way. Are you changing your ways? Are you thinking like a retailer? Are you taking the starting point in 'the window'? This potent new approach to marketing thinking is relevant for anybody trying to create that sale, whether they are selling apple juice, hotel suites or surfboards.

Retailization is about putting retail on the agenda and raising the stakes. Some companies have been asking for more emphasis on retail solutions, but have received little help from their agencies (or consultancies). Branding is a vastly more sexy subject than retail. We also sense that agencies have been too busy focusing on the easier, more commercial subject of new media channels. Most brand companies are no different. It is more fun to talk branding and new media than retail strategies. Manufacturers have all too often left investment in retail to lower management, lower budgets and lower priorities. Why we are obsessed with branding and new media and not obsessed with selling escapes us. Why are we not obsessed about creating high-performance, revolutionary products? We must reverse our thinking and spending in order to encourage loyalty at the point of action. Being clear about your strategy and positioning is critical. The shopper of tomorrow wants your help, wants your direction. Your marketing thinking and spending must move from above and below the line to through the line. Retailization will help you achieve this.

For years the AIDA (Attention–Interest–Desire–Action) model has dominated our way of thinking. It is the simple model that has been the cornerstone in modern mass marketing. The AIDA model is based on the straightforward notion that a series of events lead to sale(s). Traditionally we have thrown massive amounts of communications at the market hoping to get our specific target's attention (A). The assumption has been that if this effort succeeded the target would start developing an interest (I) in our offering, which eventually would lead to the development of our target's desire (D) for our products, a desire that hopefully grows strong enough to make the consumer act on it (A). It makes him or her give in and run to the store to buy it.

Essentially this means that the product and the point of purchase are left to the end. There it is, the centrepiece of all the action, alone and passive on the shelf waiting for somebody to hopefully act upon a piece of perhaps well-executed mass communication. Why is that so? Do we really want to leave those crucial six seconds to the end? Boots, Coca-Cola and P&G do not; they are changing the order. And just like them, we suggest you turn AIDA upside

down, making it ADIA, and putting the action that surrounds the sale of your product at the forefront of your marketing thinking.

Buy me! Try me!

Let us repeat this mantra: put the action that surrounds the sale of your product at the forefront of your marketing thinking. We think it makes a whole lot of sense. In the International Retailization Study 2005 we asked shoppers what made sense to them. We asked for the most important factors in helping them determine their perception of a product's quality and therefore relevance. The results were interesting. In all of our test markets, the number one factor was the experience of trying the product. Number two was the experience of shopping the product. Trying and buying emerged as more important than factors such as retail presence, advertising, brand name and packaging design.

A G Lafley, the CEO of P&G, is among other things famous for his quote that there are only two moments of truth for a business: when people buy your product and when they try your product – buying and trying. According to our survey, shoppers agree. *Your* shoppers agree. But are you building towards that? Are you putting all your resources towards excelling in the two moments of truth? Are you, like Armani and Apple, obsessed with maximizing your customers' buying and trying experience? If not, you probably should be. The seven steps of the retailization process will help you kick-start this obsession.

Buying and trying are the two moments that dictate whether brands live or die. Think about it: excelling at the two moments of truth is the most certain way to unsqueeze your brand. Your products become relevant to retailers and shoppers alike. It is the one guaranteed unsqueezer. Everybody will want to play with you. You will be able to do some squeezing yourself. That would be nice for a change, right? The two moments of truth are about creating involvement: your involvement, the shoppers' and the retailers'!

When we all get involved, anything can happen. Buying and trying are the two moments where you can make a difference and realize the full retail potential of your brand. Thinking about these moments will fundamentally change the way you do business in the future, from the way you communicate to your customers to the way you create products to the way you organize your company. Mastering them will be the juice you need in order to regain the power your brands once possessed and make them thrive in a retailer world.

People shopping here are not actually shopping for products, they are shopping for an experience. They are here to spend a day out. They are here to see things, to meet people, to have a nice coffee, to spend time doing something different.

Vittorio Radice (2002)

Shopping today should be about creating a point of involvement for the consumer. Your products are an integral part of that experience. Creating involvement through buying and trying is relevant to everyone. Whether it is a cup of coffee, routers, insurance, cars, travel, cereal bars, milk or razor-blades does not really matter. Shoppers simply gravitate towards buying situations that are exciting, interesting, easy and simple, and they avoid places that are not. They reward products that perform and make sense, and they walk away from products that do not. Shopper marketing is an emerging buzzword. It's a new, fresh way of thinking marketing that makes sense in the energetic and organic retail environment of today.

You must make retail thinking the core of your business strategy. You must think retail whenever you make a business decision. You must be sure your organization – and everyone in it – is retail-obsessed and retail knowledgeable. Let us help you stimulate your thinking, your creativity and your actions. We believe that retailization is a viable path to change. When someone asks us for a quick definition of retailization we say that it means starting over. It does not mean tinkering with what already exists or making incremental changes that leave basic structures intact. It is not about making patchwork fixes such as rigging systems so they work better. It *does* mean abandoning long-established procedures and looking afresh at the way we create sale(s), the products – the buying and trying. We need to look afresh on how we create meaningful value and experience to our customers. It means asking yourself this question: 'If I were recreating this company today, given what I know and given the current issues I have selling my products, what would my company look like?'

Getting retailized

Retailizing a company means tossing aside old systems and starting over. It involves going back to the beginning, inventing a better way of reaching your customers, and selling things through building loyalty in ways never imagined before. As a high-level French marketing executive recently said to us:

It flies in the face of everything we've ever been doing and the way we do things today. I cannot agree with this thinking. However if I was in charge of the entire business, I'd do exactly that. Retailize. Right now.

Her comment reassured us.

So how do you start thinking retailization? Where do you begin? Who do you get involved? Where do the ideas for radical change come from? How do you regain power in a retailer-dominated world?

Well, you could start by reading the rest of this book. Packed with practical step-by-step advice on how to retailize your organization, including many unpublished case studies and interviews with leading players from around the world, this book proposes innovative ways to radically change the way you do business and the way you communicate and market yourself in this new era. Based on the world's most extensive study of attitudes to the relationships between retailers, brands and shoppers, *Retailization* is the first book to take an in-depth look at this global phenomenon which increasingly dictates our lives and the missions of the corporations we work for. Retail will dominate your life whether you like it or not. You simply cannot ignore the full implications of the retail and shopper revolutions if you want to win, if you want to create sale(s) and if you want to continue selling to build long-term meaningful relationships with your core customers.

Simply put, it is the rethinking, reimagining and restructuring of your business to optimize the facilitation of the connectivity between your shopper, your retailers and your brands. Put even more simply, it is making sure that shoppers, retailers and brands connect or, as is mostly the case, reconnect. It is far more than reassessing the importance you place on retail, it is redefining marketing.

Unsqueez the squeezes. Optimize sale(s) by connecting your brands to your shoppers through the power of retail thinking.

6

The blood pack

Introducing the retailization process

The first part of the book has focused on setting the scene. We wanted to provide you with a diagnosis and an overview of a whole new ball game where the old rules and techniques simply do not apply. The brand world is being squeezed from all sides. [Chapter 5](#) introduced a new way of thinking – retailization – a way to unsqueeze the squeezes.

However, the main purpose of this book is not diagnostic, it is action-oriented. We want to introduce you to an alternative way of approaching your own business. This book is about helping you redefine the way you think about and use marketing, the way you use the power of retail thinking for the development of your business. The goal is to make change happen.

We would like you to forget everything you thought you knew for the remainder of this book. It is a new world out there. The role and relevance of your brands have dramatically changed. You may need to change too. Let us take you on a journey of new ideas and inspiration. Let us show you what we really mean when we say and use the word ‘retailization’. Let us show you how you can use this approach to regain control of your brand’s future. The focus is on making it happen and helping you deliver on the promise of retailization.

In order to inspire you, we would like to introduce to you our unique way of approaching this daunting and complicated task. It is designed to help you structure your thoughts and processes in a logical and appropriate manner in order to help you reconnect your brand with its shoppers through the power of retail thinking, helping you regain brand power in a retailer world. It is a step-by-step process that will allow you to rethink, reimagine and

restructure your business, a blood pack to recharge your brand juices and to regain your brand power.

As you know by now, we have named this process ‘retailization’. This strange word was created during those visits to Milan and Chicago. We just could not let the word go, kept discussing it, and in the end those discussions evolved into an umbrella for our thoughts. Those thoughts led to the writing of this book. Without knowing it, we subsequently discovered that retailization is actually a commonly used financial term, signifying a state of increased availability of a given hedge fund. For us retailization means something entirely different. For us retailization is about realizing the full retail potential of your business: making the most out of your product offering in the retail context, optimizing its relevance and attractiveness for its shoppers, reclaiming control of your arena. Retailization means the rethinking, reimagining and restructuring of your business to optimize sale(s) by connecting brands to shoppers through the power of retail thinking. Retailization is a new way of marketing, a new way of dealing with brands’ branding. Retailization is about branding from the shelves and out.

Retailization is a pragmatic philosophy that puts retail thinking at the very core of your organization, whether you work in human resources, management, product development or marketing. Retailization involves almost everyone who is directly or indirectly involved in creating sale(s) and brands, and especially those who are ready to start thinking and acting retail, whether they work for a bank, a soft drink producer or an aeroplane manufacturer. The overall objective is to excel during the two moments of truth. Only by excelling here will we be able to create sale(s). Retailization is a holistic approach to evaluating the retail potential of your brands and your company, but more importantly it is a process that will help you become a retailization megastar. During the course of writing this book we reviewed numerous brands worldwide. Some were more retail-effective than others. Some were more shopper-clever than others. But one thing was clear: the winners tended to do the same things right and the losers tended to do the same things wrong. The one thing that became apparent when you looked at this mass of data was a clear pattern. There were seven points that made a difference between winning at retail and not winning. Those seven points were the seven points of retail contact we mentioned earlier in our definition of retailization. There were seven points of retail contact which a brand has to touch successfully to win. We call the seven points the seven steps.

Clearly some brands are doing a lot better than others!

As we previously stated, we have defined seven key steps that will help you to achieve retailization and in the course of the next seven chapters we will

take you through them one by one. There are seven steps built on three different mindsets.

Here is an overview:

First phase

REthink!

- | | | |
|--------|---------------------|--|
| Step 1 | The arena | <i>Where</i> do we create our sale(s)? |
| Step 2 | Competitive context | Who are we <i>stealing</i> sale(s) from? |
| Step 3 | The shopper | <i>Who</i> is driving our sale(s)? |

Starting with the *rethink* mindset, we cover the first three stages where we need insights, breakthrough research and alternative perspectives to help us fully understand the arenas within which we operate, the competitive context within which we exist and finally the way our shoppers interact with our category and its products. The process starts with the arena by asking, where do we create our sale(s)? Which shelf do we sit on and which one should we sit on? Having defined our arenas, we move on to the competitive context and ask who else is generating sale(s) in that arena. Who else is on the shelf next to us? Only by understanding them can we define how to steal their sale(s). Next we move on to the shopper, as we try to understand what exactly defines shopping in our category and how people shop there. What makes them buy? What will make them buy?

Second phase

REImagine!

- | | | |
|--------|--------------------|--------------------------------------|
| Step 4 | Product concepting | <i>What</i> is creating our sale(s)? |
| Step 5 | Retail impacting | <i>How</i> we create our sale(s). |

Once we have rethought, we need to start *reimagining*: reimagining what we sell and how we sell it. We need to start (re)creating great products and great retail experiences, creating product and shopping experiences that will excel during the two moments of truth. Simply said, products that are exciting to buy and equally exciting to try – buying and trying – create sale(s). In product conception we try to understand the very nature of what we are trying to sell, and identify what would create the optimal sale(s). Based on our understanding from Steps 1–3 we are able to define how we create the perfect vehicle for sale(s), the perfect product. But a product does not exist in a vacuum. It will always find itself in some sort of retail context, and in Step 5 we try to make the most out of this context. Retail impacting will focus on the

importance of extending the product idea into a great shopping experience. Step 5 deals with how we want to create our sale(s).

Third phase

REstructure!

Step 6 Creating communication *How do we make communications work for our sale(s)?*

Step 7 Organizational enhancement *Empowering your organization to think sale(s).*

After having rethought and reimagined, we need to *restructure*, changing the way we approach communications and how we organize ourselves. We need to create communications that will drive shoppers to our products and our shopping experiences. We need to create communications that will help us achieve our sale(s). But none of the stages will work unless we can restructure our organizations and people in order make everyone live and breathe retail every day. Is your organization geared for retailization? What demands does retailization put on the way you structure yourself? Is retail a major concern for your company? Retailization demands new ways of thinking that lead to new ways of acting. In organizational enhancement, we will try to inspire you to change your organization's attitude and priorities in order to think and act with a great deal more sale(s) focus.

Let us retailize

Let us move from a conventional brand to a retailized brand. You may believe you are already covering all seven steps, and you most probably are. However, we believe our process will add a new rigour and creative and intellectual intensity to an issue that merits it. Retailization is not a pick and mix kind of process. You must thoroughly complete all of the steps to reach the objectives and embrace retailization as the long-term guiding philosophy to take you along the pathway to better sale(s).

Are you ready to roll up your sleeves?

Are you ready to redefine marketing?

Are you ready to retailize?

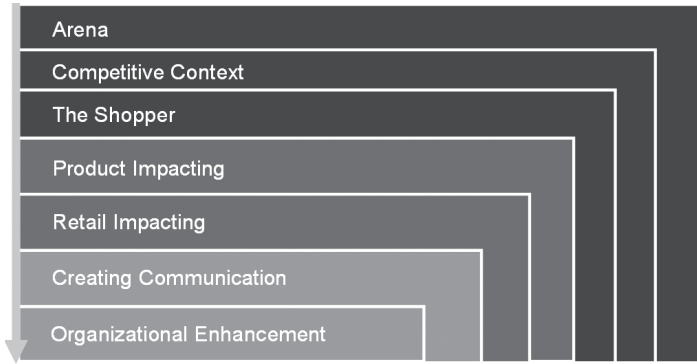


Figure 6.1 The retailization model

7 Step 1: the arena

Dealing with where we create our sale(s)

KEY POINTS

- At the beginning of everything lies the point of action – our arena.
- Every single arena has a unique set of opportunities and challenges that defines our strategic thinking and our actions.
- For most brands the arena is especially challenging as somebody else often owns the arena they play in. Often this is a large-scale retailer.
- Reclaiming your sense of control over your arena is crucial.
- There is no point in fighting the retailer. Instead you should focus on creating proprietary distribution, reinventing your arena or competition.

The starting point for our process is the arena. The arena is the place we play, and it defines our strategy. It is as simple as that. You might be able to charge US \$1,200 for a Gucci bag in the newly glammed-up Gucci flagship store on Manhattan's Fifth Avenue, but it seems unlikely that you could sell that same bag in the Tawas City Wal-Mart. 'But wait!', you say, 'is that really so?' What is preventing Wal-Mart from selling last season's Gucci bags at a lower price point? Nothing, of course, but in reality you just proved our point. You would just have to sell it off season in order not to alienate the customers who paid the higher, seasonally defined price at the Gucci



Figure 7.1 The arena

store, and you would have to lower the price in order to fit in with Wal-Mart's brand promise of always lower prices.

The place we play defines our strategy.

The starting point

Here is another way of making the point. When Starbucks operates its chain of coffee shops, it deals with a whole set of specific principles, rules and norms that apply if you want to run a successful coffee shop chain business. It deals with a very specific set of competitors both from within and outside the category, and more importantly it deals with a very specific coffee shop shopper mindset. Whoever runs the most successful coffee shop business is the one that becomes the coffee shop arena market leader. Once you master an arena you will be allowed to shape that arena by setting new standards, rules and norms.

However, selling a freshly brewed grande double shot skinny latte out of a coffee shop is an entirely different game from selling a pack of medium roast decaf coffee from a supermarket shelf, or even selling ice cream, chilled espresso shots in a can, flavoured Frappuccino drinks in bottles, tea filter bags, tea latte concentrates, bottled juiced teas or coffee-flavoured liqueur from that same supermarket. Starbucks knows this because as well as running its global coffee shop business it sells these products off supermarket shelves. Starbucks is also very much aware of the fact that it suddenly finds itself playing in an entirely different arena, one with a whole new set of principles, rules, norms, competitors and shoppers. To make it even more complex, every one of Starbucks' supermarket products potentially plays in

its own different arena, with its own unique set of rules and equally unique shopper mindsets. Creating tea sale(s) is very different from creating liqueur sale(s). Different arenas – different games.

Where?

So we find ourselves starting the retailization process by asking the question *where?* Where do we want to create our sale(s)?

From which shelf are we building our brand? What is the nature of this shelf and what rules do we need to adhere to in order to maintain and manifest our presence there? It is crucial to understand the concept of the *shelf*. The shelf could be anywhere shoppers are deciding between brands and products. It is a synonym for the meeting place between your products and the shoppers. Do not just think of it as a physical shelf in the supermarket. Dell has placed its shelves on the internet, and when deciding which coffee shop brand to choose, the high street becomes the shelf. Are our goods being sold on a ferry, or in an online shopping centre? Where do we define our first moment of truth (buy), and from where do we want to activate our sale(s)? Where do we get people to try? This is not rocket science. You most probably think about these issues all the time. We are simply suggesting you put something first which we tend to leave to the very end.

The place where we want to play should define our total strategy. So let the last be the first!

This is not about reinventing the obvious. It is about trying to do what seems extremely logical and relevant. Data seems to suggest that this is a very sensible idea.

Research shows more and more purchase decisions and therefore brand decisions are made in-store. This is the point of ultimate selection where shoppers make their final choice between one branded product or another. This is where you most likely make or break your profits. Looking at Swedish data – one of the most consolidated retail environments in the world – it seems that 92 per cent of purchase decisions regarding choice of tea brand are made in-store (SWE, 2005). Why on earth would tea brands try to impact consumer preference anywhere but in-store? Why are tea brands not focusing all of their attention at creating an impact in and around the store itself? Looking at the data, the tea CEO and every major tea executive should be down in the Swedish supermarkets shaking the hands of potential tea clients. It could turn out to be their most effective marketing strategy ever.

When we looked at data on retail consolidation from around the world and compared it with the available data on levels of in-store brand selection, something interesting started to emerge. It seems that the more consolidated the retail environment is in a given marketplace, the more shoppers are likely to make the brand selection in-store. This is worth thinking about when considering the overall global development in retail structures. Obviously we are not saying that branding and communications are irrelevant or without effect, but just that we need to reorientate ourselves. Customers still need to know of different brands before being able to make a choice between competing brands on the shelf. However, one must keep in mind that an increasing number of shoppers are putting the stores' brands in their shopping carts, and therefore you need to be able to compete effectively in the selection environment as well, if not more so.

There may be one global brand strategy but many different retail strategies. The place we play defines our strategy. It is on the shelf, or rather in our arena, that we make or break our profit. So hopefully by now you are starting to agree with us that this is something not to be left to the end, or even worse to chance.

So why have we left this crucial part of our business out of our main set of priorities? Frankly, the increasing complexities of today's arenas have evolved beyond our capability to deal with them. The arena has changed because the very nature of retail and therefore distribution has changed. Just look at the internet and how within 10 years it has completely changed the way we shop for music, books and travel. For instance, in 2005 in the United States, most analysts expected 30 per cent of the US \$200 billion US travel market to be booked online. Airlines expected 40 per cent of their booking to come from the internet. In 2002 the figure was 20 per cent (*Economist*, 2005c). Talk about the arena affecting our businesses! Remember the number of click and mortars and e-tailers that were born and died during the 1990s? Talk about how the understanding of the arena or lack thereof can make or break a business!

Who owns the arena?

There is a bigger point when it comes to the dramatically changing nature of the arena, and therefore an even bigger argument why the arena is the single biggest issue facing most brands. Let us return to Starbucks. For Starbucks, the biggest difference between playing in the coffee shop arena and the grocery arena is one single factor – the presence of a retailer. Starbucks

might be the king of coffee shops, but in the grocery aisles the company's product is just another set of stock-keeping units (SKUs), and therefore easily replaced by something deemed more sellable or easily copied by a private label. Here the retailer is king.

This is the situation for most brands. Somebody else owns their arena. Back in the old days, where everything was more evenly balanced, this really was not a problem. Today it is a challenge for most brands. Even huge brand owners like P&G, with an estimated post-Gillette purchase total sales figure just above US \$60 billion, have to face the reality that the total sales figure for a retailer like Wal-Mart exceeds US \$285 billion – sales almost five times bigger than those of P&G.

While writing this book we were sitting on an aeroplane to New York when we overheard two marketing people discuss the life and trials of an FMCG (fast-moving consumer goods) brand manager. They were in completely different categories, but one thing they shared, which in the end turned out to be the main topic of their conversation, was the fear of being kicked out of supermarket distribution. Not only are listing fees challenging brand budgets (we heard rumours that up to 40 per cent of an FMCG brand's marketing budget can be allocated towards listing fees) but the sheer size and bargaining power of retailers are scaring the living daylights out of most brands. Think about this: US \$1 in every US \$4 of grocery expenditure in the United States is spent at Wal-Mart (Agri-Food, 2005). In the United Kingdom £1 in every £3 of grocery expenditure is spent at Tesco. So while Tesco's UK market share is roughly 30 per cent of the entire grocery market (*Retail Bulletin*, 2005), a big UK grocery FMCG brand such as Nescafé in comparison only has less than 1 per cent (IGD, 2005; *Guardian*, 2005). Actually £1 in every £8 spent by UK shoppers is spent at Tesco. This is quite amazing. Who do you think is calling the shots these days, retailers or brands?

Retail success

Remember that retailers are not where they are because they are big, imperialistic and dominating evil conglomerates with cruel intentions of taking over the world – incidentally what people like Naomi Klein used to say about brands – but highly successful sales-driven businesses. One important, underlying theme of this book is to encourage brands to think more like these retailers in order to reconnect with shoppers and therefore with their sale(s).

This is important because an increasing number of brands find themselves spinning out of control. Remember the story about Kellogg's being kicked out of almost a third of its entire Scandinavian distribution, and of course the fight between Gillette and another major Scandinavian retailer, ICA, which removed almost all Gillette products from its shelves, because of price disagreement? Brands that used to find themselves in the driving seat are clinging on to the fender with their fingernails. For instance, the International Retailization Study 2005 indicates that the majority of shoppers would not necessarily change store and go that extra mile to get their favourite brand. A substitute would most probably do just fine. As retailers increasingly dictate price, brands have lost control not only over contact with their shoppers, but also over their margins. There are no in-between situations in the retail arena. You are either in control or you are not. That is exactly why our retailization process starts with the arena. This is about helping you reclaim control over your arena. Where you play defines your entire strategy. So in your quest to reconnect with your shoppers and your margins, you need to know *where* to fight that battle.

As we see it, there are three ways to achieve that objective: proprietary distribution, reinvention and/or cooperation.

Proprietary distribution

The most effective way of reclaiming the arena and making sure nothing stands between you and your shopper is to create your own arena! Become a retailer.

Is Louis Vuitton a manufacturer or a retailer? Are H&M, Ikea, Swatch or Apple? In reality they are all both. They are their own sovereign little islands, not dependent on anyone except their shoppers. Consider all the brands that since the beginning of the 1990s have created their own retail outlets in the form of flagship stores: Levi's, Nike, Disney, Bose, Sony and so on. Of course for brands like these, flagship stores are more a question of communication and branding and not real distribution. Prada owns and operates more than 100 stores around the world, but puts extreme emphasis on its so-called epicentres; groundbreaking and monumental flagship stores. These are huge passionate tributes to contemporary art and modern architecture. When Prada commissioned architects Herzog and de Meuron to create its Tokyo epicentre, the bill amounted to US \$80 million, making it the largest Italian investment in Japan since the Second World War (Friedman, 2005). Flagship stores are a clear sign that an increasing number of brands are

putting emphasis on getting their own distribution. In the process they are gaining significant retail experience, and they might even start acquiring a taste for it. We shall see more of this in the future, as more brands will feel the need to create their own arenas. And sometimes it will actually make a lot of sense. Why shouldn't they? If Starbucks can run a coffee shop, why wouldn't Nescafé or Folgers be able to do the same? Why wouldn't Mars be able to run its own candy stores? Heineken and Diageo could easily open a chain of hip, cool urban boutique bars.

Here is another thought. Why are telecommunication companies selling mobile phone brands and not the other way around? People really do not care about telco brands just as long as the price is right. However, when it comes to the phone in our hand we do indeed care about the brand. So why are Sony Ericsson or Motorola not opening up a chain of high-tech, service-oriented concept stores offering the latest in mobile technology, and passing on the customer-appropriate telco subscription in the process? Why are Sony Ericsson or Motorola leaving their expensive pieces of value-added, new age technology in the hands of price-driven retailers like telcos? Beats us!

Dell could have chosen to manufacture computers and sell them in the same manner as everybody else, through big computer retailers such as COMPUSA. However, when Michael Dell founded the company in 1984 he had a vision of doing things differently. He wanted to build relationships directly with customers. In other words he wanted to create his own proprietary distribution; his own arena. With the advent of the internet, this vision became even more potent, and one could argue that Dell defined the first successful global e-tailer.

Another example of a company that defined its own arena is Apple with its iTunes. The concept is that you can download a tune for US \$0.99 directly onto your computer, allowing you to pick that one song you crave for your MP3 playlist. What Apple actually did was to commercialize and therefore legalize an underground arena that was giving music companies and legislators grey hairs. Apple iTunes opened its doors on 28 April 2003, and in the course of the first week it sold more than 1 million songs. At the time of writing, digital uploads from iTunes had passed the 1 billion mark. You do the maths. iTunes is so popular that Wal-Mart has introduced its own private-label version of iTunes, charging only US \$0.88 a tune, 10 US cents cheaper than iTunes. Do us a favour. Read that line again. Wal-Mart has made a private-label version of Apple's digital download music store? The world has become a strange and exciting place.

Creating your own distribution can be a convenient way to avoid powerful retailers and reclaim the ownership of contact with your shoppers. Ask yourself, is there any way you can create your own arena?

Reinvention

Another way of creating your own arena is by redefining it, or rather reinventing it in the minds of the shoppers. An interesting example is Coca-Cola's experiment with its Coca-Cola Red Lounges, which in essence are severely upgraded vending machines that target teenagers in malls (Springwise, 2005a). The vending machines offering Coca-Cola products are integrated into a lounge-like surrounding with custom-built furniture, where the visitors can relax and hang out with friends while enjoying a 'plasma-screen media wall and sound domes'.

Another unusual and inspiring case is the London Fashion Bus, which aims at getting hip, designer clothing to shoppers in cities without access to urban, trendy London stores. But not only is the London Fashion Bus bringing design to the fashion-deprived, it is also aimed at giving young and upcoming designers the chance to distribute and therefore to be introduced in the marketplace to a broader audience (Springwise, 2005b).

Buses and retail mobility seems to be a popular way to reinvent an arena. Brazilian cosmetics company Oceanic used the same approach in order to avoid distribution through big-scale retailers, and in order to be able to cover a fairly large and fragmented marketplace. It also gave Oceanic an opportunity and advantage in competing against more well-established and financially powerful cosmetic retailers. Oceanic simply equipped its franchisees with Fiat Doblo minivans that simultaneously acted as a delivery vehicle and as a shop (Springwise, 2005c).

You have to ask yourself, is there any way you can reinvent your arenas?

Coopetition

We went to London to talk to David Roth, the marketing director of B&Q, Britain's most successful DIY retail concept. He had this to say:

We're moving toward a more cooperative situation between brands and retail stores. We call it coopetition. Both really need each other. Retail would be a poorer place without strong manufacturer brands, but equally the manufacturer brand needs to contribute towards identity and the essence of what the retail stores are all about. Those manufacturers that understand that will have the capacity to work with the retailers for their mutual benefit.

David Roth makes a great point. And we really like this concept of cooptation because it makes sense. If you can't beat them – and believe us, you can't – then join them. This is probably the most realistic option for most brands. Reinventing distribution or even creating your own distribution takes a lot of volume, patience, commitment and long-term thinking. We still think they are viable and important options to consider. However, creating relevant and meaningful relationships with retailers would probably be an easier and more accessible strategic solution for many brands.

Briain de Buitleur, the Nordic general manager of P&G, adds:

There is an enormous opportunity in the market for the retailer and the brand where the two can join forces and serve the shopper better. It's about combining forces in a meaningful and relevant manner with the profound ambition to make that first moment of truth a better, more powerful experience for the shopper. This is a key opportunity for the future.

In most of modern business theories, competition is seen as one of the key forces that keeps firms lean, drives innovation and ensures happy consumers. However, this kind of thinking has been challenged by people such as Adam Brandenburger of Harvard Business School and Barry Nalebuff of Yale School of Management. In part using some of the ideas of game theory, they suggest that businesses can gain advantage by means of a judicious mixture of competition and cooperation. Cooperation with suppliers, customers and firms producing complementary or related products can lead to expansion of the market and the formation of new business relationships, perhaps even the creation of new forms of enterprise. They chose the term 'cooptation' for this concept (a blend of cooperation and competition), which they used as the title of their 1996 book explaining their theories, which has become a bestseller. The theory of cooptation is particularly relevant in the era of retail power. The definition of retail cooptation is slightly different. Simply put it is the cooperation between retailers and manufacturers that will jointly grow the essence and business of both partners whilst stimulating the category as a whole.

Sleeping with the enemy

In the 1980s and 1990s, many high-end brands such as Calvin Klein and Levi's complained that their products found their way into large discount stores such as Wal-Mart. When Wal-Mart included Levi's jeans in its portfolio of branded products based on its promise of always low prices, high-end jeans

manufacturer Levi's was not too pleased. Like other brands that suddenly found themselves on discount shelves, Levi's felt that the Wal-Mart presence and the lower price point were weakening its brand image and endangering the premium price charged in other channels. However, early in the new millennium, Levi's changed its opinion of Wal-Mart (Girard, 2003). With up to 100 million shoppers strolling through Wal-Mart every week making Wal-Mart the largest clothing retailer in the world, Levi's suddenly understood and grasped this enormous mass-channel possibility. Big discount stores account for a third of all jeans sales in the United States. Levi's decided to become part of this arena, and joined forces with Wal-Mart instead of battling it and viewing it as an opponent. In 2003, Levi's introduced its special line of less expensive jeans customized for Wal-Mart, called 'Signature'. Levi's benefited by becoming an active and integrated player in a huge new exciting arena, and Wal-Mart benefited by reinforcing its objective of tailoring its selection to the specific needs of its shoppers and by the possibility of attracting more affluent shopper segments. This was a win-win situation in the true spirit of cooptation, as both Levi's and Wal-Mart expect sales to be in the hundreds of millions of dollars.

In the same spirit perhaps, Apple and Wal-Mart decided to create a partnership for the launch of the Apple mini MP3 player, iPod Shuffle. Apple wants to play in the mass market and Wal-Mart will be able to stock state-of-the-art technology and a cool, hip brand. Even Nike has jumped on the opportunity of accessing Wal-Mart's enormous traffic stream by engineering a brand of affordable sneakers called 'Starters' selling at around US\$40. This makes sense as 70 per cent of the US\$1.5 billion that US shoppers spent in 2004 on athletic shoes was spent on sneakers costing less than US\$45. This is a market Nike has been trying to get into for years (Callimachi, 2005).

H&M created one of its most successful promotions ever and the fashion hype of 2004 when in the true spirit of cooptation, it commissioned German fashion guru Karl Lagerfeld to create a line of affordable designer clothes and accessories. In some markets the stores went out of stock within hours of opening, and we heard of one Japanese travel agency that offered H&M/Lagerfeld trips in specially chartered aeroplanes to major cities in Europe in order to satisfy the eternal brand-hunger of Japanese shoppers. The trips sold out.

Cooptation can also have another spin. Maybe there are other brands in other arenas struggling for their own relevance and survival, squeezed brands in other categories with whom you could form an alliance. Starbucks has had a significant impact on the coffee category as more and more people decide to go to a coffee bar instead of making their own coffee at home. The

impact of the coffee shop culture has disrupted the category to such an extent that most mainstream coffee brands are struggling to survive. According to *Business Week*, Kraft's Maxwell House has lost about US \$75 million in US supermarket sales (Carter and Kiley, 2005). For many of these traditional coffee brands the solution has been to partner with appliance makers, offering a higher-end coffee experience. In essence they are trying to bring the coffee shop experience to the home. Kraft is partnering with Krups and they have launched the Tassimo coffee maker and coffee disks. P & G has also joined forces with Krups and created the Home Café coffee maker and coffee pods. Finally, Sara Lee and Phillips have, with some success, launched the Senseo coffee maker and coffee pods (Carter and Kiley, 2005). The verdict is still out on whether this cooperative effort will be able to resurrect former sales and relevance for the traditional coffee brands.

Everybody can cooperate

You do not need to be a Wal-Mart, Levi's or H&M to think and act cooperatively. We have seen several examples of smaller retailers and smaller brands successfully creating cooperative strategies to further strengthen their own individual brands. Once size mattered and you needed considerable volume to create customized approaches to your or your retail partner's product ranges. However, with globalization and outsourced production facilities, it becomes equally possible for smaller-sized companies to think customization and cooperation. Take Scandinavian children's shoe manufacturer Angulus. It is a small but growing brand of hip healthy footwear for kids. Every season Angulus introduces a new collection of shoes and boots in the colours and fashion flavours of the current season. However, in order to create strong relationships with its retail partners and maximize its relevance, Angulus offers each individual retailer the opportunity to design the colour, material and pattern range of Angulus shoes to match that retailer's own range of seasonal clothing and accessories. This is an effective way of creating strong alliances with retail partners.

Cooperation can also be about helping the retailer to create better sales efficiencies around the product. Think about Gillette and its work with different retailers around the world inventing systems that can minimize theft of its blades, a major headache for both retailers and Gillette. As one retailer put it:

The big scope for everybody is to work together as retailers and brands to make shopping life easier and more exciting for our shoppers. If we do this together, we're able to create better sales for all parties involved.

With the increasing consolidation of the retail environment, brands are finding themselves with fewer and fewer customers. The need for working together has never been greater. As Corine Versteyleen of the Vlerick Leuven Gent Management School states in her June 2001 article, 'Shopper marketing':

Make a deal not war. The shift in the balance of power between manufacturers and distributors is forcing manufacturers to look for new ways of making their brand strategy fit with retailers' strategies. Equally, the latter can't do without the manufacturers, who are the acknowledged specialists in their respective product categories. It's precisely this phenomenon that leads to an interesting area of tension. The result is a constant haggling over costs between manufacturers and their distributors, whereby it's in the interests of both parties to increase the cake *before* they divide it.

The CEO of Asda, Andy Bond, has this interesting perspective:

Suppliers seem to treat us all the same, and that's part of convergence. It seems to me that suppliers simply don't dare to establish points of difference between supermarkets any more. But what is the point of Asda being good to its suppliers if we get nothing in return? What is the point of me putting myself out for them when they don't put themselves out for me? This isn't meant to be a threat to suppliers. Actually, it's an invitation to start changing, to start thinking about flair. Let's work together.

Can you create coepetition with one of your major retail alliances?

Point of profit

The retailization process starts with the arena. It is our way of helping you take back control, not only over your brand and its shoppers, but more importantly your point of action. Actually we do not like to call it the 'point of action', we prefer to call it the 'point of profit'. We feel this sharpens our sale(s) senses and clearly explains the benefit of starting at the arena. The places where we play define everything we think, create and do. All of our strategic thinking should be shaped by where we decide to fight for the

attention and involvement of our shoppers. Our organizations need to live and breathe by the nature of the arenas within which they are operating.

KEY THINGS TO DO NOW

1. Define your arenas.
2. Define the structures within those arenas.
3. Define the main arena challenges.
4. Identify the possibilities for circumventing those challenges.
5. Evaluate and optimize your game plan.
6. Decide whether you are fighting in the right arenas.
7. Start exploring alternative arenas.
8. Consider creating your own arena.
9. Consider reinventing your arenas.
10. Consider if there are any possibilities for coopetition.

8

Step 2: competitive context

Who are we stealing sale(s) from?

KEY POINTS

- Every single arena has a different set of competitors and therefore Step 2 focuses on who is there on the shelf with us.
- With too many things to choose from out there, we are finding ourselves in the business of stealing choice. Our competitive context therefore defines our opportunities.
- We can build our own business by understanding the failures of everyone else.
- We need to constantly out-innovate our competitors in order to maintain optimal relevance and performance.
- Finally we need to create choice where choice has been forgotten.

The gladiators

Gladiator (2000), the highly successful Ridley Scott film, captured our imagination and brought us back in time to those days in Rome when gladiators fought for their survival in the Coliseum; in the arena. Those fights are still alive today in a somewhat less dramatic fashion, but nevertheless it is still a

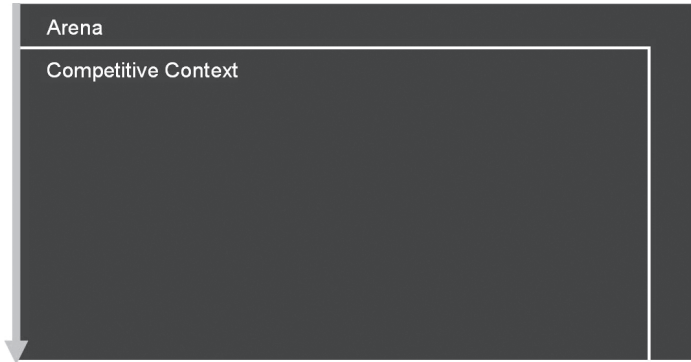


Figure 8.1 Competitive context

fight for survival. Today the arena is the retail shelves, and the gladiators are the brands fighting for their share of, and their very existence on, those shelves. Defining the arena and its rules is only the first step to understanding how to retailize your brand. The second step is to understand who you are battling against.

In Step 1 we discussed Starbucks, and told the story of how they play in completely different arenas. The high street coffee shop arena is very different from the supermarket ice cream shelf arena. Each of these arenas has very different norms and rules. When approaching the supermarket ice cream arena, Starbucks therefore needs to implement a completely different mindset, maybe even a completely different organization. As well as the rules, there is another very important factor in play: the existence of a competitive set. On the high street Starbucks is competing against a whole range of other coffee shop chains such as Cusi, Dunkin' Donuts, Au Bon Pain and Panera. McDonald's even ventured into this arena when it briefly opened up a chain of McCafés. However, when dealing with ice cream a whole different set-up of formidable competitors presents itself. Now suddenly Starbucks is up against players such as Häagen-Dazs, Healthy Choice, Skinny Cow and Ben & Jerrys.

Why is this important, you might ask? You have most probably always paid attention to your competitors, and of course different channels present different sets of competitors. But have you really, really paid attention? Have you gone beyond the usual quarterly PowerPoint reviews of sales figures, product presentations and advertising showreels? Do you really possess profound insights into each of the competitive sets in your different channels and areas of business? This is not about superficial information briefs on the competitive set; this is about something much more critical. This is about

using competition as a creative stimulus to aid the development of your own business. By understanding your competition, you understand what is expected of your products, and even more importantly, how you can exceed those expectations. It is very simple. You always need to do a better job. If not, the shopper will pick somebody else – your competitor. You will have failed in creating a sale, and all the advertising in the world will not help you compensate for this in the long run.

The competitive context will define your opportunities and actions. Only by truly understanding that context will you be able to rethink what you do today and reimagine what you should be doing tomorrow. Context is everything. We need to fully understand who is really on the shelf with us and how best to fight them and beat them. That shelf might be in the supermarket or in the sky if you are an airline. How can we become the automatic choice for our customers? We need to completely comprehend our competitors and use our insights to creatively beat them. Defining the arena is the first step, but you need to be very clear on who you are really competing with if you want to succeed in today's era of retail power. Only then can you identify the superior offering that will enable you to win.

You need to understand who else is present on your shelf!

The business of stealing choice

A man is too apt to forget in this world he cannot have everything.
A choice is all that is left him.

H Mathews (1930–), US writer

We live in a strange and often paradoxical world. On the one hand, we live in a world of rapid consolidation – ideologies, markets and retailers. On the other hand we live in a world of rapid fragmentation – subcultures, loyalty, lifestyles and media. Choice is fragmenting; there is simply just too much stuff out there to choose from. More than anything else, we live in a world of overwhelming choice.

We are drowning in choice. To quote the two 'funky' professors from Sweden, Jonas Ridderstråle and Kjell A Nordström, from their book *Karaoke Capitalism* (2004), 'People are drowning in an ocean of uncertainty caused by infinite choice in a world of surplus and excess.'

There are too many product choices and all we are getting is confused shoppers. How many varieties of lettuce do you need in the produce department? Shoppers are increasingly overwhelmed by the sheer number

of options. The fight for their shopping dollar is therefore getting harder and tougher by the minute. In his book *Differentiate or Die* (2000), author Jack Trout points out:

It's been estimated that there are 1 million SKUs (Stock Keeping Units) out there in America. An average supermarket has 40,000 SKUs. Now for the stunner! An average family gets 80–85% of its needs from 150 SKUs. That means there's a good chance that we'll ignore 39,850 items in that store!

In this world of endless choice, what should be your biggest concern? Not to be one of the ignored brands. In a world of excess choice, shoppers only purchase the items that truly speak out to them, in terms of both perceived necessity and spontaneous desire. If you look at the quote from Jack Trout above, the implications for you are worth considering. What are the odds that the shopper will react to your product instead of the 37 category competitors and the 39,999 arena competitors? Rule number one: never ever allow your brand to be ignored. Spend every waking hour on increasing those odds. Make sure that the shopper picks you!

Ignorable = replaceable

If you allow your brand to be ignored, it basically means that it can be replaced, either by a competing branded product or even worse by a private label product. If your brand cannot justify its premium price based on repeat sale(s), it is not worth stocking. It will be ignored not only by the shopper, but also by the retailer. You must make sure it is the chosen one. Never forget that you are out there to steal choice. Shoppers have everything and every choice they could possibly dream of. They do not really need you. You really need them. You must be able to steal their choice away from competing spends. Steal sale(s) away from someone else.

Think of Nescafé. It stole choice away from traditional coffee brands and redefined the way the world drinks its coffee. If you want to find something on the internet you Google it. Google has seemingly stolen choice away from all major search engines, and has become the norm and a verb in the process. Wouldn't we all like to Googlify our products? How about the fight between Pepsi and Coca-Cola? – Now that is about stealing choice! Coca-Cola has a 'knock-out' strategy which means that whenever it enters a new market, it over-invests in it – in terms of marketing, suppliers and distribution. The effect is that many of the established brands disappear quickly (Kobokoane, 2005), and this knock-out strategy seems to be paying off. If we revisit the International Retailization Study 2005 there is some interesting data that

gives evidence to the effect of Coca-Cola's strategy. When asked, 43 per cent of the respondents claimed that they would go to another supermarket if the one they were currently using did not stock Coca-Cola. In comparison only 16 per cent of respondents would change store if they could not get Pepsi. A stunning 64 per cent of Spanish shoppers would make an extra effort to get a hold of their beloved Coca-Cola, the highest number we measured.

How does one steal choice, and how do we use the competitive context creatively to help us do just that? We have defined three closely related routes to serve as inspiration:

1. Building your business on the failures of everyone else.
2. Constantly out-innovating in the competitive context.
3. Creating choice where choice has been forgotten.

Building your business on the failures of everyone else

Based on their buying and trying experiences, most shoppers can clearly define areas of frustration and lack of performance with regard to different products and their arenas. When the competitive context fails to recognize these opportunities for development, it most clearly constitutes a creative force and opportunity by which we can build our own offering. Defining problems and holes in a certain arena is a beautiful way of exploiting the competitive context. There is nothing like building your business on the failures of everyone else. It is comparatively easy and very gratifying.

Decades ago, BBDO Worldwide developed an interesting technique called the Problem Detection Study (PDS), which has long been a mainstay methodology for assessing advertising development based on consumers' problems with a certain category. Essentially it was about getting a group of consumers together and having them moan for hours about the challenges of buying a car or finding the right kind of milk for rice pudding. Once you detected what was bothering them the most, you could address that issue in your communication. However, the main advantage and applicability of this approach has often been missed. It is a very effective way of understanding the gaps in your market offerings and those of your competition. It is a way of identifying opportunities for great products, services and features.

A number of years ago Federal Express used this technique to better understand how it could improve its overall product offering. It simply asked shoppers what the perceived problems were with its delivery service and the

category in general. A wealth of business ideas came out of this study. One example was the clear answer that customers did not like the loss of control connected with the information gap that occurred from delivering their product to a FedEx office to the recipient receiving it. This gap constituted one big black hole that stressed FedEx customers. Based on this finding, FedEx developed an online monitoring system called 'FedEx Track' which could show its customers exactly where their parcel was at any point of time. This produced two clear results: one, happy customers, and two, a clear competitive advantage (FedEx, 2005).

PDS can even be used to identify a category opportunity where none seems to exist. ASSA ABLOY, the world's leading locking solutions company, recently undertook a major PDS study with customers worldwide. ASSA ABLOY wanted to know what challenges and problems customers had with regards to the purchasing and installation of locks and security systems. The feedback was overwhelming. Customers everywhere were incredibly dissatisfied with the present forms of distribution. They complained about lack of control, lack of information and non-existent back-up services within the traditional locksmith and DIY distribution channels. As a result ASSA ABLOY has developed its own proprietary distribution channel called Armadillo, designed to give customers the sort of service quality they desperately wanted. The stores were designed to be a showcase for extensive home security products and service offerings. The concept is now being rolled out worldwide. In one simple move ASSA ABLOY has moved from being an almost exclusively business-to-business corporation to a major business-to-consumer company.

Another great case of how to build your business on the failures of everybody else is Apple's iPod. The iPod was basically a new product and brand entry into an established and mature category of portable music players dominated by the likes of Sony and Phillips. MP3 technology had been around for some time, but for some reason Sony and Phillips had chosen not to invest in making the MP3 segment of the portable music category happen. The result was a niche market largely ignored by the big brands. What Sony and Phillips failed to understand was that this was a market on the verge of exploding. They overlooked what was happening in the lives of their shoppers, and in the process lost their pole position as Apple suddenly appeared from left-field and made the category explode.

Apple completely and aggressively redirected the orientation of the market. The reward? In just three years it achieved over 80 per cent market share (Wikipedia, 2005b). This was utter and complete domination of the market from a largely unknown player, a domination which has left Sony dazed and

confused, in a state of shock from which it is still recovering. The company that invented portable music lost its leadership almost overnight.

These days somebody can build a business on a competitor's failures with mind-blowing velocity. Look at iPod. Look at the wounded music industry as a result of digital downloading. Look at VoIP telephony – phone conversations through the internet. In late 2003 two Scandinavians launched Skype.com, an instant message technology which also allows customers to make free computer-to-computer phone calls. No matter where they call in the world, the conversation will be free. In just 24 months the amount of people skyping each other reached the 54 million mark. More interestingly, in September 2005 the Skype software had been downloaded more than 170 million times (Skype, 2005), creating an enormous reserve of potential clients. Vodafone – one of the largest mobile communications companies in the world, if not the largest – started in 1985 and has just over a 100 million customers (Vodafone, 2005). Considering the speed and scope of Skype, it will be interesting to make this same comparison in a couple of years' time. Skype is surfing on the waves of customers' dissatisfaction with telcos' high prices and poor service performance. It will also be extraordinarily fascinating to observe how Skype will impact on the overall telecommunications market. We think it will be quite dramatic, especially as Skype now offers computer-to-mobile calls and even computer-to-landline calls at extremely low rates. Remember what digital downloading did to the music industry (Ritzau, 2005)? Skype will also cause things to change. In September 2005, eBay purchased Skype for US \$4.1 billion, hoping to turn it into another e-business success story (*Economist*, 2005f).

Even good old Barbie is having some issues these days, as maker Mattel seems to have failed to understand the minds and lives of some of its core customers. Little girls are not what little girls used to be. What they deem cool and admirable has changed dramatically, but somehow Barbie seems to carry on looking the same and doing the same things as always. Mattel failed to recognize the changing mindset of girls, and therefore failed to adjust Barbie to keep her fresh and modern. MGA Entertainment, maker of a fast-rising doll line called 'Bratz', has seized on this opportunity and built a hugely successful business on Mattel's failure. Bratz dolls are much cooler, hipper and definitely a better reflection of what girls these days consider to be relevant. To children, Bratz has made Barbie look like their mothers' dolls. Launched just four years ago, in 2004 US sales of the Bratz dolls reached US \$600 million compared with Barbie's \$800 million. Mattel is currently experiencing double-digit profit losses and bigger than ever declines in Barbie sales (Furman, 2005).

Build your business on the failures of your competitors.

Constantly out-innovating

The most successful grower of brands in the mass markets is arguably Procter & Gamble. P&G has built the biggest brand business in the world by understanding its competitive context better than anybody else. Its key to growth has been to constantly out-innovate not only the competition, but also itself. P&G's finest ability is to make continuous improvements to its brands through a constant series of innovations, adding small additional fighting features to its armoury, and sometimes creating entirely new product ideas and categories. Segmentation and line extensions have been the game, as it has constantly sought to win each given arena in each given market. Among other things, its innovations have come from understanding competitors and finding ways to beat them. It is this drive for constantly out-innovating competitors that defines P&G as a company. Incremental change is the name of the game, and staying one step ahead is P&G's yardstick of measurement, and a very successful strategy it has been. P&G has over 16 brands exceeding sales of US \$1 billion each, and is the global leader in four core product categories: fabric and home care, beauty care, baby and family care, and health care.

Other big brand builders like Gillette have followed the same pattern for years. Gillette, like P&G, understands that product innovation must be constant, with noticeable (or at least marketable) improvements year in, year out. In today's market a company cannot count on much in the way of consumer loyalty, and instead must constantly 'sell' the customer on product value. The Sensor was launched in 1990 and was the first major new product introduced by Gillette for 25 years. When BIC disposables threatened to turn the market into a cheap commodity one, Gillette responded with this apparently new shaving experience. There was initially only one blade and one lubrastrip, but step by step, blades and lubrastrips and more and more floating heads were added to produce what the company would like customers to perceive as the ultimate shave.

Constant innovation has kept Gillette comfortably ahead of the competition – from Mach 3 to Mach 3 Turbo to M3 Power, the new battery-powered system. The incremental innovations from Gillette have kept the brand securely positioned as the global leader. The brand still maintains a 70-plus per cent global market share (Geneva, 2004), a remarkable and unique performance for such a high-consumption product. It has understood its competition from the beginning and has always kept one step ahead.

However, innovation for the sake of innovation is a pointless exercise and can be dangerous. Just as dangerous can be incremental improvements that

do not hold much relevance to the competitive context or the desires of shoppers. Just look at Wilkinson Sword with its latest effort to outdo Gillette. Wilkinson razors have four blades instead of three. Who cares? If you truly want to out-innovate the competition, you must truly master your insights into the shoppers. You should not rethink for the sake of rethinking. The aim is to be the one product on the shelf that does the job best, the one that satisfies the desires and wants of the shoppers better than any others in the competitive context. Otherwise you will not get that premium price or even worse, make that sale – the repeat sale.

Metro International is another successful example of how to out-innovate. In a world of free-flowing information and news on the internet, many newspaper businesses have been challenged. Tabloids have had an especially rough time. Because of the faster, more superficial and less quality-concerned nature of the tabloid product, readers more easily switched to the internet without feeling a large loss of quality. As a result many tabloids have experienced a drop in sales and therefore a drop in advertising revenues, an evil circle that nobody seemed to be able to break – that is, until Metro International arrived on the scene with a radical new proposition. It started giving its newspapers away for free on the streets and on public transport. By out-innovating the competition in terms of pricing and distribution, *Metro* has become the largest and fastest growing international newspaper in the world. *Metro* publishes 57 daily editions in 81 major cities in 18 countries in 17 languages, across Europe, North and South America, and Asia. *Metro* has 15 million daily readers and over 33 million weekly readers (Metro, 2005).

For decades pizza restaurants have been dependent on their locations, which is fine for Pizza Hut. But what if yours is a minor company that wants to be flexible, easy to access for shoppers and delivering real fast, real food? The solution could be to organize yourself in mobile kitchen vans and hook up with the internet! In this manner you are able to reach all shoppers quickly, with freshly made pizzas straight from the stonebrick oven. The Wisconsin-based company Super Fast Pizza is doing just this with tremendous success, and according to Springwise.com it is about to roll out across the United States (Springwise, 2005d)

Always keep yourself on your toes by constantly out-innovating the competitive context.

Create real choice where choice has been forgotten

Sometimes we are so used to doing things in a certain manner that we forget to question if there is an alternative, whether we could have a choice. As people and shoppers we do not like not having a choice; it smells of monopoly and control and something we would rather not think about. Businesses that somehow create real choice in areas where choice has been forgotten often find themselves to be shoppers' heroes. These businesses also start posing a real threat to the established and often comfortably numb competition.

Nobody can approve of drinking and driving: it is irresponsible and unnecessary. If you drive somewhere and happen to have a drink, the smart and easy thing to do is to order a taxi. This is very convenient but there is a problem: you have to go back the next day to get your car. Taxi companies have always profited very well from the conscientious drinker, a market they covered more or less exclusively. That is, until now. With the advertising line 'You drink, we drive', a London-based company called Scooterman offers to drive you and your car home. The fully insured Scooterman will arrive on a folding scooter to drive you home in your own car with the scooter sealed in a bag in your boot. What a great idea! What a great new choice!

Sometimes our competitors forget how to compete. Sometimes they think the way forward is to eliminate choice. This is a big mistake. When there is no choice, rush to give consumers a choice.

We recently met a man aged around 75 who was travelling to Stockholm on a Ryanair flight from London. He asked us whether we knew any hostels he could sleep in. An apparently strange way for an elderly gentleman to travel, we thought. Inquiring minds like ours had to ask, and it emerged that Ryanair had changed his life. He could now afford to travel somewhere he had never been previously every two weeks. It was the first time in his life such an opportunity had been open to him. He had grasped that opportunity with both hands. Budget airlines represent one of the biggest breakthrough businesses of recent years. In the United States, Southwest Airlines and JetBlue are cited as the definitive case study in this area, and in Europe easyJet and Ryanair have set the new standards for the airline market.

From the early days easyJet was a company that understood that all – and it means *all* – markets are vulnerable to competition. It understood that by challenging the competitive context and performing better towards the consumer it could deliver astonishing business growth. The European airline market had spent many years as a 'cosy cartel' where national carriers could

control their hub at the expense of competition and consumer choice. They had exclusive rights they fought very hard to keep, and they had to a large extent eliminated choice. It was time to give it back, and along came airlines like easyJet which effectively sidestepped the whole stagnant market.

As a company, easyJet fully understood the competition and decided to go around it. It created its own hubs in provincial airports which in most cases were barely surviving, but were located close to major cities. The provincial airports welcomed this invasion of new business opportunities, and in many cases paid these new airlines to come and use their resources. Thus expensive landing fees were effectively eliminated. To reduce costs further easyJet introduced a new no-frills operation, with planes utilized to their maximum capacity. The planes incidentally were the newest fleet in Europe. This was not the traditional perspective of a budget airline. Most bookings were internet-based and interchangeable. The big national carriers would often charge you up to 10 times more and allow no changes. With this approach, easyJet introduced airline shoppers to a world of easy, flexible and no-bureaucracy airlines, certainly something very different from what people were used to. Therefore easyJet and companies with a similar approach such as Ryanair completely redirected the airline arena and created a whole new ball game – one that the big national carriers are still scrambling to get into, and one that is bringing some of them to their knees. Currently Ryanair's profits are bigger than British Airways (Wikinews, 2005). Competition is beautiful.

But easyJet will not stop at that. Its mission is to build its business on the failures of everybody else and create real choice in categories where choice has been forgotten. The company is now actively investing in easyCar, easyInternetcafe, easyCruise, easyCinema and easyPhone. Wherever the competition is entrenched and complacent, easyJet offers a shopper-oriented alternative, which in the end transforms the way that entire category is shopped. EasyJet is a marvellous competitive context case. EasyCarRental provides a rental service of as little as one hour, and with easyPhone customers can buy cheap, almost free capacity.

The Virgin brand is recognized as one of the most successful brands in the world. While it clearly is a great image developer, we would argue its real strength is its competitive context insights. Virgin has developed a holistic brand so strong that it can literally sell almost anything, from plane tickets to rail tickets, holidays, wine, books, gambling, bras, phones, health clubs, records, weddings, internet access, cosmetics and so on. But Virgin is more than a broadly applicable brand. Actually that is irrelevant. Virgin is more than anything else a PDS company with strong and deep-rooted intentions of delivering something better to the shopper than its competitors. Virgin

looked at British Airways and asked researchers to investigate complaints about BA. This provided Virgin with the tools to create not only a cooler airline brand, but a better performing aeroplane company. Virgin understood how staid the competition had become in many categories, and transferred its considerable authority into new sectors, providing new, exciting and real choice.

Try to create real choice where choice has been forgotten.

The business of stealing choice

We are in a world of excess and endless choice. The odds of making that sale, of connecting with that certain shopper, are tougher than ever. Competition is not something to keep yourself merely informed about, it is something that is an intrinsic part of your business, something to be used as a creative force. Understanding your competitive context will provide you with the means and answers you need to excel on the shelf.

KEY THINGS TO DO NOW

1. Map out your competitive context.
2. Define competitor strengths and their weaknesses.
3. Embrace the ideology of stealing choice.
4. Identify ways to steal choice.
5. Become inspired by other categories.
6. Define how you can become the chosen one.
7. Use a problem detection study to identify the gaps and holes in the competitive context.
8. Start building real ideas and concepts based on the failures of everyone else in your category.
9. Create a long-term objective and programme for constant out-innovation of your competitive context.
10. See if you can create real choice in areas of the category where choice has been forgotten or neglected.

9

Step 3: the shopper

Who is driving our sale(s)?

KEY POINTS

- Shopping is the world's number one leisure activity and if you connect with the shopper you will reconnect with your margins.
- Understanding the shopper will allow you to understand your customers at the most critical of times: when they shop your brand.
- You should always try to be in the people-first business.
- You should always strive for creating wants, not satisfying needs.
- You should always regard your customers as 'situational' and not individuals.

Having understood where we create our sale(s) and who else is in our arena fighting us for these sale(s), we must turn our attention towards the shopper. Understanding the shopper is the last piece of the puzzle that will allow us to create impactful and profitable products and meaningful and inspiring retail experiences.

Who and how?

In [Chapter 7](#), we saw that Starbucks had to change mindsets and strategies depending on where it was trying to create its sale(s). Selling lattes on Fifth

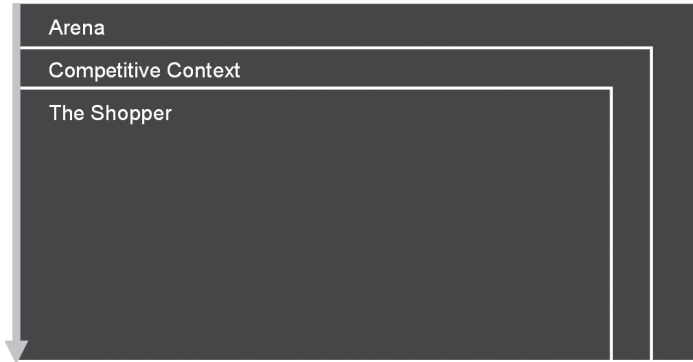


Figure 9.1 The shopper

Avenue is very different from selling chocolate ice cream in Tesco. A part of the explanation for this was introduced in [Chapter 8](#), as we demonstrated the existence of a changing and varied set of competitive actors and drivers Starbucks has to relate to depending on the arena it is dealing with. The next big thing to rethink is the shopper. Shopping for ice cream is very different from shopping for lattes. Who shops in our arena? Why are they shopping there? More importantly, how? What are they currently buying and what would make them switch to another product? We find ourselves at the point in our retailization process where we ask the question *who and how?* Who will drive our sale(s) and how will they do it?

Starbucks points us in the right direction with this quote from CEO Howard Schultz: ‘We’re not in the coffee business serving people, we’re in the people business, serving coffee.’ This is a super-cool quote and also a very important one when seen with our retailization eyes. We do not care about consumers – we care about people, we care about shoppers.

Starbucks is in the people business, serving coffee, just like Coca-Cola is in the people business, serving soft drinks, and Gillette is in the people business, providing them with a shave. While we have been busy drowning in consumer research we have forgotten about people.

Consumer knowledge is fine when they are driving in the car, but it doesn’t provide us enough understanding for when they stand in front of the shelf deciding which product to buy.

Briain de Buitleir, general manager Nordic, P&G – interview, May 2005

It does not help that traditional consumer segmentation is increasingly being questioned as several studies show that it is losing its relevance. For instance, an analysis from Scandinavia has concluded that there seems to be

no apparent demographic profile as to who shops in the different grocery retailers (Axholm, 2004). Quite literally, people shop around! For decades we have desperately been putting people in boxes at an alarming rate. The reality really is not that simple. As people shop around we can no longer count on them having a fixed, segmented identity with fixed behaviour and fixed consumption patterns.

Andy Bond said the following at the 2005 IGD conference:

Remember that we're all in this together – manufacturers and retailers. We have to stop giving customers what we think they want and start giving them what they really want. In a world where consumer habits change at the drop of a hat, it's the customer-centric businesses that are going to win out. So how many retailers have really sat back and thought about what has happened to shopping habits over the past 10 years?

(*Grocer*, 2005a)

According to an article printed in the *Economist* entitled 'Who's wearing the trousers?' (2001), the author claims that 'A detergent can no longer count on its core consumer being a white housewife.' Well, Volvo cannot count on the people buying its SUV as being safety-conscious, high-income and highly educated families. EasyJet cannot count on its passengers being low-income, price-conscious leisure travellers. L'Oréal cannot even count on the fact that the person buying their cashmere perfect soft Powdercrème make-up is a woman! As new-media expert Rishad Tobaccowala states in a recent *Business Week* article, 'clients are abandoning consumer demographics in favour of targeting buyer's passion' (Kiley, 2005).

Can you count on the consumer?

The other day one of the authors went into the Louis Vuitton store in London. Waiting in the long line, he noticed that more than half of the people were teenagers who were waiting politely in line to buy US \$600 sneakers and US \$1,000 bags. One of our fathers-in-law loves his iPod and he loves hanging out in the Apple store participating in tutorials on film editing and digital photography. He is 72 years old.

In our interview with Jørgen Vig Knudstorp, LEGO Group's CEO, he states:

It's the shopping that counts these days – not how old the dad is, where he lives or what kind of car he drives. Who knows and who cares? It's about what triggers them as shoppers. This is what counts.

No longer can you count on consumers being what they are supposed to be.

More than anything else the compact disc has come to signify the era of digitization. As companies are looking for its replacement, there is a war going on between two proposed high-quality formats, super audio compact disc (SACD) and audio-DVD. Both deliver sound quality which shames the traditional CD, but even though consumer research has proven that superior sound is of utmost priority when it comes to the successful introduction of new music formats, sales have not taken off.

Wired magazine reports that the combined sales of SACD and audio-DVD in the first half of 2004 reached only 600,000 units. Coincidentally, the exact same amount of vinyl records was sold in that period. Consumers state that they prioritize high sound quality when it comes to music formats, yet they do not seem to be reacting. As bewildered companies like Sony and Toshiba are continuing their fight to win the format war and consumers' attention, shoppers are proving that format and sound quality are irrelevant.

We just have to look at iPod. With over 15 million iPods sold so far and 1.5 million digital songs downloaded from iTunes every single day (Oswald, 2005), something else is at work – shopping convenience is more important than sound quality. The killer is that the quality of downloaded music comes nowhere near the sound quality of even the CD formats that we use today. *Wired* magazine concludes that flexibility outperforms fidelity. We conclude that consumer research is pointless and that understanding what drives the shopper is so much more important. Shoppers are truly setting the agenda.

What is even more interesting is the fact that another format war is taking place. The two new formats Blu-ray and HD-DVD are both struggling to become the next standard in the fight for superior moving picture quality. However, as compression technologies and bandwidth evolve, their struggle may prove to be a waste of time and money. *Wired* magazine asks, why buy a DVD if you can download a hi-def movie? Think about how shopping behaviour has changed the way we buy music and shop music. Why bother going to a store when you can go online and have instant access? We hope that this is a question they are spending considerable time trying to answer at Blockbuster, otherwise they could very well experience 'death by the shopper'.

At the time of writing, PSP was the latest hyped gadget – the 'IT' gaming device. However, from the outset Sony has had bigger plans with the PSP

than just gaming. For Sony, the PSP also carries the promise of portable moving images, as it allows users to view movies on a mini DVD format called UMD. Sony is teaming up with major film studies in the battle to secure the future format for portable films. However, the opportunity to purchase yet another DVD format looked staid almost immediately after the launch of UMD, as Apple responded by launching its video iPod. Talk about constantly out-innovating the competition, by the way! Instead of investing in a new format – a UMD movie sells at around US \$20–30 – and carrying around a bunch of DVDs when on the go, Apple allows their users to download music videos and television shows directly on to the Pod through iTunes. Price? US \$1.99. Movies are coming, and expected to have a US \$9.99 price tag. Take a wild guess what shoppers will deem to be the most convenient solution (*PSPworld*, 2005).

Shoppers are setting the agenda

Let us not waste any more time caring about traditional segmentation. Let us hasten towards focusing on the one point where our customers interact with our brands, services and products – as shoppers! We should be honing in on those exact moments when someone walks into a given retail environment looking for a particular thing to purchase. It just seems the logical and smart thing to do. Remember the arena? According to POPAI shoppers make far over half of their purchase decisions in-store. Why would we care about anything else other than them as shoppers? What goes on in their minds right there and then? What triggers them and makes them buy our brand? Yes brands are an important short cut as they serve as an integral communicative tool that can help shoppers to quickly re-establish their immediate preference and recognition at the point of purchase. But as David Roth, the marketing director of B&Q, puts it, ‘A good brand can overcome weaknesses in the shopping experiences, but it can only do that for a limited amount of time.’ If you get the shopper, you will start doing things very differently and most probably the right way.

Of course we need to understand our shoppers as people using our products and services. These insights will provide us with the material we need for providing them with relevant and involving products. Product development simply would not work without target people insights. However, the understanding of the shopper is where it all comes together, the make it or break it of our business.

Jørgen Vig Knudstorp, the CEO of LEGO Group, gave us this interesting perspective on shoppers:

It was a cultural revolution in LEGO when Target and P&G visited us in two separate sessions. All they wanted to do was to meet our children experts from LEGO's Learning & Vision Lab. Target and P&G wanted to meet them because they felt that LEGO Group's specialists could teach them everything they needed to know about children. And we agreed. We're very proud about how much we really know about children. But at some point they stopped and said, 'Guys, Listen! It's all fantastic! You really do know everything there is to know about children. You have this tremendous insight. Except you completely lack one crucial piece of information. How do they shop? How are children as shoppers? This is the missing and very important piece in the puzzle.' This is what we're investing heavily in right now; this is what we need to master, understanding the child shopper.

We are who we are when we shop. Clearly the shopper is much more important to understand than the consumer. It is the one thing that binds your customers together. It is not age, sex, marital status, the name of their dog or even the last time they used Superglue. It is the fact that they shop for your brand. This is what binds them together. Understand the shopper in that precise moment and you will understand how to make your brand more profitable. As Corine Versteyleen, a senior researcher at the Vlerick Leuven Gent Management School, explains:

Manufacturers are beginning to realise that it's not only the way the product is consumed that matters, but also the way in which it is bought. The shopper is often the last link in the decision-making chain. Anyone who can influence his buying pattern will have a head-start in the race to end up in his trolley.

(Versteyleen, 2001)

If you took a survey among parents regarding what kind of meal they would prefer their children to eat, we are sure that a hamburger patty with two pickles and a dab of ketchup served between two white bread buns accompanied by cola and fries would not top the charts. However, McDonald's continues to make a fortune globally on this frankly boring, nutritionally unattractive menu, sold to children around the world under the name 'Happy Meal'. You cannot beat the Happy Meal. Our own kids are Happy Meal fanatics and every single attempt to replace it with something more politically correct (and healthy) is flat out rejected. Why? Happy Meal is a great meal-shopping experience for kids. They do not care about vitamins

and fibres and other boring grown-up stuff. They love the toys, the wrapping and the colourful cool box it comes in. That is what turns them on. As we said earlier, LEGO knows everything that there is to know about kids, but not enough these days about children as shoppers. McDonald's might not be the foremost expert on children, but it sure knows kids when it comes to meal shopping. The Happy Meal combined with the playgrounds and the birthday parties secures children a perfect meal-shopping experience. It's a seemingly unbeatable formula.

In our conversations Christopher Roberts, Coca-Cola's VP of retail marketing, told us:

You want to completely understand the science of your shoppers. You want to establish those insights that you can turn into tangible actions. Fine to know a lot about shoppers, but where the rubber really hits the road is when you can create tangible, shopping solutions focused on each individual retail partner. The aim is to be able to walk up to your retail partner with a unique, effective shopper-based solution for their stores. It's really where everything comes together.

Know your shopper and know how he/she shops.

Another interesting case is the German, now European, coffee shop chain Tchibo. It is in essence the Starbucks of Europe. Tchibo has had enormous success and has built a very profitable business selling decaf lattes and double espressos. However, over the years Tchibo realized one thing about its shoppers (not its coffee consumers) – when in shopping mode consumers want fresh and exciting experiences all the time. If a shopping experience, however good, becomes stagnant and repetitive, shoppers lose interest. This apparently is even more important when it comes to coffee shop shopping. Under the concept line 'A new experience every week' Tchibo launched a very successful initiative where the offering in the coffee shop more or less completely changes every week. Of course the shoppers' favourites are always there but otherwise the offering changes weekly. But that is not all. Tchibo understood its shoppers so well that it realized that the shoppers were not limited in their perception of Tchibo. For the shopper Tchibo is so much more than a coffee shop. It is a social shopping destination, and with this realization the business opportunities for Tchibo exploded. Customers can now get a golf club with their latte. Seriously, Tchibo has turned into one of the most innovative retailers in Europe, offering everything including garden furniture, clothing, golf equipment, holidays, asparagus saucepans, insurance and dance courses in its coffee shops! Tchibo is one of Germany's

biggest retailers and is growing in all the markets it has entered. It has an enormous catalogue and online business: pretty fly for a coffee company.

Is your understanding of your shopper good enough to transform your brand? Does your brand provide a new experience every week?

Welcome to the age of the shopper

If you think the United States has stood still, who built the largest shopping centre in the world?

Richard Nixon (1913–1994)

We live in a state of continuous shopping overdrive. The world has gone mad. We live on credit in a collective global shopping spree. Capitalism has gone crazy, and for every wall that comes down, a new McDonaldized country joins the no longer so exclusive club of conspicuous consuming nations. And while we are all holding our breath and waiting for 1.3 billion Chinese to fully embrace the joy of liberated shopping, we are all busy making sure we can afford to shop along with them.

Greed is still good – greed in our societies, greed in our cities. Massive over-consumption drives constantly evolving desires and wants, which in turn translate into constant change: change of taste, change of styles, change of fads. In summary, there is a constant change in loyalties. In a world where companies strive for their customers' loyalty, we must face the fact that the promiscuity of consumption and ever-changing loyalties is the fuel for the growth of our economies. Our new-born century started crudely with the horror of 9/11 and the initial response was not to retaliate, but to make sure that people kept on spending. The wealth of nations is dependent on how much the Joneses spend at the shops.

We do not live in societies; we live in gigantic shopping malls. Even when we travel we want to visit other shopping malls. In a recent study by American Express, one of the findings pointed to the fact that 83 per cent of business travellers preferred going shopping as a way of relaxing after a day of meetings rather than sightseeing (Murray, 2003). Remember the story about the Japanese travelling to Europe just to be there in time to buy H&M by Lagerfeld? Travelling across the world to buy US \$19 shirts? Go online and look at the number of personal websites dedicated to the act of travelling around the world in order to be among the first to shop at newly opened Apple stores. When Apple opened its first London store on Regent Street approximately 700 people were sleeping outside in line waiting to get in, for no other reason

than to be among the first to shop there. It is a scary weird world and we love it.

The new millennium started with much talk about the death of shopping. The internet would provide us with all our hearts' desires through the click of an electronic buy button. But we also collectively agreed that after the blatant and exposed materialism of the 1980s, and the cloaked and understated over-consumption of the 1990s, we would focus on the simpler things in life. That we would unplug and roll back. That we would opt for a life of non-materialistic values and less stuff. Fat chance. We surfed aggressively into the new millennium on the back of our credit cards and dived into new, fantastic waves of shopping.

I love shopping

We love shopping – we worship it, it is the very essence of modern humanity. Every three minutes a bottle of wine is sold in France on eBay. Garden gnomes sell every six minutes in Germany, and every 30 seconds on eBay a skincare product is sold in China (Deutschman *et al*, 2005).

Shopping is our main drive not only as consumers, but as people. In her article, '2004 and beyond: emerging and evolving consumer trends', Hallmark's Marita Weseley-Clough (2004) describes the continued shopping addiction as being one of the major trends occurring in our societies. An estimated 430,000 people are making their living selling stuff on eBay (*Economist*, 2005g). In the October 2005 issue of *Vanity Fair*, it is reported that if the approximately 500,000 people who make most or all of their living by selling goods on eBay were employed by eBay, it would be the United States' second biggest employer after Wal-Mart! Making a living out of shopping on eBay sounds like a lot of people's idea of a great career.

This focus on shopping may be one of the reasons that brands like Nike, Disney and Apple have thrown themselves into the game and become retailers in their own right. One of the biggest shopping malls in the world – West Edmonton Mall in Canada – boasts over 800 stores, three hotels and major attractions such as mini-golf, a waterworld with submarine rides, amusement parks, a hockey league-sized ice-skating rink and sea lion shows, plus enough shopping to last you weeks. What is even more interesting is the fact that its advertising line is 'The greatest indoor show in the world'. Who said shopping was not entertainment?

Like never before shoppers are in the driving seat. Quite literally: American company AutoCart is launching a stay-in-car supermarket which

allows customers to shop for groceries without getting out of their cars. AutoCarts are billed as the ‘first drive-thru supercenters’, and are scheduled to open in Albuquerque, New Mexico and Tucson, Arizona. AutoCarts are 130,000 square foot facilities that will be designed to allow shoppers to shop among 25,000 SKUs in 17 product categories without leaving their cars. The new retail format will have 60 ‘ordering stations’ with drop-down interactive computer screens that will allow shoppers to order via computer, chat with personnel working for any or all of the category tenants housed in the facility, and then have the products delivered via boxes and bags that are automatically shuttled next to the ordering screen (Schuman, 2005).

Shopping is at the core of our culture. Everything is about shopping. We shop for a career, for health, for better bodies, for better souls. We are even looking into the possibility of shopping for genetically perfect kids. Shopping is a massive and insatiable force. These days it is not about being, it is about getting.

Shopper who?

While researching this book, we found it interesting to discover that this whole area is significantly under-researched. There is actually very little out there that can help us understand people as shoppers. We had several interesting conversations with Miguel Brendl, who is an associate professor of marketing at INSEAD. He has been interested in what motivates shoppers for a number of years. Recently he ran a lab study which showed that triggering the physiological need to eat in the morning only increases the consumers’ liking of morning foods. In the afternoon it is only the liking for evening food that is increased by the consumers’ physiological need to eat. It could be that certain evening foods are liked best at any time of day (or vice versa), but the influence that the need to eat unfolds is time dependent.

Products that are completely unrelated to the need to eat become liked less when the need to eat (or drink or smoke) goes up. An interesting implication of this is that by making people hungry or thirsty, you may lose more than you gain. Of course, that depends on the amount of impulse purchases. Presumably, I would not buy less toilet paper because I am hungry, even though I would like it less.

We find this very interesting and argue that this could affect the way we design supermarkets in order to achieve maximum impact at the right time and place. We concluded that in the future supermarkets should have flexible interiors that will allow them to change with the time of the day:

maximum cereal exposure in the morning only to give way to meat and vegetables in the evening. This is not sci-fi, it is just plain logic. If you want to offer yourself up as a serious and useful partner to your retailers, you need to know more about how their customers buy the category you are in. Most retailers claim that because of their proximity to shoppers they are more knowledgeable than brands. However, considering the vast amount of categories present in a retail environment, it is difficult to imagine that they can be the experts on every single type of shopper, but you can be! You have the focus needed to truly become the shopper expert in your category.

So at the very core of retailization lies the redefinition of the consumer as shopper. As we do this we force ourselves to focus on the interaction with customers at the very moment they are connecting with our business, our products, our brands. Forget the consumer. Move away from consumer marketing towards shopper marketing. Get the shopper and you will get their business.

We think there are three ways to fully embrace this thinking:

1. You are always in the people first business.
2. You are in the business of creating wants – not needs.
3. You are dealing with ‘situiduals’ not individuals.

Being in the people first business

The Howard Schultz quote mentioned earlier, ‘We’re not in the coffee business serving people, we’re in the people business, serving coffee,’ is a great quote and if you can start to think like him, you will come a long way in understanding how to deal with the shopper. Shopping fulfils a social function in our lives. It is part of our daily lives as modern people. Through shopping we reflect ourselves in the eyes of the world around us. Trend people talk about ‘being spaces’, shopping environments that are centred around the need for social interaction and more importantly social integration. People opt for ‘the real life buzz of being spaces’ (Trendwatching, 2005a).

Walk into Starbucks and check it out for yourself. People are lounging on couches, reading newspapers and drinking their grande lattes. Think of Barnes & Noble. Is it a book store or a being space? It has in-house coffee shops, topical reading groups and evening poetry readings. There is even a Barnes & Noble University, with courses such as ‘Buddhism’ and ‘Everyday Life and Forensics with Court TV’. Is it a book store or a social destination centred around book shopping?

In Korea, hypermarkets are open at night as family entertainment venues with rock concerts, game shows and fashion shows.

Vittorio Radice, the former CEO of Selfridges in London, put it in this way:

People shopping here are not actually shopping for products, they are shopping for an experience. They are here to spend a day out. They are here to see things, to meet people, to have a nice coffee, to spend time doing something different.

(Lannon, 2002)

Selfridges has taken that thought to one extreme with the development of its new store in Birmingham. This revolutionary store looks like a modern art museum and encompasses selling spaces that are breathtakingly designed to excite shoppers. The food section in particular looks like a series of high-quality mini stores where shoppers can literally design their own food concepts and package them the way they want.

At the end of the day we do not really consume so much. We just want to get great things and have a blast while getting them. Whether it is a cup of coffee, insurance, cars, travel, chocolate bars, milk or razorblades does not really matter. We just go towards where it is an exciting, easy and simple experience to buy these things, and we avoid places where it is not. Of course your cola, your razor, your chocolate and your aeroplane are important, but the people shopping for them are more important, and their act of buying your product even more so. Only by understanding their shopping will you be able to offer completely unique and relevant shopping experiences.

Yes, we talk about Apple a lot. But these days, it is a great retail company. It really truly gets the shopper. Take for instance Apple's Genius Bar, which offers hands-on, real-time advice and tutorials on any given Mac product. Every Apple customer or even every potential Apple customer can schedule same-day time at the Genius Bar, getting a one-on-one dialogue with an Apple representative who can help customers make the most out of their Apple products at no charge. Buying electronics, software and computers is complex, and shoppers are often insecure. What a great way of making the shopper more comfortable by empowering them and involving them in your products. What a great idea – and how rarely do we see such shopper-friendly features in the retail environment. Imagine Motorola actually taking the time to teach people how to use its phones. Or imagine Filofax giving people in-store tutorials on how to be better time and task managers. Or imagine that Volvo took the time to make people safer drivers.

Übercool Irish grocer SuperQuinn always takes shoppers extremely seriously, catering to their every wish and desire. Shopping there is truly an

amazing shopping experience. The bells ring when fresh bread is pulled out of the oven, and the avocados are conveniently divided into two piles, ripe enough for use today and will be ripe for use tomorrow.

French cosmetics retailer Sephora decided early on that it was going to treat its shoppers like royalty. Over the years Sephora has spoiled them rotten with outstanding service in fabulously beautiful and fabulously shopping-friendly stores. Employees wear a white glove on one hand when handling the products to demonstrate the care and respect with which they handle Sephora goods. Sephora even literally rolls out the red carpet for its shoppers. Every Sephora store features a huge red carpet leading into the store environment. Sephora makes your ordinary cosmetics store seem shopper hostile.

Aveda, the personal beauty company, does not only pamper its shoppers – the amazing thing is that it pampers the person accompanying the shopper. One of the authors was in New York on a shopping trip when his wife entered an Aveda shop with a long list of desired items. He dreaded the approaching 30 minutes of aimless meandering around. How wrong could he be? Instantly, he was offered a cup of soothing and invigorating herbal tea accompanied by a seated hand massage. Not only was he very disappointed when his wife arrived having completed her tasks, but the pampering resulted in his buying Aveda products himself. Both partners were very impressed.

In Malcolm Gladwell's latest international bestseller *Blink* (2006), he tells the fascinating story of Bob Golomb, a sales director in a New Jersey Nissan dealership who on average sells more than twice as much as the average car salesperson. His success stretches over more than a decade and he has received several awards. Of course there is a long list of obvious and not so obvious reasons for Mr Golomb's tremendous and long-term success, but specifically two things caught our attention. Trying to describe why he has been so successful, Mr Golomb makes two powerful statements. First, he gives his three simple rules: 'Take care of the customer. Take care of the customer. Take care of the customer': a simplistic and relevant focus on the shopper. The second Statement is, 'You have to give everyone your best shot', meaning that one should always strive to give every single shopper the best possible shopping experience. That's not a bad benchmark for anybody trying to sell things – just like yourself.

Do not ever forget it. You are in the people first business.

Create wants, not needs

The shoppers are kings and queens, and more than ever before these kings and queens exercise their power deciding the fate of brands and companies. The *Economist* reports that over 80 per cent of Ford car shoppers in the United States have already researched their purchase on the internet before they arrive at the dealership, armed with a specification sheet showing the precise car they want together with the price they are willing to pay (*Economist*, 2005g). But not only car shopping is undergoing radical change. Travel, insurance, music, groceries, consumer electronics and medicine are experiencing a restructuring of shopping patterns. More than anything else the internet has produced this shift of power, and as an agent of change it continuously strengthens the ability of the shopper to set the agenda in the retail environment, redefining not only how we shop, but also the very functionality of a store itself. When shoppers need something they just get it when they want, from where they want and often at the price they want, leaving brands to do nothing but deliver their goods and services while praying that they can meet expectations and price.

However, there is still one other trick left up brands' sleeves – creating wants. As consumers we have reinvented ourselves as shoppers. We have reimagined the boring chore of buying things we think we need into something fun and exciting. Given the little leisure time we have left, this simply became a necessary and obvious thing to do. Turn the bore into excitement. Shoppers have come to expect shopping to be fun, inspiring, fulfilling and convenient – even when grocery shopping. If you do not understand that as a brand or a retailer you are not catering to their most fundamental shopping desires. You are not respecting their need for meaningful leisure time. And if you are not up for it, there is a whole world of entertainment, culture, amusement parks, travels, restaurants and so on waiting in line ready to get their share of the shoppers' wallets, a world of alternative ways to spend money.

In reality, where does that leave the retailers? Are they poised and ready to win shoppers back into stores and regain some of the control? And what about the brand? Is it simply something the shopper needs on a list (and could not care less about) or is it exciting to buy? Is it something people really want? Are you able to create demands by providing their wants through exciting products and exciting shopping experiences?

We have a fragmenting mass market. Older customers, of whom we will be seeing more as the population ages, need to be made to want to buy. Most of them have already got most of what is in the shops, so they need to be persuaded that a new item is going to do something that the wardrobe full of clothes, the house full of furniture or whatever will not do. The

shopping experience has to be made seductive and the benefits compelling (Hyman, 2002).

Oliviers & Co, a French retail concept, is a chain of stores that for some reason has made shoppers spend a fair amount of time buying olive oil. Never has shopping for oil been made more fun and exciting. For crying out loud, why can't shoppers just get their olive oil in the supermarket? Because Oliviers & Co has made it an amazing retail experience to buy olive oil. Shoppers want their mandarin-infused virgin extra or their rich, smooth olive oil soaps. They do not really need it, but they desperately want it.

We are in an era of creating wants rather than satisfying needs. This is an essential part of thinking like a retailer. In order to create profitable businesses, we have to convert our thinking away from consumer needs towards shopper wants. Shopping behaviour is a completely different animal from traditional consumer behaviour. Consumers buy items that are on a pre-planned list of things. Shoppers shop! Remember the SKU quote? There were 150 actual items consumers needed. In the store there were 39,450 items, and the brands were not able to convert them into something the shopper would have liked to buy, something the shopper suddenly wanted.

The odds of going to the store for a loaf of bread and coming out with *only* a loaf of bread are three billion to one.

Erma Bombeck

I take Him shopping with me. I say, OK, Jesus, help me find a bargain.

Tammy Faye Bakker (former wife of television evangelist Jim Bakker)

Our focus on the shopper is based on the fundamental notion that needs are in the control of the shopper, but wants are in the control of the retailers and the brands. Think about it! If it is something we need we will do anything to get it. At the right time, at the right price. It does not really matter who will provide it to us. We as shoppers are totally in charge. Through the use of the internet we research, we compare prices and we obtain different quotes from different outlets. This trend further commoditizes both the retailer and the brand. Margins are under attack and loyalty flies out the window. However, when it is something we suddenly want, it is a whole new ball game.

I think there's a huge difference between doing shopping and going shopping. The first is to get things done fast and at a low price. The other puts the experience first and price becomes less of a concern.

Jørgen Vig Knudstorp, CEO, LEGO Group – interview July 2005

It is not that we need to have a jumper because it's cold. The last thing we need is another jumper. We've got wardrobes full of things. We've got

houses full of products. But we want to have a particular one because by having it we define ourselves.

Vittorio Radice, Former CEO, Selfridges (in Lannon, 2002)

Consumption has moved away from specific items that we need in order to create solutions to our needs, towards shopping directly for solutions with instant gratification: solutions that provide us with the ingredients we need in order to become better housewives, fathers, cooks, sons, friends, bosses, lovers, to be more successful, better in bed and get whiter teeth. Shopping is about creating our identities and expressing our lifestyles over and over again, fulfilling our own personal expectations through the shopping choices

we make – defining ourselves through a jumper – getting involved and excited by the things we want in order to make sense of ourselves and our lives.

Stuff we need is just stuff we need. What we want is what drives us. We get excited about the flirtatious mini Cooper, about sexy new mobiles from Nokia, about a trip to New Zealand or that new crunchy low-fat chocolate bar with extra almonds. The future belongs to retailers and brands that proactively create *wants* – even when it comes to selling insurance, milk and toilet paper.

Starbucks have succeeded because we focused on the need states of our consumers. We knew they wanted a lot more than just a cup of coffee. Once we really understood the needs of our consumers, things fell into place. We figured out what our role had to be.

Howard Schultz, CEO, Starbucks

Sorry Mr Schultz, but replace the words ‘consumer’ and ‘needs’ with the words ‘shopper’ and ‘wants’, and you will do a better job of explaining the tremendous success of Starbucks. When we go to get a cup of coffee, we do not consume. We shop for a coffee experience. It is something we *want*, and in the process of shopping we demonstrate to the world around us who we are, or rather who we would like to be at that very moment.

Create wants not needs.

You are dealing with situiduals not individuals

A society that can order a decaffeinated macchiato with cream and vanilla twist is, perhaps, full of self-actualising narcissists.

(Price and Hastings, 2004)

Let us revisit the end of the above section and the phrase ‘we demonstrate to the world around us who we are, or rather who we would like to be at that very moment’. The momentary self-actualizing narcissists are important people to understand because they are your shoppers. Another important reason why traditional retailing is problematic is that lack of time is making us break our profiles again and again. We compromise our given profiles continuously in the search for convenience and quick solutions (CCRRC, 2004). That’s pretty logical, really. We have less and less time and more and more choices. Do we in our frenzied lives have the time to act our identity, or do we simply act upon the specific situation we are in at that very moment, whatever our demographics, loyalties or preferences?

Plenty of time or no time at all, traditional consumer segmentation often provides a very static image of your customers, which limits your ability to create unique and relevant shopping experiences. Shoppers continuously zap between lifestyles and situations. Remember that father-in-law? He is 72 years old but a fanatical Apple customer, loving electronics, widgets and gadgets of all sorts – meaning he also spends a fortune on having the latest and greatest mobile phones. But he also worries about his overall health, puts great emphasis on spending his retirement money wisely, and all the other normal stuff for someone his age. We have held a massive amount of focus groups in just about any place on Earth and have met everyone including 68-year-old backpackers, 17-year-old high-school students with high-yield stock portfolios, and rock climbing and skiing mothers with four children. We have met and talked to thousands of people, enough to be able to look into your eyes and with confidence say that there is no such thing as a cookie-cutter consumer with a given demographic and psychographic profile. Today people zap, and with every zap comes something different, something new and unique that was not there five minutes ago. It is the same shopper but on each shopping occasion the wants and desires are different. The identity changes, and with every identity change comes an opportunity to choose a different store and a different product.

My ideal relaxation is working on upholstery. I spend hours in junk shops buying furniture. I do all the upholstery work myself, and it’s like therapy.

Pamela Anderson, Canadian actress (1967–)

This line of thinking will teach you to forget about a shopper’s history and instead focus on a shopper’s present, the situation that he or she is in right now. Most probably the only thing that counts is not who is in your shop or in a shop buying your brand, but what binds everybody together as shoppers in that given shopping situation. ‘Situations’ are proving to be the new focal

point. The Copenhagen Institute for Future Sciences has embraced this new development and launched its own theory on the matter. Its findings conclude that we have moved away from the notion of the individual towards the 'situidual'. The 'situidual' is defined as someone with a floating situation-defined identity. It makes sense. We live in a world of lifestyle zapping. At times we are snowboarders, the next time we are caring and attentive dads, then we are cut-throat businessmen, and sometimes we are even a beer-drinker's buddies. We are constantly changing lifestyles, redefining ourselves in a matter of minutes. The result is a constantly changing shopper. But is this really a new phenomenon? We think not. What is new is that we are starting to notice it. Actually we have been doing just this for quite some time. Then we need to ask ourselves why so few retailers, brands and marketers are embracing this clearly identifiable opportunity.

Remember Oceanic, the Brazilian cosmetics retailer that sells cosmetics through its network of Fiat Doblo minivans described in Step 1. Oceanic seems to be embracing the situidual, as it stocks its moving store differently depending on where and when it is open for business. Oceanic understands that it is one thing selling to a busy housewife in a residential neighbourhood during the day, but something quite different when that same housewife slips into her bikini and goes to the beach. Here she needs stuff like sunscreens, moisturising hair masques, refreshing lip balms and hydrating face mists.

Parents always want the best for their kids. We know that from reading plenty of books and personally conducting gazillions of focus groups. LEGO knows it as well, and it is happy because it produces the one toy in the world that most parents agree is the right kind of toy. Actually it is the one toy that makes parents feel like better parents. However, for some reason, LEGO observed that it was losing sales in the US retail environment. Parents would walk in with the best intentions of buying LEGO and then end up buying something different. LEGO analysed shopping behaviour for its goods and discovered that a major part of the lost sales was because of the large containers of blocks. They would trigger the parent's recollection of endless hours picking up LEGO blocks, and the thought made them choose a less messy toy. This insight into their shoppers resulted in LEGO developing a crocodile-shaped vacuum cleaner designed especially to pick up LEGO blocks. Not only did sales of the vacuum cleaner take off and this parental excuse for not buying LEGO disappear, kids started to love cleaning up after their play with the cute and funny vacuum cleaner.

Here is another situation you might recognize, the situation where career-focused and overworked dads are on guilt trips to spend quality shopping time with their kids while the mothers are enjoying some time on their own. The retailer YoyaMart spotted this situation and took care of it. Its

answer has been a chain of hip urban dad-friendly stores that carry kids' clothing and funky gadgets for dads in a male-centric shopping environment (Springwise, 2004).

Focus on the situational!

The shopper

Shopping is the world's number one leisure activity. If you connect with the shopper you reconnect with your margins. Each specific situation that the shoppers find themselves in plays an enormous role in determining how they live their daily lives as shoppers. Consumers have traditionally been thought of as constant forces. The shopper is the opposite. He or she continuously changes with the situation, a fact that retailization takes account of. Retailization loves the situation and loves the shopper. Our process cannot be bothered with boring old, static consumers; they have left the store anyway. We need to get the shopper!

Adding to this point, David Roth, marketing director of B&Q, said:

Retailers are significantly better at understanding what their shoppers want than manufacturer brands. Historically that was never the case. Retailers are getting very close to the shopper so it's no surprise that they can act quicker and with greater immediacy than brands in general.

KEY THINGS TO DO NOW

1. Define your consumers as shoppers.
2. Define your shoppers as situational.
3. Identify what they are shopping for in broader terms.
4. Identify how they would like to shop for it.
5. Determine what kind of experience they are looking for.
6. Identify the solutions they need in order to make their shopping more convenient.
7. Analyse how shoppers would define the arena, the competitive context and even themselves.
8. Determine how the shopper would define the ideal shopping situation.
9. Based on your immediate understanding of the shopper, determine how you would put people first in your offering.
10. Based on your immediate understanding of the shopper, see if you can turn your offering into a want.

10 Step 4: product concepting

What is creating our sale(s)?

KEY POINTS

- Behind every great brand there is a greater product.
- We have neglected creating innovative products that can create demand.
- It pays to create a product revolution rather than a product evolution.

At this point in the process we have rethought everything we thought we knew. We have been rethinking our arenas, our competitors and our shoppers. Not only do we know them better, we have also established a newer, fresher perspective on the world through which we navigate. We have become wiser and smarter, but more importantly we are starting to become inspired by an alternative approach to the way we traditionally approach marketing. With all these creative juices floating around, it is time to start generating impactful, innovative and meaningful ideas, ideas that will make a difference for your retail presence, your sale(s) and therefore your profits. The next phase of our retailization process is about *reimagination*, about reimagining your products and the experience of shopping for them. Let us start by looking at your products.

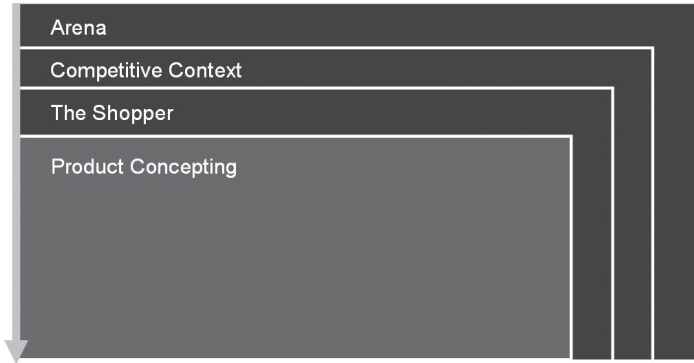


Figure 10.1 Product conceptualing

Remember back then when we sold stuff? When we sold real products based on real genuine functional ideas? As we mentioned earlier, Martin Sorrell of WPP caught the signs of our times perfectly when he said something like: ‘We’ve become so good at selling the sizzle that we forgot the steak’ (in WPP, 2003: 69). We have become so apt at creating seductive branded illusions that we have neglected product realities. There is nothing wrong with producing branding illusions through advertising, as they are great means to achieving an important end. But we must never forget that the end objective is selling a product.

Everybody has a brand, few have a product

When it comes down to the retail arena, shoppers reach out for products. Make sure that you can offer one for them to reach out for; make sure they reach out for yours. You see, everybody these days has a brand, but very few have a product. The truth is that behind every great brand there is an even greater product. Without that great product there is no great brand. Always, always remember that there is no such thing as a power brand, only products that sell a lot. In the words of LEGO Group’s CEO, Jørgen Vig:

You have to ask yourself why LEGO is such a big brand compared to other toys and why globally LEGO is such a big brand compared to brands such as Sony and Coke. We’re most certainly not driven by enormous amounts of media spending and brand communication. It is driven by people’s relationship with our products, it is driven by the substance of experience with our brand through our products.

We tend to forget that the plastic brick built LEGO, the 1011 built Nokia, the Walkman built Sony, the Air Max built Nike, and the iPod is currently (re)building Apple. When Sony failed to repeat the immense and revolutionary success of the Walkman product launch, sale(s) and profits went down. When Nokia momentarily paused in its constant saturation of the marketplace with innovative, user-friendly and stylish phones, sale(s) and profits went down. The brand will not sustain sale(s) and profits in the long run. Products will, and more importantly, they will continue to grow your business.

What we're (all) producing is simply not interesting enough.

Andy Bond (in *Grocer*, 2005a: 36)

The arrival of the era of the shopper has made this inevitable. Shoppers are increasingly researching and setting the price for their consumption. They are challenging traditional-thinking retailers and brands. This does not mean that brands are void and irrelevant, but it does mean that the future is not brand-driven in the way we thought it would be. It is shopping-driven and therefore product-driven, and that has huge implications for the way we create new products and new brands. No longer can we rely on image alone to guarantee preference and loyalty. No longer can we rely on image alone to deliver the selection of the brand at the purchase point. No longer can we rely on image alone to drive shoppers towards our products. Only the product can deliver these things. Our product must deliver on every front. It is far too easy for shoppers these days to know the reality about our products and the truth of their claims. Sometimes they are better informed than the companies who deliver the brands! You have to remember that the brand is merely a vehicle for communication, it is not the product or an excuse for a bad product. Great retail presence works when you have great products, it is as simple as that. All the advertising, listing fees, marketing and relationships in the world mean nothing, if your product sucks. The product is the ultimate closer.

When asked about the biggest challenge his company is facing, LEGO Group CEO Jørgen Vig answers:

The biggest challenge for LEGO Group is how to create demand in the market. How do I create real new demand? Not product line extensions. Not variations within the same theme. How do I take this incredibly strong brand and really create new demand? This is clearly and without a doubt the biggest and most difficult task facing this company, as it probably is for most companies: the art of creating demand for your brand through

your products. We all look to the iPod and say Wow! How did they do that? But it's an incredibly risky and difficult journey. Steve Jobs, I suppose, constantly reinvented the Apple brand by reinventing the Apple product portfolio. It's about creating a creative culture. It's not about the entrepreneurship of one person, it's about the creativity and innovation of an entire organization, their ability to come up with something new that will create new demand. This is what keeps me up at nights.

The art of creating demand

How do you master the art of creating demand for your brand through your products? We can only create real demand through powerful, relevant and revolutionary products, no matter how small (Ziploc bags) or how big (the new enormous Airbus A380). The brand is never the solution, the product always is. Only that singular product standing on that shelf will make that difference for your business. Like Jørgen Vig, we strongly believe that only creativity, innovation and real customer insight will help you create that singular new product that will generate the new demand you so desperately need.

David Roth, the marketing director of B&Q, says: 'Brands have to be innovative and stimulate the market through their products. The less and less they do that, the less and less relevant those brands become.' In their book *Blue Ocean Strategy* (2005), authors W Chan Kim and Renee Mauborgne researched the effect of creating ground-breaking, creative new products rather than variations on already existing products. They researched 108 companies' product launches and concluded that 86 per cent of these were new variants of existing products, expanding the existing portfolio within the existing product concept within the existing market. These accounted for 62 per cent of total turnover, but only 39 per cent of total profits. The remaining 14 per cent of the product launches were intended as completely new creative and innovative product concepts, and they accounted for 38 per cent of the total turnover and a massive 61 per cent of total profits. Judging by this you should clearly focus on creating a product revolution rather than a product evolution. Moreover, the foundation of your relationship with your retail partners centres around products. Look back at the above David Roth quote. The more successful you are in delivering exciting and relevant products, the better and easier is the relationship with your retail partner. As one retail CEO told us:

They keep pushing the same products again and again. Variations on a theme. Pointless extensions. It is really rare that somebody comes to us with a great, new product that will make a difference for our shoppers.

In Andy Bond's speech at the IGD, he made this powerful statement:

A lot of us are confusing innovation with incremental change. People think they are being innovative when they bring out a variation on an old theme – a new type of Kit-Kat, for instance – but really, it's just more varieties of sameness, rather than truly new ideas. So what does this tell us? Quite simply, we're being far too cautious – far too grey-suited. And we need to be radical. Because customers don't notice incremental change. Most of them are too busy and in too much of a hurry to care. It's time to stop thinking evolution and start thinking revolution.

We thought about calling this book *Branding from the Shelf and Out*. However, we were concerned that people would think that this was a manual about creating effective point of sale communications. Hopefully you agree with us that this book is about something completely different. When we say branding from the shelf and out, we simply mean that we should start obsessing a bit more about the products we create and the experience of shopping for them, but also that we should start reorganizing ourselves and our marketing efforts in such a manner that it will heighten the likelihood of us being able to create sustaining sale(s) through superior products.

What is creating our sale(s)?

So after all this preaching (sorry, but we tend to become very passionate about this), we have arrived at Step 4 – what is creating our sale(s)? We call this step 'product conception' as we believe that only by first rethinking the arena, our competitors and our shoppers, are we able to create relevant product ideas, concepts that are deeply rooted in the real world. As advertising people, we have all too often been at the receiving end of a brief asking us to sell something that simply does not make sense. We have all too often asked our clients why they want us to sell this product, or even why they bothered creating it, only to hear answers like, 'because we can' or even better, 'because our competitors have one'. These do not really count as answers, and are often a result of misguided research and development programmes.

Product development has traditionally ignored retail issues. Maybe it is time for a change. At the end of the day shoppers buy products that are designed to meet their wants. Are yours? Are your products designed for the era of retail power? Are they designed to beat your competition? Are they designed to perform and be relevant? Are they designed to be the best in your arena? Are they designed for today's active shoppers? Are they designed for the future? Are they creative enough? Are they retail-centric enough? Have you produced products that people want to reach out for? In the near future the power of brands will stem not from their advertising awareness, but from their relentless focus on the moments of truth: the moment of purchase and the moment of trial. Do your products have that power? We have to service extremely well-informed shoppers who expect a certain type of product and retail experience: one that rewards shoppers for their commitment and loyalty. The product will be the critical key. The product is back in town and it is back on the shelf.

The retailization process can help you guarantee relevance and performance. You will be able to offer relevant and exciting shopping situations for relevant and excited shoppers (*buy*) and you will be able to make sure that your products will perform better in the competitive context and exceed shoppers' expectations (*try*). The process will also gently force you to act. The rethinking of your market in all its aspects will simply encourage you to grasp at all the identified opportunities. For very innovative and energetic companies, the retailization process can help curb their creative enthusiasms by guiding them in which great new ideas to support and enhance. Too often companies like LEGO and Nokia find themselves overwhelmed by their own creativity, drowning in thousands of apparently great product ideas. Which one do you support? Where do you invest? What will be tomorrow's profit centre? We believe our process can help you decide which new product ideas to nurture.

Just make it

This is by no means an academic book, and this chapter is neither about presenting advanced mathematical calculations nor about introducing complex product development theories. This is not the purpose of the book. Our aim is to encourage you to think about how to create demand, to be creative and innovative, and to let yourself be inspired by our way of thinking, and perhaps let the retailization process help you in moving your business forward like a true retailer.

The rest of the chapter will introduce you to some principles that we think can help you, some things for you to keep in mind when conceptualizing new product ideas in the true spirit of retailization. Your guiding principles should be to:

1. Make it clear.
2. Make an USP.
3. Make it stand out.
4. Remake it again and again.
5. Make it more.
6. Make sense.
7. Make it theirs.
8. Make them beg.

Make it clear

There is nothing worse than a sharp image of a fuzzy concept.

Ansel Adams, US nature photographer (1902–1984)

Before we all got slightly carried away with emotional selling propositions, brand imaging and mass communications, people have to ‘get it’ while standing in front of the shelf and staring the product straight in the eyes. However, for some reason we moved the promotion and messaging of products farther and farther away from the shelves they started on, farther and farther away from the product itself. We unfortunately started relying on ‘external’ factors such as advertising and product spinning to do the job for the product. These concepts were a substitute for product performance. These tools are generally useful in a fiercely competitive and cut-throat market, but we think their overuse has led to a weakening of our product concepts. There are simply too many under- or non-performing and irrelevant products out there to prove the opposite.

In a report on the consumer packaged goods environment, IBM observes that in the United States, the number of new product introductions doubled from 1991 to 2001: 32,000 in total to be exact. However, only 7 per cent of the 2001 introductions were considered innovative and truly groundbreaking (Gilmour and Gilliam, 2003). We knew something was wrong when we attended a lecture on branding where the speaker put on a slide showing a dissected brain, and while pointing to a certain rather disgusting spot stated, ‘This is the part of the brain where branding happens, where we emotionally connect with brands.’ Please!

We are not doing the product job well enough. We need to create products that sell on their own account. We need clarity. Clarity is the essence of our shoppers' expectations. If you provide clarity you can genuinely be in the business of building and protecting the value of your brand in the retail environment. Even more critically, you make it easy for your products to ensure sale(s). We are talking about clear and straightforward products with clear and straightforward benefits. Head & Shoulders shampoo and a Ziploc bag both possess clarity and straightforwardness, so we 'get' them straight away – their promise, their functionality and their benefits.

We sometimes refer to this kind of thinking as the 'stripped brand' or the 'naked product'. What is left when you strip the brand? What is left when you take away the marketing, the pricing and the display? Is there a product? The resulting naked product still has to be good enough; it still has to stand out. Your product developers have to be fully immersed in the retail world. They need to understand the consequences of their conceptions. They need to strip the brand of all its clothing, and look at the product as a naked product. Is it good enough to reach out for in the retail environment? Is it good enough to sell? Is it good enough to beat the competition, today and tomorrow? Can you handle the truth? The naked truth?

It is ironic really. We have been hiding ourselves behind advertising only to blame advertising for our failures. We made advertising compensate for our lack of product clarity and then blamed advertising for not succeeding in covering it up. We can only blame ourselves. Brands have a responsibility to carry the message of retailization into their innovations. You have to remember that the brand is merely a vehicle for communications. It is not the product or an excuse for a bad product. Great retail works when you have a great product. It is as simple as that. Make shoppers reach out for it, make them beg for it, make their choice easy to make. Make it clear! Always make your product concepts clear.

Make an USP

Whatever happened to the unique selling proposition (USP)? Who killed it and proclaimed it dead? In 2004 Anheuser-Busch sold more Bud Light than regular Budweiser (Anheuser-Busch, 2005). More mobile phones with cameras are sold than digital cameras (Skouboe, 2005). Who can seriously claim that the age of the USP is over? It has never been more alive, and it is as relevant as ever.

At the end of the day the consumer chooses one of our products primarily because that brand is offering a uniquely distinctive benefit. It is the uniqueness of the individual product's offering that drives their choice. That's true for most of the P&G brands.

Briain de Buitleur, general manager Nordic, P&G – interview, May 2005

P&G is the world's biggest and arguably most successful manufacturer of FMCG. As well as the constant focus on the two moments of truth, the above quote demonstrates P&G's relentless hunt for the USP, that one feature that will form the basis of the shopper's choice. Briain de Buitleur could also tell us of the quite comprehensive internal P&G quality systems. They are all constructed with one thing in mind: that all product launches deliver one unique and distinctive benefit to its customers. Nothing leaves P&G if it does not do that. This ambition is again something we could all learn from. In our opinion, if you are not striving to create USPs, you are not striving towards creating something new and relevant. Without this ambition, you will quickly lose market momentum and will eventually become replaced by someone who has the stamina to remain fresh, unique and distinctive.

Briain de Buitleur continues:

We always differentiate. The consumer chooses our brands because each branded product offers a uniquely distinctive benefit. This is primarily what drives their choice.

Ambition and stamina are important. Toyota, for instance, has stuck to its guns with environmentally friendly cars. With the launch of the Toyota Prius everybody's eyes were on what some enthusiasts called the future of cars. Five years later and with approximately 120,000 US Prius owners (Koerner, 2005), most people had drawn the conclusion that hybrid cars would not replace the traditional gasoline engine. They deemed it a niche product reserved exclusively for celebrities desperate to stand for something, and high-income environmentalists. The Prius and the promise of hybrid powering were quickly dismissed, but most probably prematurely. Even though 99 per cent of Toyota cars sold in 2004 had traditional engines, the company is intent on making hybrid technology one of its future USPs. Toyota has doubled production and plans to double sales by taking hybrid to the mass market. The company has also launched the Lexus RX 400h, the world's first luxury hybrid SUV, and plans a near-future launch of a hybrid Toyota Highlander (Koerner, 2005). With an increased focus on global warming combined with soaring, record-setting gas prices, Toyota's hybrid USP looks like it will become increasingly relevant. Other car manufacturers have not

yet shown the same ambition and stamina as Toyota in striving to create such an USP. Toyota could very well find itself in pole position for the future leadership of the car market.

Another market driven by USPs is mobile phones. Motorola, Samsung, Sony Ericsson and Nokia are all engaged in a fierce USP battle. Sony Ericsson launched the K750i with a massive marketing effort. With tri-band connectivity, a colour screen, MP3 ring tones, a video recorder and a digital music player, the K750i was everything *and* a phone. In addition it is also a 2 megapixel camera, outperforming most digital cameras on the market. That is a product with closure. Nokia is right on its heels with the near-future launch of the N90 – called the digital camera killer because of its expected camera performance – and the N91, called the iPod killer due to its advanced MP3 features and its impressive storage capacity.

Nokia is particularly interesting for a number of reasons. One in two Nokia phones can play MP3 files, making Nokia the biggest global supplier of portable music players. To date, Nokia has also sold more than 100 million camera phones, making the company the biggest global supplier of digital cameras. Finally Nokia's sales of smart phones are five times bigger than the total market for PDAs (Skouboe, 2005). Despite all this, many people claim that Nokia's dominance of the mobile phone market has less to do with the technological, feature-driven USPs and more to do with the unique and distinctive user-friendliness of their phones' interface. We do not know the answer to the question which is more important, but we do know that Nokia is a true global market leader as a direct result of its USP focus.

Make an USP!

Make it stand out

Chocolate looks better in colour, and is one of the key reasons that M&Ms is one of the world's favourite chocolate candies: often copied, never duplicated. As well as having clarity and USPs, your products must stand out. We have forgotten that branding starts and ends on the shelf. More books and research than we can mention have covered this area, and therefore we will try to make our coverage of the subject short. Of course product design matters. One could argue that with MP3 players already existing in the marketplace, one of the pillars of the iPod's success is merely that it looks nicer, that the design is unique and distinctive. Research tools such as Norm's SimStore prove how simple changes to a product's design and/or packaging alone can lift sales. According to the International Retailization Study 2005

shoppers find that trying the product is the number one indicator of a product's quality. Packaging and design is not far behind at number four.

In the early 2000s, Heineken was making tremendous inroads onto the US beer market. With the positioning 'It's all about the beer', Heineken was establishing its beer as a premium-priced quality import, as an authentic yet sophisticated guy's beer. The unique and distinctive Heineken bottle played an important role in carrying this message forward. However, if you want to be a serious player in the US beer market and gain significant volume growth, you have to start looking into cans; a bottle can only take you so far. The can format allows for more beer-drinking scenarios, as the times people drink beer from a bottle are often very different from the situations where they would choose to drink beer from a can. But Heineken was facing a difficult challenge. Heineken was not only intent on creating a can that would stand out significantly on the shelf. It also wanted, first, to have the can emulate the bottle's role of supporting the premium-priced authentic yet sophisticated guy's beer position, and second, to have it emphasize the company's stern focus on the beer itself ('It's all about the beer'). The result? Heineken designed its beer can so it had the same shape as a beer keg. Not only was the challenge met, Heineken increased its volume sales as the unique and distinctive keg can proved to be highly successful in the retail environment.

When looking at a Dyson vacuum cleaner one could easily mistake it for a prop from a science fiction movie. It looks awesome. Not only does it look great, it actually represents a category revolution, in a category where nothing really had changed since it was invented. In the United States in particular the brand Hoover had been generic for the category and the clear market leader for 98 years – almost an entire century! Then along came an English brand called Dyson, and in the space of 18 months it became the US market leader with a product that was twice as expensive (Carney, 2005)! Dyson has more or less conquered the world with its great, great products, which are brilliantly designed to gain attention and create involvement. You can actually see your dust being vacuumed, making you feel mighty effective. But the design is not just about looks. Its revolutionary closed-circuit system not only creates a unique, even suction flow, but provides the world with an allergy-safe vacuum cleaner (Natlallergy, 2005). Last, but absolutely not least, the Dyson vacuum cleaner does not use bags! For a long time, society had accepted the limits of the vacuum cleaners available. James Dyson developed a new system for dust extraction and capture which challenged shoppers' preconceived ideas of the limits of domestic cleaning appliances – and captured the market!

Your products must stand out. They must be designed and redesigned again and again to stand out. They must attract and continue to attract. They must scream their benefits. Then and only then will retailization work.

Make it stand out.

Remake it again and again

If it isn't broken, change it.

Professor Charles Wildman, INSEAD (in Price and Hastings, 2004)

There is nothing more important than keeping your products fresh. Nothing ages faster than retail environments with the same old tired products. Remaking your product offering over and over again will secure not only your competitive performance, the constant renewal of your relevance towards your shoppers, but also the overall quality of the offerings you are bringing to your retail partners. Nobody likes same old, same old. We love same as long as it is new, better and more exciting. If you will not do it, somebody else will. Bye bye! All the promotions and pricing strategies in the world will not save your product from gradual and inevitable decline, resulting in eventual removal from the shelf itself.

This constant need for remaking your products will put a substantial pressure on the creative and innovative ability of your entire organization, as Jørgen Vig stated earlier in this chapter. However, the rewards are enormous. Look at Samsung. Only a couple of years ago, the Korean electronics manufacturer looked like it had completely lost out to companies like Sony and Motorola. Numerous disastrous product launches and time-to-market failures led shoppers and retailers to lose faith in the overall quality and solidity of the Samsung brand and its products. A new management and a very determined focus on out-innovating the competition provided the required turnaround. Samsung wanted to make sure that its creative and innovative capabilities were second to none, and that its products would always be fresh, exciting and at the forefront of category evolution – and it truly did everything to make sure! Samsung employs more than 24,000 researchers and developers at 17 R&D centres worldwide (Badenhausen and Roney, 2005). The reward? Samsung earned profits in the neighbourhood of US \$11 billion in 2004, more than Sony, Motorola, Matsushita and Nokia added together.

Samsung products are excelling in numerous categories, and the brand is market leader in areas such as flash memory and computer displays, and

ranks third in cell phones (McDonald, 2005). ‘What Samsung has done in the past five years is nothing short of amazing,’ declared Jim Warren of CarToys, a Seattle-based retail chain, between presentations. ‘They’ve elevated themselves to one of the top brands in the world in consumer electronics, and they are the number one call brand in wireless – particularly with youth. Poor Nokia’ (Rose, 2005). Poor everybody, we say! Samsung is bent on beating Motorola for the number two position in the mobile phone category. It describes its culture as one of being in a state of perpetual crisis (Lewis, 2005). It runs a Value Innovation Program (VIP) that boasts of having 14 development projects underway at any one time.

Amazon.com is another good case for the constant remaking of your product. Amazon.com *is* dot.com! In the late 1990s when the world briefly lost faith in the promise of the internet, Amazon just continued being visionary. It started as an online book and music store and then quickly decided that it wanted to be the world’s biggest online shopping mall. It extended the idea from books to ‘everything’, and during Thanksgiving weekend 2004 the company sold more electronics than books. CEO Jeff Bezos never lets his own product sit still or even get close to becoming staid. Amazon recently launched a new service that lets users pay US \$79 annually for unlimited shipping, creating further incentive for its shoppers to get their ‘everything’s’ from amazon.com (Kawamoto, 2005). Amazon also rents out DVDs, making a run for Blockbuster’s customers, and finally it has launched a9.com, a new search engine to compete with MSN and Google.

Some categories like detergents are famously effective at constantly remaking products in order to stay fresh. Look at Ariel and Tide: powder, liquids, tablets, scented, colours, softness – you name it. Detergents keep remaking themselves, offering new formats and unique selling propositions at a speed and in a manner we should all learn from. Or how about Gillette? Talk about the constant remaking of your product offering. Not only do we have to make sure our products are always performing better than the competition, we also constantly have to renew our freshness and relevance towards the retailer and the shopper. If we do not, the dangers lurk everywhere. Not only will we be out-innovated, but something even more worrying can creep up on us.

If you are not able to create continued differentiation and constant newness you risk being replaced by private label brands. You risk death by commoditization. It is one thing to get back into a category where you were previously outperformed in the competitive context, but it is a completely different thing to get back into a category where the retailers are perfectly able to take care of the shelf space themselves.

Christopher Roberts, Coca-Cola's VP of retail marketing, gives us a glimpse of the company's current focus when he states:

We have to make continuous changes. To change all the time what we offer. In the near future you will see tremendous amounts of innovations from us as we continue to do what the changing market requires from us. To maintain the position as the world's premium non-alcoholic beverage, we have to do everything we possibly can to meet the changing wants and desires of the shoppers.

Always keep remaking your products!

Make it more

A product can possess endless possibilities of relevant, sellable add-on features. We suggest that you always strive to make it into more than just that one product; that the scope of the product should be bigger than the product itself. Think iPod: the iPod is more than just the iPod. When you buy a US \$299 iPod it will probably end up being the smaller portion of your overall investment. Immediately after having bought an iPod, you start spending hundreds of dollars on extra features such as Bose SoundDock external speakers, wireless remote controls, sports carrying cases, enhanced bass-boosting earplugs and integrated car solutions – that is, if you can resist the desire of purchasing one of the new iPods that are continuously introduced to the market. Or how about the Sony PSP? As soon as this long-anticipated portable game console hit the market the accessory possibilities were nothing less than overwhelming. One of us had not even received our newly purchased PSP before creating additional Sony sale(s) by over-indulging in external speakers and chrome carrying cases. Buying an innocent iPod or PSP can ruin you in additional great purchases. We know, believe us.

Another interesting example is UK company Holland & Holland, one of the world's leading sporting gun and rifle makers. Holland & Holland was established in 1835 in London. It produces around 100 handmade guns a year. Depending on the model of gun, each one takes between 650 and 1,250 hours to manufacture. No part of a Holland & Holland gun is interchangeable, it is always particular to each gun, down to the smallest pin. With this level of attention, it is no surprise that Holland & Holland is considered to make some of the best guns in the world. The sheer exclusivity and luxury potential of the brand was one of the main reasons that fashion brand Chanel

decided to purchase Holland & Holland. It also decided to make it more. Chanel has started leveraging the gunmaking business into numerous Holland & Holland accessories such as hunting clothing, luxury men's and women's clothing, cufflinks, garters, jewellery and so on – fully realizing the retail potential.

We believe if you turn your product into more, you will not only increase sale(s), you will most probably also enhance the chances of shopper loyalty, as the product franchise offers more possibilities of fresh, new shopping experiences.

Always try to make it more!

Make sense

Well, we know! But sometimes one forgets. Take the now classic New Coke story. It is so very important that your products make sense, no matter how trivial they are. Ziploc bags make sense, Gucci bags make sense to a lot of people, so do Calvin Klein underwear and Dryel. New Coke did not make sense at all. Every year millions of new products are introduced worldwide and every year millions of new products are withdrawn from the market place worldwide. Why? Most probably because they did not make sense to anybody. Remember the Blockodile in the previous chapter, a 'vacuum cleaner' that makes children enjoy cleaning up their LEGO blocks? That product makes a lot of sense. Believe us! We think the inventor of the Blockodile should receive a Nobel prize. Or how about the BlackBerry (a wireless e-mail solution)? Research shows that users average a 54 minutes a day productivity gain (*Computer Weekly*, 2005). The product makes sense. Or how about when Porsche launched its SUV Cayenne? Porsche knew that brown would be the new black, meaning that the SUVs were going to be the new sports car. It made sense to launch it. Porsche's substantial profit gains probably made a lot of sense to its investors too.

Although 911 sales are down 20 percent and hardly anyone cares about the Boxster anymore, the red hot Cayenne may top the 75,000 units moved mark this year, which would be a substantial accomplishment and a big cashola influx for the brand. Their overall revenue is already up 14 per cent over last year (2003).

(Diken, 2004)

Once upon a time the only place to get the authentic taste of Guinness draught stout was down at your local pub or bar. Guinness wanted to expand

its market and make Guinness draught work in more places than just at the pub. It needed to invent a container that would allow the company to duplicate the draught stout effect away from bars and in places such as the home. Guinness ended up inventing a new can containing a widget. Howstuffworks.com helped us understand the widget. The Guinness widget is a nitrogen-filled plastic sphere with a tiny hole in it. The sphere is added to the can before it is sealed, after which it floats around with the small hole just below the surface. Just before the can is sealed, a small shot of liquid nitrogen is added to the beer. This liquid nitrogen evaporates during the rest of the canning process and pressurizes the can. As the pressure increases in the can, beer is slowly forced into the sphere through the hole, compressing the nitrogen inside the sphere. When you open the can, the pressure inside immediately drops, and the compressed gas inside the sphere quickly forces the beer out through the tiny hole into the can. As the beer rushes through the hole, it causes the dissolving carbon dioxide to form bubbles that rise to the surface of the beer and help form the famous Guinness head (howstuffworks, 2005). In short the widget allows shoppers to recreate the perfect pint at home. The result is black, white and beautiful. To date, 800 million sales of cans with widgets prove the product is right. This product makes a lot of sense, as opposed to the rather technical explanation above.

A small but favourite case of ours is Tylenol Sinus. Over-the-counter drugs is a fiercely competitive category, and over the years we have seen plenty of pointless product features that did not make sense but just made noise. However, Tylenol Sinus recently launched its Cool Burst feature. We all agree that when taking a pill, there is that brief unpleasant moment when the bitter-tasting pill hits your tongue and you eagerly await the glass of water. With Cool Burst, the Tylenol Sinus turns that brief, but important moment into a pleasant refreshing and minty experience. The added benefit is the instant satisfaction – at least in your head – of feeling that the drugs go to work almost immediately.

Always make sure that the products make sense to the people that are supposed to buy them!

Make it theirs

When you create your product offering, make sure that your shoppers feel that it is really uniquely theirs. It is for them to have and to hold, and more importantly to enhance. Think about it! Customization as a marketing idea has been around for a long time. We should all keep up the good

customization work, as there seems to be nothing better for shoppers than having it their way.

Just look at M&Ms. Here is a widely available product that is as basic as they come. There is really not much to M&Ms other than great taste, great varieties and great colours. However, in a smart move to boost consumption and relevance, M&Ms allows its shoppers to customize their favourite candies. Shoppers can log on to the M&Ms website and choose not only the colours, but also the text printed on each individual piece of chocolate. Whether you are celebrating a birthday, graduation or wedding, you can have M&Ms exactly the way you would like them. What a great way to get trial and purchase working for you.

Nike ID is another fun example of how to make sure that your product becomes the shopper's. With Nike ID, shoppers are allowed to browse through tons of great Nike gear and customize it to their liking. Everything from watches, sneakers and apparel to golf balls is open for customization. Not only can you choose colours and patterns, you can also ID an item by having your name nick-stitched or painted on.

Customization is not the only way to make it theirs. Letting your shoppers create part of the product content is another way. Look at iTunes, Barnes & Noble and amazon.com. When shopping these places, customers have the possibility of sharing reviews of the stuff they bought or intend to buy. People rate, write reviews and share opinions, enhancing the experience of buying the product and in the end the product itself.

iTunes has taken it a step further. When you are an iTunes registrant you can present your own music compilations (playlists) to the rest of the iTunes disciples. If users like the compilation they are able to download it for the normal fee. Apple has invented a product feature that allows users to create customized content and in the process create additional sale(s). It is also actively boosting the community around iTunes. More about that later.

Finally, let us look at Heinz, one of the world's leading food manufacturers, with ketchup as the thrust of its business. Heinz discovered that its ketchup simply was not exciting enough to its core users: kids. Looking to create a Heinz product concept that kids could own – that would make Heinz ketchup theirs – the company launched the EZ Squirt range; green and purple-collared ketchup in easy to squeeze containers, allowing for a more exciting and convenient approach to ketchup for kids: most certainly a kids' ketchup dream, most certainly theirs. EZ Squirt has so far been an overwhelming sales success (Interbrand, 2005). In his article 'The ketchup conundrum' (2004), Malcolm Gladwell reports, 'In homes where the EZ Squirt is used, ketchup consumption has grown by as much as 12 per cent.'

Make the product theirs.

Make them beg

In the next step we shall discuss the importance of creating involvement and excitement at retail level in the shopping situation, but the product itself should also be able to create excitement and involvement. The best products are the products that make shoppers beg for them, products that they simply must have. It may be because of their exclusivity, such as the Birkin Bag by Hermès. People sign up on a list and wait for years in order to be allowed to purchase a handbag for several thousands of dollars. Just last week we saw a 30 cm Black & Orange 2 Tone Crocodile Hermès Birkin Bag on eBay with a current bid of \$30,500. Talk about wanting something badly.

We have already mentioned the hype surrounding H&M by Lagerfeld, when people flew across the globe and begged for US \$19 T-shirts. Or how about Manolo Blahnik, the notoriously elusive shoe? Manolo Blahnik purposely makes its shoes hard to find by choosing few retail outlets. It does not have a website and the company even places its few shops off the beaten track and makes them really hard to find (and identify). If you want those Manolos you really need to fight for your right to buy them. Or how about people sleeping outside Apple stores waiting to be among the first to get the new iMac? Or people sleeping in line for weeks in order to be the first to see the new *Star Wars* or *Lord of the Rings* movie, even though they can see it tomorrow or the day after tomorrow or even a month after? How about the *Harry Potter* books, or tickets for a U2 concert? Remember the first time 2in1 shampoo was introduced: suddenly everyone wanted 2in1 shampoo. For a period of time, 2in1 was *the* hype in shampooing – that is, until everyone decided that they did not want it any more.

It would be great if people got so hyped about your product – about your toothbrush or your razor. Yes, it is difficult to create something so powerful that people beg for it, something that sells out, something that is hard to find because everybody is in the market to buy it. It is probably just as, if not more, difficult than making a hit tune. But hey! Why not try? Why not always strive for that level of shopper involvement and excitement?

Make them beg.

Make a revolution

Ah, but a man's reach should exceed his grasp – or what's a heaven for?

Robert Browning (1812–1889)

At the end of the day we buy products: product concepts designed to awaken and satisfy our wants. Products that stand out, excite us and involve us and that are designed to be unique and distinctive. Products that can stand alone on the shelf and clearly demonstrate their freshness and relevance. Products that quite literally grab the shoppers. We should always strive to be revolutionary in our approach rather than settle for mediocrity and unsurprising me-too product solutions. The stakes may be higher, but so are the rewards. The distance between the excited shopper and the excited retailer will become shorter, and the distance to the competition will become longer. Through our product innovation and creativity we should aim for changing the arena completely (like Dyson and Prius) or at least be innovative enough to create an impressive and relevant presence (like Guinness and Heineken). Always remember to make your product happen! It is the products that make your business happen. It is the products that create revolutions.

KEY THINGS TO DO NOW

1. Having rethought the arena, the competitive context and the shopper, identify what characterizes the ideal product concept.
2. Make that even clearer.
3. Define what kind of USP you would like the product concept to propose.
4. Define how you would make it stand out.
5. Define what kind of perspectives there are for its constant remaking.
6. Identify routes to making it more than just the core product.
7. Make sure it makes sense.
8. Identify how you would make it theirs.
9. Define how you would make them beg for it.
10. Create the perfect product concept.

11

Step 5: retail impacting

Dealing with how we create our sale(s)

KEY POINTS

- Shopping for your product is as important as your product.
- Shoppers are only loyal to superior shopping experiences.
- Keep it fresh.
- Extend the idea.
- Merge the first and second moment of truth.
- Create clarity and involvement.

So you have created the most amazing product in the world, the vacuum-cleaning and dinner-cooking coffee maker that can pick up your groceries and the kids every afternoon. Then what? The phones will not start ringing just because you did a great product job. Remember that there are two moments of truth, when we buy and when we try. You have just created what the shoppers are about to try. Now you need to address how they will buy it. You need to ask yourself *how* you want to create your sale(s).

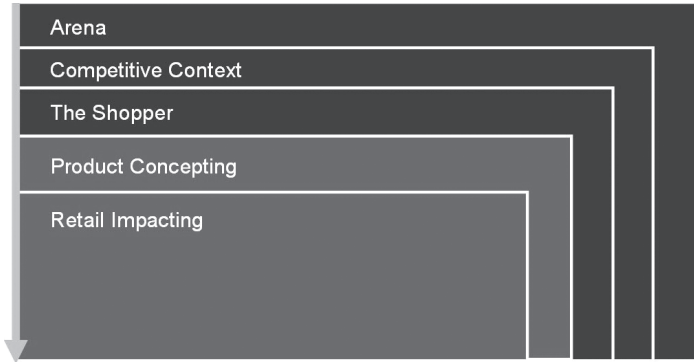


Figure 11.1 Retail impacting

When the consumer comes in like a shopper, there is this moment of consideration no matter what portfolio they are looking at. It's a very quick intellectual interaction, 3–5 seconds.

Christopher Roberts, VP retail marketing,
Coca-Cola – interview, December 2004

Great product ideas do not exist in a vacuum. If you do not successfully integrate them into the surrounding retail context and make the product 'happen' in the sales situation, your product idea ceases to be great. It is most probably a waste of everybody's time, including your own. It is worth noting that 'The average European consumer recognises less than ten wild flowers, but more than a thousand names of branded goods' (Nordic, 2005). Considering that every day 400–700 new brands are added to the already existing 2.1 million brands tracked by a company called TNS Media Intelligence, it is no surprise that it takes considerable effort to make your product happen in the real world. As the *Economist* writes:

'It's very easy to get a brand out there', says Steven Fredericks, the company's chief executive. 'But there is no guarantee that any of them will be noticed', he adds. 'Consumers' attention is becoming a scarce economic resource.'

(*Economist*, 2005h)

Creating shopping situations

Originally, the shop was merely a vehicle for consumption. We called it distribution, appropriately flashing our strategic under-prioritization. Things

have certainly changed. We know from the International Retailization Study 2005 that shoppers place a significant amount of importance on the experience of shopping for the brand. As you might remember from [Chapter 3](#), shoppers rate the experience of shopping for a product as the second most important factor when measuring the overall quality of that product. When you consider that more and more purchase decisions are made in-store, it has clearly never been more critical to make that impact at retail level. The competition for shoppers' attention will most probably demand more of you than 'just' a great product.

Retailization focuses on creating relevant and involving shopping situations. Whether you are a brander or a retailer, the creation of these situations will highly influence the course of your business over the next decade. Your very success will be dependent on your ability to create actions well beyond your product thinking: actions that will get shoppers excited and involved, actions that create an impact at retail, and actions that create an inviting and meaningful shopping situation around your product. We always use Seattle's famous fish market, Pike Place, as an example. When you walk through Pike Place enjoying the fresh and amazing selection of seafood and fish, you need to pay attention. Sales people constantly throw fish through the air to each other making sure the right fish gets to the right shopper. The service at Pike Place is outstanding and the atmosphere is fun and energetic. It sells fish, the sales people throw the fish around, and the shoppers get excited and entertained. It is so banal and yet it works like a charm. Pike Place has truly become world famous because the company throws its products around.

Is shopping for your brand a fun-filled and exciting experience?
Are you 'throwing' your products around?

We know that even though most shoppers arrive with a plan, they tend to make their final decision at the shelf. Even though they intend to buy the product they have used before and therefore trust, they become extremely open for influences at that final crucial point of purchase. That final moment when they make up their minds is very, very important. You need to get that part right.

Braian de Buitleir, general manager Nordic, P&G – interview, May 2005

The ultimate challenge for anyone trying to make a sale is to create demand. You might remember LEGO's CEO, Jørgen Vig Knudstorp, commenting on how creating constant demand for LEGO products was one of his main challenges. This is a challenge most brands and products are facing every day out there on the shelves, on the high street and in cyberspace. As we have already discussed, demand is a weird and peculiar thing these days, as people

increasingly find themselves fully stocked up with everything they need. Retail impacting, or creating a product impact through the retail environment, is therefore your most persuasive and effective sale(s) argument. If you create that impactful and happening purchase experience, you have come as close as you can to making that sale.

The retail experience is the defining moment in the shopper's universe. Their loyalty only lies with the truly exceptional shopping experiences. As mentioned in Step 3 (the shopper), we define ourselves through our shopping and it is now the world's favourite pastime. Think of the Sharper Image: everybody loves walking into that store. Not only is it full of gimmicks and great new products, the store encourages you to interact with the products, to play with them, to experience them. There is always a line of people wanting to try out its vibrating massage chairs. What a great shopping environment. We relate and thrive on different stimulating situations at the points of action; the point of profit. It is crucial to get your points of profit right because shopping for your product is as important as your product. If you do not get the shopping part right, your brand will not be right.

Repeat: if you don't get the shopping part right, your brand will not be right!

As David Roth, the marketing director from B&Q, puts it, 'A good brand can overcome weaknesses in the shopping experience, but it can only do that for a limited amount of time'. He continues, 'The brands have to be innovative and stimulate the market and the shoppers. The less and less they do that the less and less relevant those brands become.'

Be shoppable or be gone!

David Roth states: 'We think of shoppers as people who have shopping missions and our store is one of many places they can go to complete that shopping mission.' More and more retailers are getting around to fully understanding this and building their businesses on the basis of this. But does your brand fully understand this? Do you? Are you thinking like a retailer and are you thinking of your consumers as people on shopping missions? Or is yours just another passive brand sitting there uninvolved on the supermarket shelf and unable to provide that truly exceptional shopping experience? Do you really understand how to make that important impact in the retail arena as a result of your profound understanding of the shopper?

'Finding the time to relax and rejuvenate oneself through a positive and different experience has become increasingly difficult for consumers as a result of today's pressured lifestyles' (CCRRC, 2004). Shopping can do just this if the shopping environment invites shoppers to do it. Since we have to shop, retailers who offer the better shopping experience win: not only in terms of

value and good prices, but through understanding shoppers' desperate need for positiveness and a sense of accomplishment. Shopping and leisure time is thus merging, to the annoyance or joy of shoppers, depending on who is responsible for their important time off work.

Is your brand offering up a superior shopping experience?

Impacting sale(s)

For one moment, think about the number of people who walk into the store without buying your product. Shoppers leave empty-handed when nobody offers them a superior shopping experience; when nobody creates a want within them that they have to act upon. We have to create wants: to awaken their desires, to make them long for that semi-skimmed organic milk, to make them dream of those US \$1,500 Dior boots, to make them crave those 17-inch chrome rims. The future belongs to retailers and brands that proactively create *wants*, retailers and brands that are transforming non-involving and boring consumption situations to highly motivating shopping experiences. Just think cheese! When we stand in front of a supermarket shelf, it is a bore making a choice between all of the cheese types and brands, but when we approach the in-store supermarket cheese speciality store, it suddenly becomes interesting and involving, as we discuss the merits of each individual cheese with the cheese expert, or even simply rely on him/her to make the choice for us so we can move on with our busy lives.

In creating relevant and involving impact at retail level, David Roth explains, 'Customers these days need to be convinced to buy additional things; they have so much stuff so when they buy something new these days they have to make a conscious choice about what to throw out.'

In [Chapter 10](#) we revisited the old notion of the USP, the unique selling proposition. But what if we extend that thinking? What if we strive to make another form of USP: the unique shopping situation? What a formidable task! We need to use retail impact as a way of helping the shopper make that choice and remake choice over and over again – creating sale(s)! At Starbucks we are not buying a cup of coffee, we are buying a superior coffee experience, and what makes us come back every single morning is not the coffee, it is the whole act of shopping there.

Is it an act to buy your products? Is it a unique shopping situation?

Love me do!

Shoppers are zapping between lifestyles and different shopping experiences. If we start thinking retailization, we start focusing on the shopper and it will dramatically change the way we do things. We will start focusing on creating instant satisfaction, because shoppers crave instant gratification: instant love, instant success, instant recognition, instant satisfaction, and instant identity. As shoppers we demand it. We do not have time for anything else. We want to feel the product working its magic, even before we leave the store. One of the rules of this step will be to make the second moment of truth (*try*) work in the first moment (*buy*). Thinking instant gratification is important for brands as they increasingly need to create a thoroughly gratifying buying experience throughout the shopping. It is all too rare to experience this today, and have we got news for you, ladies and gentlemen: this is the only – and we mean the only – place you will ever be able to create and sustain customer loyalty.

‘The assumption that you can buy love is fundamentally misplaced’ (Hastings and Price, 2004). Yet this is what we have been trying to do for years through ads, promotions and loyalty programmes: trying to make people buy our products by trying to make them love our brands. But studies show that no matter how much money we put into the game of buying love, loyalty as a whole is in decline (White, 2003; Surowiecki, 2004). People are rarely loyal towards any one retailer or any one brand. The truth is people are loyal to the shopping experience only – the focal point for buying. We believe the only way to be loved is by giving love. Brands and retailers alike should start thinking about how they can show their love to people at the point of action. It is about loving the shopper and showing that love by making an impact at retail level. Love me do!

This pampering of the shopper can take many forms. The word ‘pampering’ of course immediately brings luxury brand experiences to mind. These brands know how to suck up to the shopper better than anybody else. Right, Julia Roberts? When you buy something as small and innocent as a pair of cufflinks at Louis Vuitton the company offers you a glass of champagne and *hors d'oeuvres*. When the shop wraps the small things, it is a show of its own with tons of boxes, paper and bags. The wrapping takes a longer time to complete than the purchase itself. You walk out of Louis Vuitton feeling you just made the most important purchase in your life. What a great thing! We are not saying that you should be serving food and cocktails if you are in the cheese or detergent business. What we are saying is that you should

be inspired to think about how you can pamper your shoppers and make them feel that they just made an important purchase.

Show them you care about their shopping. When was the last time your bank pampered you? Well, we felt very pampered when banks introduced online banking: the result was that it made us get involved on our own terms whenever and wherever we wanted. There was no longer any need for physically going there just in order to wait in line forever. If you find yourself in Seattle, you should make a point of visiting REI, the outdoor gear and clothing store. We always do. It is a place where we love to shop because it is a truly exceptional shopping experience. At REI, you do not wait in line or spend hours hunting down a sales assistant. You simply check in at the appropriate department (for example, skiing or hiking), and when a skiing or hiking expert is ready to give you his or her undivided attention, you will be buzzed. While you are waiting you can try out your climbing skills on a 30-foot wall, be inspired in the travelling department or simply hang out by the fireplace while enjoying a hot cup of chocolate.

So how do you get people to return when they are becoming more and more promiscuous? You give them a truly exceptional (shopping) experience.

(Hastings and Price, 2004)

Service in all its aspects is of course a relevant and effective way of showing your love. Service is experience-driven and a particularly effective way of delivering love. Start thinking of yourself as a service provider and you will immediately start changing your approach towards your shoppers. You will also immediately start enhancing the experience of doing business with your brand or your retail business. It is particularly crucial for the brand because most of the time the execution of the shopping experience is in the hands of somebody else. Given this, you need to ask yourself if there are other ways you can enhance your service levels. Are your retailers good enough for your brand? Are you working together to ensure the proper service levels? Should the brand manufacturer become a retailer in order to maintain control?

We are used to making choices between competing luxuries ... we do not always want things, we want intangibles – a good experience, time, space and fun.

(Hastings and Price, 2004)

Today it is a life of shopping, and as shoppers our only loyalties lie with the truly exceptional shopping experiences, the experiences where brands and

retailers unite in order to create a truly involving, convenient and exciting experience: a superior and positive first moment of truth. Retailization is about making shopping sense, about creating and activating revolutionary shopping situations. Be a sport! Spoil your shoppers rotten. It will pay, we promise.

Get people as shoppers and you will get their love, loyalty and disposable income. Let us show you how:

1. Keep it fresh.
2. Extend the idea.
3. Merge the first and second moment of truth.
4. Create clarity and involvement.

Keep it fresh

The first rule is short and sweet: keep it fresh. As shoppers we love fresh things. That is why the vegetable department is placed at the front of the supermarket. It shapes our perception of the store's quality and impacts the overall freshness perception of the entire supermarket.

Freshness stimulates us and awakens our curiosity. Rolf Eriksen, CEO of H&M, comments:

Dealing with fashion products is a lot like working with fast-moving consumer goods – both have an expiration date. Every time we work with a new trend we must be able to renew ourselves. Customers today want innovation. We get new products in our stores daily. The challenge lies in innovation; being able to dare being on the cutting edge.

Mr Eriksen is a very, very smart man. We know: we spent an afternoon with him discussing retail trends and retailization. The scope of his comment is even bigger than he probably initially meant it to be. Yes, many FMCGs have expiration dates, for the obvious reason that some foodstuffs go bad after a certain amount of time. But how about FMCG concepts? Can they go bad? Can brands go bad? Do they have expiration dates? What if you needed to change your portfolio all the time? What if you applied the same thinking as H&M to your line of products? Would you be able to? Could you renew yourself over and over again? Can you even imagine it? We think it is important to start imagining it.

Of course products and brands go bad. It happens all the time. You have probably experienced it yourself. Suddenly a product or a brand stops 'working': it does not seem to have the same clout with shoppers anymore. Freshen

it up if you can, or better, move on to a newer, fresher proposition all together. When you listen to people like Rolf Eriksen and David Roth, it seems like the future belongs to brands that constantly innovate and remain on the cutting edge, even when it comes to shampoo and milk.

That is probably why 'special edition' is such a great promotional gimmick when it comes to both cars and soft drinks. We love something fresh and of the moment. Maybe this is the reason why we three authors are crazy about seasonal stuff. If something suggests seasonal, we buy it, such as yoghurts with seasonal flavours. In Scandinavia elderflowers are a big and seasonal thing, and once a year there is elderflower yoghurt on the shelves and faster than you can say 'elder' it is sold out.

At a Carrefour just outside Aix-en-Provence we witnessed another inspiring example. Here apple juice is not just apple juice: Carrefour creates juices based on the exclusive flavour of each individual kind of apple. When we were there, we could choose from variants such as Granny Smith, Pink Lady or Golden Delicious. Being the people we are, we naturally chose all of them. The apple juices change with the seasons, ensuring that the experience of buying apple juice at Carrefour is always fresh and inspiring.

Remember Tchibo, the German coffee retailer that changes its product line every single week? Would it not be a great rule for you to run your company with? Create a new shopping experience every week. We think you have to if you want to stay in the game and not be replaced by a generic private label product.

The pop-up retail trend is also an example of companies trying to keep things fresh. Springwise reports numerous examples of pop-up retail concepts, where retailers such as Target and JC Penney create short-term concept stores existing in the retail environment for sometimes as little as nine weeks. Even airlines (Song), e-tailers (bluefly.com) and magazines (*Vogue* and *W*) open up pop-up retail stores in order to create a freshness buzz and quick sales.

A great example of pop-up is POP. Champagne manufacturer Pommery wanted to sell more champagne by changing people's perceptions about champagne and thereby attracting new customers. It created a small bottle designed to be drunk through a straw or straight from the bottle, making it more accessible and informal for new shoppers. POP champagne is a quarter-bottle format in blue glass, breaking the mould for the champagne arena. One serving means affordable, and blue means new, fresh and fun. Not only does Pommery focus on creating a buzz and sense of exclusivity by serving it only in the most stylish nightclubs and bars throughout the world, the company also maintains the freshness of the concept by letting contemporary

artists do their version of the POP bottle, and creating momentary pop-up stores as showrooms and sales outlets (Pommery, 2005).

Fashion brand Comme des Garçons recently opened a pop-up retail store in Berlin. It will only be open for a year and it is located in an old remote neighbourhood. The clothes are presented in a raw space with absolutely no furniture or decoration, just clothes on racks. The objective according to TrendWatching.com is an 'exclusive, discovery-driven and get it while it lasts' atmosphere (Trendwatching, 2005). The concept has proved so successful that the company has exported its 'guerrilla store' concept to other countries. In Copenhagen it has opened a clothing store in an old ice cream store – without moving the old inventory.

We live in an experience economy and one of the most likable experiences is to be surprised. We love surprises. Shoppers love surprises. Keep it fresh and surprising.

Extend the idea

POP champagne is a fantastic retailization case, and the way that Pommery really made it work on so many different levels brings us to the next way you can make an impact at retail level: extending the idea.

All products have an idea, or at least should have. We hope you agree with that by now. The challenging thing is extending this idea into the retail context. David Roth from B&Q explains:

I first believe in dealing with brands that have a significant point of difference. Brands are at the moment quite introspective, and they are more obsessed with the point of difference with respect to competitive brands as opposed to how they can use that point of difference to maximize their own presence and the sales of the entire category within a store.

Use your point of difference to create an impact in store. If you do not make that impact you will not get shoppers involved with the product. Shopping has become our major source of entertainment, so put a show around your product! Make the shelf come alive!

We spent another afternoon with Briain de Buitelir, the Nordic general manager of P&G. P&G is one of the world's biggest FMCG manufacturers. In its portfolio you will find a vast amount of some of the most prominent and successful brands in the world. P&G is also the author of that famous quote that we have used extensively throughout this book: the two moments, you know. But as well as this P&G is arguably the most point of difference

obsessed company on the face of the planet. If there is no benefit, no unique product offering, the product will never enter the marketplace. It just does not survive the internal mechanics of P&G.

Discussing the notion of making an impact at retail level by extending the idea, Briain de Buitleir commented that in 2005 this was still a very avant-garde approach. His explanation is that few retailers and brands have fully understood the need and benefits that come from working together in order to create superior shopping experiences. The idea of cooptation, of creating a joint effort, is something which only now is starting to find its hold in the marketplace. As Briain de Buitleir explains, ‘Why would you turn your back on a win–win situation for the retailer, the brand and the shopper?’ It is a win–win–win situation actually. P&G always strives to create tangible retail contexts surrounding its product offering, making the unique product offering extend itself into the retail environment.

P&G’s most successful and current case of this is Olay in China. Oil of Olay is a line of skin care products which promises to embrace every woman’s skin and care for it like no other. That is quite a promise, but nonetheless the focal point for this part of the P&G business. Each individual product has a unique offering that contributes towards fulfilling this promise, but in Chinese supermarkets P&G has been able to extend this promise beyond the shelf itself. In the aisle, the female Chinese shopper is welcomed by a P&G skincare consultant, who guides the shopper through the different products; helping her make just the right choices – taking care of her skin like no other skincare brand on the shelf. This strategy has helped turn Olay into one of China’s biggest skincare brands, to the benefit of both Chinese retailers and P&G – not to mention the ever more beautiful Chinese shoppers.

P&G quite literally made the shelf come alive by putting on a show. Yes, it seems obvious and banal, but the thing is that P&G did it, and it is working to everybody’s benefit (and margins). Is there any way you can do the same? Can you extend your offering? This will somehow prove to be a bit more challenging.

To get the creative juices going we always like to ask our clients what they would do if they could afford their own Fifth Avenue concept store. They come up with so many unrealistic, great ideas, but more importantly smart and implementable ideas do come out of these idea sessions. Think back to the Coca-Cola Red Lounges we described earlier, branded Coca-Cola lounges equipped with flat screens, multimedia and seating area, which in essence are simply extensions of a Coca-Cola vending machine. This is not a Fifth Avenue store, but it is still a concept store. Pommery’s pop-up retail store is another interesting product extension. When Italian beer brand Peroni relaunched its limited edition premium brand beer, it literally extended

this idea by opening up a store on one of London's most prominent shopping streets: Sloane Street, next to the Gucci and Prada stores. The only thing inside the completely white-painted store was a pedestal with one single bottle of Peroni beer on it, emulating the stringent, minimalist approach of its neighbouring fashion brands (Givskov, 2005). Finally Coca-Cola in the Danish marketplace allowed shoppers to customize their Coca-Cola by applying a sleeve of their choice which was pressed on to the bottle in-store.

On a recent trip to Chicago, we made a point of going to the Ralph Lauren store. There is something truly amazing about Ralph Lauren. On that famous classic polo shirt, there is that small, embroidered polo player which has created the foundation and focus for this enormous fashion empire. The entire shopping experience is one ridiculously well executed and larger than life extension of that single product: the fireplace, the crystal ware, the tapestries, the mahogany walls, the 18th-century portraits, the armour – everything is one large retail extension of the polo player. The shopping experience is unparalleled. You even find one of Chicago's best restaurants and cosiest bars, The RL, at the 'mansion'. When you leave the store you are surprised to find yourself on North Michigan Avenue and not in front of rolling English meadows getting ready to mount your horse on your own countryside estate. How the hell do you manage to create that sentiment in people in the middle of downtown Chicago? All for the sake of selling a polo shirt?

Think of it this way: let the store be the brand and the brand be the store. Focus on converting your USP to a RSP – a retail selling proposition that will make your product offering tangible in a retail setting.

Extend the idea!

Merge the first and second moment of truth

There is another way of creating retail impact, a technique which by no means is very revolutionary or cutting edge. In fact it is probably as old as the supermarket itself. Think about it. Where and when do you find the most activity in a supermarket? What makes shoppers bustle and congregate? Where do you find actual and direct dialogue between the shopper and the supermarket? The answer? When there is a sampling happening. There is nothing like the tasting of a new pizza snack or a demonstration of a new carpet cleaner to make shoppers stop and get involved. Shoppers love to try stuff out, it is in the very nature of shopping. We try more than we buy, and experienced sales people will tell you that shoppers who sampled the pizza

snack or participated in the demonstration of the carpet cleaner will be more likely to buy the product than people who did not.

In reality what we are doing here is merging the second moment of truth (*try*) into the first (*buy*) and making them one uniform experience, an experience which often does a very effective job of activating shoppers. It certainly relates back to our earlier point about creating instant gratification at the point of profit. What is probably cutting-edge thinking about this is the fact that we very much take it for granted in some categories, but never think about the fact that it is completely absent in most. Would you ever buy a car without having taken it for a spin? How about a pair of jeans? Would you get them without having tried them on for fit and looks? But how come you do not get to try out your new house for a month before making probably the single biggest investment in your life? Or even get a sense of what it is like being at that resort in the Maldives before spending a fortune sending yourself and your family there on an important and much needed vacation?

Earlier we mentioned REI. At REI it is almost unthinkable that you do not get to try out the clothing or gear you are considering buying. You get to try the mountain bike on the trail on the faux mountain that the store is built on, or you try your new hiking shoes on the indoor test course for hiking shoes. You can even go out and try the tent you are considering buying.

Car dealers live and breathe by this rule. They know more than anybody else that you need to experience the 'try' before they can activate the 'buy'. When launching the Fox in the UK, VW went to great lengths to ensure the *buy* through the *try* as it offered potential owners a three-day trial period. However, VW has also been challenged more than most on living out this rule, because of changes in shopper behaviour. As mentioned earlier, most car purchases these days are heavily researched online, as more and more shoppers walk into the dealership having more or less made up their mind about the make, model, specifications and even the price they are prepared to pay. So when it comes to car purchases, the buying phase does not necessarily find itself so closely integrated with the trying phase as it used to. This means that the persuasive and seductive power of a really nice car is further away from the rational and calculating process that takes place online. The result of this change in shopping behaviour is very apparent on different car manufacturers' websites. Through imaging and sounds they do everything in the internet's power to recreate the actual physical and emotional feeling of experiencing a specific car. On bmw.com you can take the new BMW 3 series out for a virtual test drive, where you can experience the feel and handling. Mercedes-benz.com offers 360° interior and exterior views – you actually feel yourself sitting in the car being able to zoom in on features and details. On mini.com you get the full-on experience of being

able to take the car on virtual spins and check out the different chassis colours with different cityscape backgrounds. Hey, it matters!

Why is Williams and Sonoma a great, great cooking retailer? Because whenever you're there getting a new copper-core sauteuse pan or a monogrammed glass beer mug, somebody is in the store's kitchen cooking up a meal, inspiring and teaching shoppers a new trick or two. They do not even mind if you get in the kitchen and try out the kitchenware the chef is using. That's trying in order to get buying. Have you ever thought about the fact that you never see actual cooking in progress at a kitchen design store? Why can't you try to cook in the kitchen you're considering buying? When it comes to athletic shoes, most retailers these days allow you to take them for a test run on a treadmill, sometimes filming your running to ensure that you get the right shoes for you.

At Prada's NYC flagship store on Broadway in SoHo you not only get to try the clothes, you get to see yourself from several filmed angles in the dressing room. And if you cannot be bothered to try on the outfit, you can scan each piece of clothing with a device that immediately broadcasts a model on the catwalk wearing that exact piece on nearby flat screens. You get to see the clothes both in motion and in action in order to get some sense on how it will look on you (well, at least if you can pretend that you are a 19-year-old Italian model). That's trying before buying.

By now you should also have a feel for the business sense in letting people try before they buy, and should start thinking creatively about how you can apply it to your shoppers. Whether you are selling laundry detergent or crackers, merging the first and second moment of truth will prove to increase your sale(s).

Try to merge trying with buying!

Create clarity and involvement

Supermarket sampling is interesting and fun for another reason. It somehow creates enormous clarity about a given product, and it creates a high level of involvement. We have talked quite a lot about the overwhelming amount of choices the shopper faces every day, so there is no need to go into that again. But keep it in mind, because it is the essence of why clarity and involvement are so important. If you want to be part of the few SKUs that are singled out by shoppers, you need to make it very clear where you are, and involve them in why they should pick you out. Shoppers are only loyal towards superior shopping situations: no more, no less.

So the final rule is to create clarity and involvement. That is actually the whole point of retailization. Briain de Buitleur of P&G puts it this way when he says:

Our aim will always be to serve the consumer. It is today and it will be in the future. Our consumers need clear and relevant reasons to choose one of our brands and we need to get involved in their issues in order to meet their needs better all the time.

Creating clarity and involvement can be done in many ways. The most approachable is taking the facing test. How does your packaging perform compared with competitive packaging in the category? We have been shown the Norm SymStore360° tool which among other things measures the impact of introducing a new packaging design into a given category, and have seen evidence that the sheer simplicity, freshness and attractiveness of package design can move substantial market share and attract whole new shoppers.

Innocent drinks are the juice range of the UK, and with its idealistic and slightly naive approach to itself, its products and its shoppers, the company has created an enormous success. Not only is Innocent highly focused on keeping a continuous dialogue with shoppers, it also does everything it can to create an impact on retail level. Innocent's packaging designs are simplistic, clear and straightforward just like its products, and this makes them stand out on the shelves. Innocent keeps its offering fresh and its shoppers involved by constantly surprising them with new exciting flavours and variants. Not only does Innocent stand out in the retail context, it does everything it can to stand out in the cityscape with its cow-themed delivery cars.

Heinz tomato ketchup involved us and made an impact at retail level with its themed ketchup labels. Heinz decided to catch us off guard by using its labels as very effective billboard ads, with messages such as 'For the burger that has everything' or 'Seeking employment in your kitchen'. This approach is about being surprising, fresh and making us get involved. Heinz further enhanced the shopper involvement by inviting shoppers to write headlines for the label ads. Many of the best lines were actually printed and distributed.

And of course there is Apple: with its Genius Bar and in-store software tutorials it knows everything there is to know about the business sense in creating clarity and involvement. The Amouage perfume brand is considered to be the most valuable perfume in the world, and when it opened its new store in Oman it went all the way. Inspired by regular bars, it opened up a perfume bar with inverted perfume bottles, bar-style seating and baristas guiding patrons in their choice of perfumes. The baristas even decant the perfume in 25 ml pegs for their shoppers. No explanations are needed. We

get it and think it is a creative way of involving the scent-conscious (Springwise, 2005e).

We love clarity and we love getting involved. Whether it is grinding our own blend of coffee beans or, even better, getting to bottle wine in your own bottles at the local supermarket does not really matter. One of us recently bought a Volvo SUV. Where and why? At a skiing resort, we found that Volvo had put up a seasonal (here they go again, you think) car dealership at the end of the mountain at the shores of a frozen lake. Could there be a better setting for selling a SUV? Could there be a more seductive and convincing test drive than up the snowy slopes or driving across a frozen lake? Talk about making the product work at retail level. We got very involved and the choice became extremely and expensively clear.

Making an impact at retail

Our very good friend and branding expert Martin Lindstrom recently published the book *BrandSense* (2005) in which he highlights the importance of marketing towards all senses. So we should think not just 2-D, but 3-D. Creating a holistic and sensory brand experience that works on many different levels. We couldn't agree more. If a total sensory shopping experience was not a thing that shoppers craved, they most probably would do all their purchases online. But we love shopping and we want to be out there shopping for the product: feeling it, smelling it, engaging with it. Shopping for your brand is just as important as your brands. The whole reason for this step is exactly that – creating an impact that exceeds the product itself and facilitates sale(s) – by making the product break the boundaries of the shelf. This is branding from the shelf and out, creating and activating truly outstanding and revolutionary shopping situations.

One could argue that this Step 5 is the point of no return in the retailization process, or rather the defining step. The retail impacting part is where we demonstrate that we truly get it, that our rethinking paid off and that we are now capable of presenting our new product ideas in involving and exciting shopping situations, situations that clearly demonstrate that we are able to reconnect with the shoppers through the retail context, that we have understood the power of retail thinking.

KEY THINGS TO DO NOW

1. Define what would facilitate sale(s) in your arena.
2. Define what makes brands shopable in that arena.
3. Define what barriers and problems the shoppers experience in your arena, and ask yourself whether your product offering is able to solve this at retail level.
4. Identify how you can create maximum impact and buzz at retail level.
5. Ask yourself what kind of flagship store you would create to cater for your shoppers.
6. Define how you can keep your offerings fresh and ahead of the game.
7. Define how you can extend your unique product offering into the retail context.
8. Try to merge trying your product with buying your product.
9. Create clarity and involvement in the purchase situation.
10. Construct a revolutionary and superior shopping situation around your brand offering.

12 Step 6: creating communication

How do we make communication work for our sale(s)?

KEY POINTS

- Communication used to stem from the brand proposition; it now needs to derive from the two moments of truth.
- Communication needs to help us create hype and excitement around our brand.
- There is no one single formula for success.
- We have identified four interesting techniques: tryvertising, burzz, subculturizing and communitizing.

Sizzle

At the beginning of this book we questioned the role of advertising and communication. This does not mean that we do not agree with advertising and communication and think the world would be a better place without it. In fact the opposite is true: we love great advertising and smart communication, particularly when they surprise and entertain us. Sometimes mass communication truly works. In 2001, P&G wanted to revive its Bounty paper towel

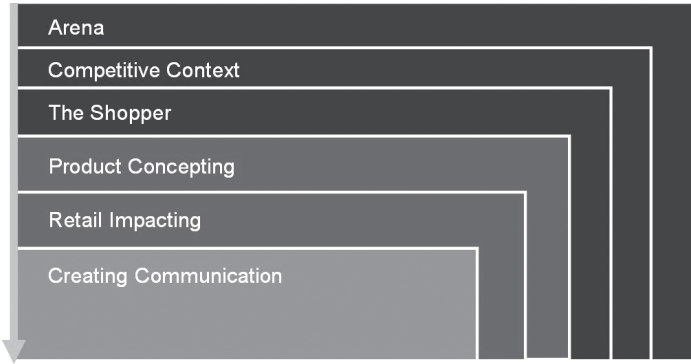


Figure 12.1 Creating communication

brand in the United Kingdom as it was not performing according to expectations. By introducing curiously strong women in highly entertaining commercials, Bounty showed UK housewives that there are no limits to what you can use a paper towel for. In the process P&G increased its market share by more than 50 per cent and showed that traditional mass-communication can work (Dias and Keyte, 2004). However, like everybody else, we have become tired of the same old endless streams of unimaginative and irrelevant nonsense. They are, to quote Shakespeare in *Macbeth*, ‘full of sound and fury, signifying nothing’. Sorrel himself framed it perfectly when he observed that we have become so good at creating and selling the sizzle that we forgot the steak itself. Without the steak the sizzle has lost its allure and seems fake and shallow. Most brands are exciting these days, but very few shopping experiences are and even fewer products are.

But that does not mean that the sizzle is a complete waste of time. We just have to reconstruct the sizzle and make it work to the mutual benefit of the steak and the carnivore who consumes it, unlike today when in most cases we try to sizzle away the fact that we do not have steaks.

We need communication. Without it we might as well stand in a dark room behind closed doors waving in the hope of getting new friends. We need to stop working for communication and start having communication work for us. By following the rules of retailization so far, we have hopefully created great products and impactful retail experiences. But this is not enough in itself; we need to be sure shoppers come to see us and that shoppers are in the right frame of mind to buy and make our sale(s). Simply put:

- They need to be excited about the prospect of shopping for our products.
- They need to be excited about us well before they hit the shops.

- They need to be excited about us even more when they see us.
- They need to be excited about us when they buy.
- They need to be excited again when they come back.
- They need to be excited about us again when they retry us.

That is a lot of excitement! That is a lot of creativity. Especially when we say that it needs to be exciting to buy any product, be it disposable nappies, toothpaste or Apple iPods.

Advertising for me is no more than a business card that invites people to come visit the core of my business; my store.

Rolf Eriksen, CEO, H&M – interview, September 2004

The question is *how to create communication* that makes shoppers excited about the prospect of visiting us; the prospect of shopping for our brands. How do we get them excited about the two moments of truth? How do we make communication work for our sale(s)?

The two moments

In our conversations with Briain de Buitleir, the Nordic general manager of P&G, he stated that even though P&G runs an enormous and successful company based on a strict focus on the two moments of truth, there is still an important role to be played by communication:

You've first got to know before you buy and try. If you create a new brand or product – something that has never been available before – communication can help give the shopper the confidence to buy it. They need to know what it does, why it is different from all the other products and most importantly why it might be better than what they are currently using. How we communicate has changed dramatically, but communication is still an extremely important and integrated element.

For Briain de Buitleir, communication comes down to reaching customers and making sure they are convinced that it will be worth their while to come down to the shopping arena. It is about making sure that you communicate to shoppers that there is something in it for them, otherwise you will end up with worthless communication.

Orange seemed to be agreeing with this when it launched its highly successful Learn campaign in 2003 in the United Kingdom. Orange came to the

realization that it needed to educate subscribers who simply were not spending enough on mobile phone bills. The company sent over 1,800 specially trained staff out to its own base of 284 retail shops to talk to customers about how to make the most of their mobiles. David Taylor, vice-president of customer marketing for Orange UK, said:

We have realised that our customers are not getting the most out of their phones and that mobile services are not useful unless people know how to use them. To address this, we are teaching our customers about the services that are already available on their phones as well as introducing them to new services such as photo messaging, news and information services and mobile email. Until now, the entire mobile industry has not taken responsibility for educating its customers. Orange has changed this by realigning its entire organization around helping customers to get the most from their phones. This builds on Orange's customer-focused strategy of doing what is right for the customer.

What was even more important in this context was the fact that Orange redirected its communication messaging, refocusing on what was actually happening in its stores – focusing on the two moments of truth (Orange, 2003).

For us communication is all about supporting the two moments of truth. It should act as a vehicle to drive shopping-inclined people towards our retail experiences, whether they are online, on a shelf or on a shopping street. It is a means to achieve an important end. Mass communication as we have practised it for years and years is being challenged; niche communication is becoming the norm in a fragmented media world. Consumers have become bored with staid old advertising formulas, and as shoppers they have redirected their attention away from television towards the retail environment. We know that shoppers spend as little as six seconds before they lose interest in looking for a product in a store. We need to ensure we communicate where it makes real impact. We need to put the excitement back into the experience of shopping for a brand. *We need to own those six seconds* and communication is a means to achieve that end.

Thinking through the line

Please remember this is *not* about point of sale communication – not about stuffing more communication into the point of purchase; not about adding to the noise and confusion that already exist in the retail environment and not about above or below the line – it is about thinking through the line. It

is not about putting more media into retail, but about putting retail in the centre of your business. It is about understanding that your brands connect with the shoppers through the retail context and not through the television. All your strategies should stem from an understanding of this. All your communication should do so as well. It is about understanding that the six seconds on the shelf has become far more critical than the 30 seconds on television. It is not about creating great ads that will make people like a certain brand. It is about creating ads that will push traffic towards great product and shopping experiences.

The focus of this book is to facilitate the connectivity between your brands and your shoppers through the power of retail thinking, putting retail at the core of your business by redefining how you think and act marketing. Communication plays an important part in establishing this connectivity, but please do not mistake this book as being about in-store advertising. The scope and thinking of retailization is well beyond that. Retailization is not about creating effective in-store communication. We actually think there is a lot of weak in-store advertising out there.

However, we hold tremendous respect for in-store communication. The results achieved out there are pretty astonishing. Considering that about 70 per cent of brand-buying decisions are made in-store, you must consider the effect of advertising close to the core of the purchase action. It makes too much sense not to. As mentioned earlier, a UK survey by QuickWise reports that 43 per cent of shoppers claim that point of purchase advertising can sway their decision (*Marketing Week*, 2004). Moreover, according to MRI, 81 per cent of US adults shop in a store with a Premier Retail Network (PRN) and the effectiveness of this medium is well established. PRN's biggest client is Wal-Mart TV, whose millions of viewers on average watch seven minutes of programming per visit. Not a lot, you may say, but the amazing thing is that brand recall of advertised products is 65 per cent – about three times as much as the level for broadcast television (Mount, 2005). CompUSA announced that sales of seven brands advertised on its in-store network grew 29 per cent more in stores where the ads were shown than in stores where ads were not shown (Mount, 2005). As Bill Collins, executive director of the industry journal *AKA.TV*, states, 'If you advertise a blender in a store, why would you be satisfied with awareness? You want people to buy the blender.' Why would anybody be satisfied with awareness at all, we ask?

In-store advertising or not, connection is happening at retail. As Christopher Roberts, Coca-Cola's VP of retail marketing, told us, 'There is a real need to look at retail as the total marketing vehicle.' We even have Wal-Mart turning its stores into a major television channel! In 2004, Wal-Mart TV had 180 million monthly viewers on average, making it the fifth largest network

in the United States (Mount, 2005). We need to get people there and already motivated to buy. We need to ensure when they are actually there that they really do buy and reach out for our products.

We have excelled at creating virtual brands – alive and sparkling on television, but dead and passive on the shelves. We need, as we described in Step 4, to refocus on creating physical brands that reach out for you from the shelf. We have allowed brand awareness to take priority over brand preference and loyalty. We focus on creating identities, instead of creating desire. Today, awareness does not guarantee sale(s). Brand preference and loyalty do! And brand preference and loyalty are influenced by the shopping and product experience – by the two moments of truth. In the long run advertising will never be able to overcome or substitute for the lack of excellence in the two moments of truth. Advertising messaging used to stem from the brand, now it needs to derive from the shopping experience of that brand. We are not just creating expectations – we need to make sure we fulfil those expectations.

Shopping realities

All that money spent getting consumers into shops is pointless if you don't invest in the till.

Claydon Healey Jones Mason managing director Jonathan Harman
(quoted in *Marketing Week*, 2003)

We have been great at creating branded illusions – now we need to get back to shopping realities. We need to restructure the way we communicate, making it a vehicle for driving sale(s). With TiVo and the overall dramatic tendency towards ad avoidance, we very quickly dismissed advertising and communication as outdated and irrelevant. This is highlighted in studies from research companies such as Yankelovich Partners, Inc, which in its 2004 Marketing Resistance Survey backed this debate by stating that 65 per cent of people feel constantly bombarded by ad messages and that 59 per cent feel that ads have very little relevance to them. Studies from all around the world poured gasoline on this bonfire and showed us a gloomy picture of stressed-out and overwhelmed consumers doing everything in their power to escape the clammy hands of advertising.

We do not think so. When we really analyse these studies we see a different picture. Yes there is a lot of really, really bad advertising, and yes, we do tune out simply because we cannot be bothered to pay attention to uncreative and irrelevant communication. However, when it is relevant and gets to us at the

right time and place, we tend to pay attention, and a lot of it. Ad avoidance is about avoiding the noisy, the pointless and the unimaginative. Therefore communication today is about breaking through the clutter and establishing clarity, relevance and resonance where it matters. And that place is increasingly the shelf itself and the product on top of it, the experience of buying it and trying it, and the features we can use to enhance those experiences. Therefore we need to start pointing the receivers of our communication in the right direction, towards the moments of truth.

The key to sustaining shopping excitement is to brand from the shelf and out. The key is to create impact and desire within the retail environment, impact and desire that is so strong it drives the rest of the communication objectives. We need desire that builds communities, recruits fans and generates sale(s), and desire that builds excitement. Remember the Boots agency pitch? Remember the Orange Learn Campaign? You must reverse your thinking and spending in order to encourage loyalty at the point of action. You must start from the shelf by creating products and environments with real impact, and communicate them through trial, word of mouth and community building. Being clear about your strategy and positioning is critical. The shopper of tomorrow wants your help, wants your direction. Your communication spending must move from above the line to through the line. At one extreme we need shoppers to see our products in the store, be inspired and want to tell other friends to come and see for themselves, to come and try. At the other extreme we need them so excited about our products that the shopping experience is the culmination of their desires, rather than a passive part of consumption, just a chore to be over and done with.

Husbands come and go

Darling, husbands come and go but the Chanel slingbacks are for life.

Karen Walker (character in NBC TV series *Will & Grace*)

Today it is a life of shopping, and shopping is culture. How and what we shop increasingly define us as human beings – who we are, our values and how we want to communicate our persona to everyone around us. With the ever-changing set of situations we find ourselves in (remember the situiduals?), shopping has become the very foundation of how we see ourselves. Shopping is culture, and shopping for your brand is a subculture. Think about it! Situiduals buying Macs and their shopping behaviour are very different from the situiduals buying a New York Yankees baseball experience

on a Sunday afternoon. Equally situations getting a Prius are very different from those buying a Mercedes. The subculture surrounding shopping for Häagen Dasz clearly differs from the subculture surrounding shopping for Rolex watches. That's all fine, but how does communication build into this? Well, we think communication is about supporting that subculture by nurturing it, growing it and enhancing it constantly. Communication should deliver to us shoppers who are into shopping for our products, and should recruit excited shoppers into our franchise and give them fantastic reasons to do it over and over again.

When it comes to communication there are no golden solutions, no standards or guaranteed routes to success. Wouldn't it be easy if there were? This does not mean that you should not always strive to identify new communication formulas. Let us help by introducing four techniques that we strongly believe will do the job these days. These are just four possible routes to the new communication future. The options are as varied as they are creative. Let us discuss them one by one:

1. Tryvertising.
2. Burzz.
3. Subculturizing.
4. Communitizing.

Tryvertising – building excitement through trial

This wonderful term has been coined by trendwatching.com, an excellent new business and trend intelligence company that delivers monthly trend updates by email. We obviously love the term 'tryvertising' as it relates directly back to the second moment of truth: when people *try* your product. In the International Retailization Study 2005, you might recall that trying a product was the most determining factor for shoppers when establishing product quality and preference. We went on in Step 3 (the shopper) to talk about the persuasive power of trying when you are buying. Car dealers merge the two moments of truth when people test drive the car before they buy it, and we agreed that the most exciting and buzzing place in a supermarket is often where people actually get to sample new products. Tryvertising is about building on this insight and extending the idea into communication; a great new and effective way to approach advertising.

Tryvertising generates trial. It is about encouraging instant loyalty from day one by providing potential shoppers with a *real product experience*, and it is about getting shoppers familiar with new products by actually trying them

out. Think of tryvertising as a new exciting type of product placement: sampling gone berserk and strategic at the same time. Tryvertising is not just about free shampoo samples in magazines, or just another promotion stand in a supermarket; it is much more radical and takes the art of sampling to new strategic levels of sophistication. It is about the real world and integrating your goods and services into daily life in a relevant way so that consumers can make up their minds based on their experience, not your messaging.

One should start by reimagining 'obvious' activities like handing out product samples, and more subtle, integrated product placements as an integral part of an experience or solution. Tryvertising is everything from new-style sachets containing single servings of liquid products, to hotels partnering with luxury carmakers to offer high-end model test drives to guests during their stay. In Germany one real estate developer joined forces with Mini Cooper and provided all new home owners with a Mini Cooper to sweeten the period of waiting until the construction of their new apartment was completed. The main communication challenge here has been ensuring relevance and guaranteeing that products are tried out at the right time, in the right spot, and by the right target audience.

Tryvertising can also allow you to create flawlessly integrated real-world product placements: something shoppers do not mind trying out and experiencing for themselves; something non-intrusive that unexpectedly adds value at no extra cost, and something that rewards them in a surprising and relevant manner. For instance, Ritz-Carlton offered an enticing promotional programme in cooperation with Mercedes. With your Ritz-Carlton suite you would receive the keys to a CLS500, a full tank and unlimited mileage for the duration of your stay. The promotion effectively converted try into buy (Trendwatching, 2005c).

Actually this seems to be a new trend for car manufacturers. Mercedes applied the same thinking with its super luxury brand Maybach. It parked the car in front of high-end hotels around the world and invited selected guests to test-drive the US \$385,000 car. Trendwatching.com also reports the Mosaic Hotel in Beverly Hills working together with BMW to offer a Mini Cooper for a daily US \$10 fee when staying at the hotel.

Moving from cars to furniture, IKEA and French Etap hotels are partnering to furnish all Etap's budget hotels with IKEA furniture, allowing guests to sample what life is like the Scandinavian way, at least according to IKEA. Finally, in 2004 Radisson made a promotional deal with Select Comfort Corporation which will mean that Sleep Number beds will be available in all Radisson North American resorts and hotels (Trendwatching, 2005c). Last year Senseo coffee machines clearly demonstrated to the world just how creative and involving tryvertising can be. Senseo replaced traditional

bus-stop billboards with ones that were not so traditional, with built-in coffee machines offering waiting passengers a cup of free freshly brewed coffee (Trendwatching, 2005c).

Tryvertising does not need to be complicated. For a long time Bose was known to the world as a maker of superior sound systems. If you wanted great speakers, you bought Bose. However, the company wanted to expand its market and strengthen its position in other areas such as complete home entertainment systems and CD players. Instead of struggling to get onto the shelves and spending fortunes on advertising, it made a deal with its shoppers: Bose offered to send its new Wave Music System to its customers at no charge and let them try the music system for 30 days at no cost. If customers decided against the product, they could return the system to Bose cost-free. However, the majority of customers who chose to try the product did not and, on top of that, the activity generated significant word of mouth. Simple! Tryvertising!

Creating sale(s) through trial offers endless possibilities of communication. As tryvertising is starting to become popular in the real world, it is one of the main drivers of communication in cyberspace. Literally millions of shoppers are sharing their buying and trying experiences with other shoppers. Trendwatching.com reports:

Related to this is the rise in ‘preview before you buy’: from iTunes 30 sec clips to Amazon.com’s ‘Search Inside’ feature letting customers read a book’s first page (before they move on to scan dozens of customer reviews). Or how about the new crop of rental firms, that let consumers enjoy, experience and thus try out everything from designer bags to Segways?
(Trendwatching, 2005c)

Tryvertising is not the old boring product sampling; it is trying to make trial the creative and exciting force it should be, and more importantly the focal point for marketing communication thinking. Will you continue to spend the majority of your marketing budget on passive, message-based advertising or will you shift towards a more engaging and empathetic try-out approach? Tryvertising will surprise you by identifying completely new communication channels, and moreover provide you with new and unexpected partners.

Always aim for a tryvertising angle to your communication efforts.

Burzz – building excitement through retail buzz

How about ‘burzz’ for yet another – excuse the pun – buzzword? There is nothing like a buzz. Buzz is one of the best and purest ways in the world to create hype, excitement and out-of-control expectations. Great buzz will make people abandon their common sense completely and run amok towards the noise – hopefully some wonderful excuse to shop. Think about the brute force of hushed whispers about a new secret hard-to-get-into nightclub, or the sudden desperation of restaurant shoppers when they learn the news of yet another celebrity-studded downtown restaurant where it is impossible to get a table. Buzz can create a shopping obsession and fans who are really excited about our offerings: the sort of fans like the ones who turned up in their thousands for the opening of the Apple store in Tokyo – the sort of fans that took a film crew three hours to walk along and film! The sort of fans who drink nothing else except Red Bull despite its awful taste (sorry, but it really does not taste very good). The sort of fans who recently caused a riot (preferably without the accompanying violence) to get into the first day of an IKEA sale in the United Kingdom, or how about the fans who travelled from Tokyo to Stockholm to get Karl Lagerfeld designer items for US \$19? Now that’s excitement. That is buzzed up.

We deliberately call it burzz because we think it is important to put the ‘r’ in for retail. Buzz marketing in itself is not new, but using it consciously and strategically in the retail context might be. In today’s over-communicated world, people are constantly subjected to information overload, and they are turning away from commercial messaging and relying instead on the brand recommendations of friends and family. We suggest using buzz to create hype and expectations directed towards the retail experience – buzz with a retail agenda. Creating a burzz is about creating shopping hype and shopping expectations, relying heavily on word of mouth communication to make it happen – making it viral.

Down the street from our offices, there is a small incognito spa offering different skin treatments and massages. We have passed it a million times without really registering that it was there – that is, until one sunny afternoon when the owners decided to create some burzz. They hired a handsome young male model and a beautiful young female model and moved the massage beds outside onto the pavement, letting everybody see what a blissful treat it is to receive a professional massage. The massage business boomed because of this small, clever stunt.

In 2005 when Nike opened its Nike ID Lab on Elizabeth Street in SoHo, New York, it did everything in its power to create a burzz. Nike made it impossible to look into the store. It also made entry by appointment only, and equipped the store with security guards and velvet ropes. Supposedly it is harder to get into than a Manhattan nightclub (Silva, 2005). Or how about having some fine art doing the burzzing for you? In 2005 US discount wholesaler Costco announced that it would start selling fine art online as part of its offering. So amongst items such as the Oregon Scientific Atomic Projection Clock/Weather Forecaster (US \$39.99) and the Baby Bath Time Duck Gift Set (US \$28.99), you find an original 1958 crayon drawing by Pablo Picasso which will set you back US \$129,999.99 (Costco, 2005). As a result Costco became the most talked-about retailer for weeks. Just in case the Picasso did not live up to your expectations, did we mention that it comes with a right of full return at any of the 400 Costco warehouses worldwide?

Mini Cooper is a great Burzz brand. When BMW relaunched this cult brand it frequently incorporated burzz marketing tactics. According to *Business Week* one of the first Mini sightings in the United States was of a model strapped to the roof of a SUV with a sign that read, 'What are you doing for fun this weekend?' (Edmonson and Eidam, 2004). In Europe, real Mini Coopers were literally strapped to the sides of famous buildings with signs saying 'Park anywhere'!

Burzz transcends conventional communication strategies and points towards a positive and rewarding shopping experience. Properly executed it will help establish trust and loyalty, and more importantly, it will reward you as these satisfied and excited shoppers will start acting as burzz marketing agents, literally working for brands free of charge. No one will be more active and passionate in spreading your message and fulfilling your marketing ambitions than your satisfied customers. It is worth remembering.

Think about the sheer force of *Harry Potter*. When the long-awaited sixth book in the series hit the stores on 8 July 2005, it sold 6.9 million copies in the US market alone in the first 24 hours. In the first week, global sales reached an average of 250,000 copies per hour, and two days after the launch, the book had grossed US \$100 million. W.H Smith sold 13 books a second on the night of the release. Even before it hit the shelves, some 400,000 copies of the book had been pre-sold worldwide by amazon.com. The main marketing tool? Buzz, buzz, burzz (Italie, 2005).

H&M, the king of burzz

H&M, the Swedish retailer, is particularly adroit at creating burzz. Building on the enormous success of its Karl Lagerfeld collection, which we discussed earlier, it went one step further and signed Stella McCartney, in a deal that saw her create a 40-piece collection for the Scandinavian label. Retail prices for the Stella collection were along the lines of Lagerfeld's immensely successful collection, and as with the Lagerfeld collection, it caused pandemonium in H&M stores. These projects have generated enormous worldwide attention for H&M, the PR impact by far exceeding the marketing budget while maintaining a strategic focus. These initiatives further manifest H&M's reputation as a supplier of hip, fashionable clothes at highly affordable prices. Nobody can remember what the Lagerfeld clothing looked like, but everybody remembered that in places it was sold out in less than 10 minutes. Burzz, burzz, burzz (Paulick, 2004).

On an interesting 'retail as media' note, Stella McCartney used H&M as an integral media platform for the launch of her signature perfume. With the customers' Stella collection purchase, they received an additional small high-quality and intricately wrapped paper bag containing a generous sample of her perfume.

H&M pioneered creating burzz through mass communication with its innovative use of the most expensive and talked-about top models on its billboards. The ads were extremely successful and had the whole world talking. There is a whole tradition of stealing the billboards, and many a teenage (and not so teenage) boy has a H&M poster as part of his room decor. In fact, the posters were so traffic-stopping that they were banned in places like Norway because of traffic security concerns. H&M's latest burzz initiative was at the time of writing a fashion show in Central Park, New York City. Actually this is not just any fashion show, but the largest ever held in New York, featuring 150 models (PR Newswire, 2005).

Another great burzz example was the launch of U2's 2004 album *How to Dismantle an Atomic Bomb*. It was a case of integrating media, trends and complementary products – all aimed at building on and extending the hype always associated with the launch of a new album from the world's biggest rock band. Apple created a special black U2 iPod, with the possibility of buying the entire U2 catalogue, including 25 rare and previously unreleased U2 songs, at heavily discounted price at iTunes. U2 backed this up by giving 'stop the traffic' concerts in New York City. In addition, one of the first places to experience the first single that was released from the album was an iPod

commercial. The result was significant attention, significant word of mouth publicity, record sales and a number one selling disc for U2.

Always burzz up your marketing efforts.

Subculturizing – building excitement through an existing subculture

Subculturizing is about providing content to an existing subculture (as opposed to the next method, communitizing, which is about creating a subculture). Even though at a glance the world looks more and more homogenized, in reality there has been an explosion of subcultures of every shape and size. The ongoing cult of individualism has resulted in people pledging their alliance to a variety of different subcultures depending on taste, interest and the need for entertainment. The internet has facilitated this revolution of subcultures, making them accessible worldwide, thus broadening their scope and increasing their fragmentation.

Blogs (personal weblogs that are updated regularly) are a great symbol of this trend. There are some 60 million out there on the web, and tens of thousands of new ones pop up every day (Duncan, 2005). It overwhelmingly demonstrates the enormous impact of the internet as shoppers congregate in order to share experiences and discuss the merits of everything from Martha Stewart housewares to sado-masochism to Hello Kitty accessories and *West Wing* season five. Blogging has turned mass media upside down, creating a media of the masses. As new media expert Tobaccowala put it, 'Blogs and Podcasting have gone from "what are those?" to mainstream in less than two years' (Kiley, 2005).

There is a virtual landscape consisting of millions of unique subcultures. This is a clear challenge for marketers: which one to pick, support, nurture and develop, and more importantly, how to get in? According to a Forrester Research study, as many as 64 per cent of marketers are interested in advertising on blogs (Abelson, 2005). Are you? Are you thinking beyond advertising? Are you looking for ways to become an integrated and relevant part of a blog subculture?

One of the great challenges of subculturizing is to find a way of slipping in unnoticed and becoming an integral and expected part of that subculture. Of course you can always use muscle – or at least financial muscle, just like McDonald's, which offered a US \$1 to US \$5 reward to rappers every time

McD's was mentioned on the airwaves in a song by the given artist (Yaniv and Williams, 2005). Smart or desperate to be cool? We can't decide.

It is not just a matter of identifying and becoming part of the subculture that is important. The art is to understand how to get the best out of it. Only by truly understanding a subculture can you make your products a natural and living part of that subculture. Hopefully this subculture will inspire other subcultures, and your brands and products will spill over into a completely new subculture that will embrace them, adapt them and integrate them into its content. The jewel in the crown of subculturization, is to become a part of an aspirational subculture, a subculture that everybody looks upon for inspiration and trend benchmarking – a subculture which the masses consult in order to reflect themselves in its coolness. Take skaters and snowboarders, two super hip subcultural groups which have inspired 35-year-old office workers to dress for the slopes and ramps even though they have never set foot on a board in their lives. Even gays have become a subcultural reference point for straight men, who in their metrosexuality look at gays for grooming and dressing tips, so much so that it has even become the topic for primetime television shows such as *Queer Eye for the Straight Guy*.

The real trick is to become part of an aspirational subculture. It can quickly become a very effective, genuine and smart way of getting your brand out there and communicated in a less costly and beautifully targeted way. That sounds like everybody's wet media dream. It certainly explains McDonald's semi-desperate \$1 move.

Chupa-Chups made use of this approach when it wanted to bring its lollipops to the US market. It simply handed out lollipops to celebrities, just before they walked up the red carpet at huge broadcast events such as the MTV Music Awards and the Grammys. Journalists and trend-obsessed people picked it up and started a buzz around lollipops and Chupa Chups (Aconis, 2003).

Worldwide it does not really matter which nationality you are, but there is a huge difference between skaters, golfers, gays and baby boomers. This difference is crucial in determining how effective your communication will be. The subcultures can start a subculturification, which at some point will start surrounding us all. Look at the hip-hop subculture, which started as a way of expressing the blues among African-Americans and is now a total worldwide mainstream trend embracing most ages and races. Some strands of the hip-hop subculture idolize prison time and regard it as a rite of passage, turning a boy into a man. This prison iconography is featured heavily in songs, music videos and not least fashion. Clothes in US state prisons are not customized and belts are not allowed, resulting in baggy pants that hang pretty low. Sound familiar? Most probably. Low-hanging baggy pants are

now a worldwide mainstream fashion trend and every kid on the globe has them. They most probably bought them at Gap or Wal-Mart.

Hip-hopping your brand

The dramatic impact of hip-hop has resulted in a mass migration of brands trying to become part of that subculture, trying to subculturize their products. Some brands like Adidas have been particularly successful at this. Adidas early on saw the light in becoming associated with the hip-hop culture, and created one of the most enduring and impactful subculturification platforms ever. In 1986 the hip-hop group Run-DMC started the Adidas love affair with its top five hit 'My Adidas', and Adidas executives immediately latched on to the opportunity, a relationship it has successfully cultivated and maintained for years. In 2004 Missy Elliot, mega platinum star, definer of music trends and queen of hip-hop, launched her own line of Adidas shoes and apparel, continuing this subcultural love affair.

In much of the world cognac and brandy was a dying product category. No one drank cognac except for old men with cigars and self-esteem issues. The glamour and elitist image of earlier decades had significantly worn off until someone took cognac to new yuppalicious bling-bling heights. You see, if you are lucky you can get subculturized without even knowing it. As a result of the embracement by hip-hop culture, cognac brands such as Courvoisier have experienced a revitalization of their products. In hip-hop iconography Courvoisier has become one of the defining symbols of wealth and status. Rappers such as Snoop Dog, P Diddy and Busta Rhymes have long lauded cognac as their favourite drink. Busta Rhymes even created a 2002 hit single called 'Pass the Courvoisier'. Besides showcasing excessive amounts of beautiful women, the music video turned out to be one long ad for the brand, featuring hundreds of shiny and glittery bottles of Courvoisier. The rapper Jay-Z recently opened his own nightclub with a tribute room to Remy Martin, his favourite cognac brand. Needless to say, hip-hop fans have latched on to cognac and brandy, and in the process dramatically boosted the image and sales of the once-stagnating product category. US exports have tripled in the last 10 years as sales have grown parallel to hip-hop mainstream growth. According to the *Wall Street Journal*, Hennessy, the biggest cognac brand in the United States with 53 per cent of the market, claims that young blacks represent 60 to 85 per cent of US sales (Chery, 2003).

Take the fashion industry and its constant quest to be at the forefront of coolness. Nobody picks up trends and cutting-edge tendencies better than

fashion brands. Because of the overwhelming presence of hip-hop in mainstream pop culture, counter-reactions are already in abundance. One of them is rock'n'roll. As a reaction to the brash macho gangsta US rap mainstream movement, there is a resurgence of Brit Rock featuring understated, androgynous and anti-glamour skinny kids with guitars. One of its 'It boys' is Pete Doherty, until recently übermodel Kate Moss's boyfriend. Pete Doherty spends his life between performing and drug rehabilitation, while defining the subcultural trends for a generation, so much so that Christian Dior has chosen this wild child as its poster boy in order to be part of a very important current aspirational subculture. Ironically while writing this book, it became public knowledge that Doherty's wild-child lifestyle had apparently dragged Kate Moss into a life of excessive substance abuse, with the result that in September 2005 Burberry, H&M and Chanel all fired her as their cover girl. Strangely, these fashion brands did not want to be associated with the lifestyle that seemingly turned her boyfriend into a fashion icon.

Even supermarkets are trying to subculturize themselves. We have heard of Swedish and French supermarket chains that are experimenting with becoming part of the singles culture. They arrange special grocery shopping evenings for singles where they browse through the store with a different coloured shopping basket, signalling to the world around them that they are in the market for more than just ham and cheese (Jessen, 2005b).

Whether you deliberately or non-deliberately become part of an aspirational subculture, subculturification of your brand can be a powerful communication tool, and one that more and more brands are trying to master. In reality you should think of it as very smart and targeted sponsoring of a given subculture, not with the purpose of sporting your logo everywhere, but a targeted effort to make a certain subculture coolify your brand and bring it to the masses. It takes patience, hard work and insight. The reward? The market itself will cost-effectively spread the message and generate the growth. The shopper carries the message, not the medium.

See if you can subculturize your brand.

Communitizing – building excitement by building a community

Communitizing is about creating a subculture around the shopping for your brand. Think again of Prius Phanatics, Bumble and Bumble loyals and MacAddicts. Shoppers simply do not fit traditional demographics any more.

You need to build your strategies around the one thing they have in common, the one situation where they share features and preferences: shopping your brand. Your business depends on your ability to support and enhance that shopping community because it creates sale(s) and loyalty.

One key to the future of communication, and a key to getting and keeping our future product fans, is to consciously build communities. But how on earth do we identify that subculture when the old tools of marketing demographics have lost their relevance? We need to get back into people's lives. Fortunately there is an explosion in knowledge and tools that tap into the lives of shoppers. The internet has made the growth of communities an ever-expanding universe. Blogs are an interesting way of tapping into this universe. The blogs track what's on your shoppers' minds, which is most probably why big businesses have gone blog mad.

Instead of regarding blogs and consumer forums as uncontrollable information threats, you should start loving them, like companies such as GM and Dell. Blogs are not a nice-to-have business option – they are mandatory. Yes, it is a jungle of blogging nonsense out there, but some of them are talking about your business. You could encourage more of them to talk about your business, your products and your brands. Unlike emails, most blogs are open to the world. As the bloggers read each other, comment, and link from one page to the next, they create a global conversation, one that you need to be part of. Being part of that dialogue will give you priceless insights into your shoppers, and allow you to create relevant and sustainable communities around your brand. 'I'm amazed people don't get it yet,' says Jeff Weiner, Yahoo's senior vice-president who heads up search. 'Never in the history of market research has there been a tool like this' (Baker and Green, 2005). The tools to build a community are right in front of you, just a mouse click and a browser away.

But you do not always have to go virtual. Offline simplicity can work just as well. To invite shoppers to take part in the Diesel community, Diesel Stores Scandinavia opened the doors for people who wanted to gamble. The customers paid €25 and got drinks *ad lib*. Furthermore, gambling tables were all over the place and Diesel provided customers with Diesel chips that could win Diesel gift certificates. That is a shopping experience they won't stop talking about! And Diesel keep having these events in order to support a community that now transcends just buying a pair of jeans in the shop. ESPN is an interesting example of a TV channel building and supporting a community by launching a retail environment. With the launch of ESPN Zone, a chain of sports bars, it has successfully created a physical destination where its viewers can meet and engage with their favourite sports brands, each other and ESPN.

Brand surgery

You can also go to the extreme to create a long-lasting bond with your community members. Trendy night spot Baja Beach Club in Barcelona surgically implants a microchip into its VIP members. Club owner Conrad Chase wanted something unique to identify his VIP patrons and something that was unique to his club. He came up with the idea of implanting his VIP members with a microchip. The chip identifies them to the nightclub, allows them automated access to VIP areas, and their consumption is automatically deducted through the chip from their credit card. Chase's ambition is to make the chip a must-have accessory that will have young teenagers demanding the chip from their parents in order to be part of the 'in' crowd. Creepy, but fascinating community building.

Another more accessible example is coffee shop chain Caribou Coffee, which provides its customers with a refillable key chain. At home you charge the key chain with money online. After ordering your coffee at the shop, you swipe the key chain through the cash register and the amount is automatically deducted from your account: a convenient way to shop and a great, easy way to be part of the Caribou Coffee Community. At least you don't need to go into open surgery, something we think many of us approve of.

Car manufacturers have traditionally been extremely good at creating communities around their cars. People are into their cars, both in buying them and maintaining them. We mentioned the relaunch of the Mini Cooper earlier, and BMW's conscious effort to create a global community around the Mini through extensive merchandising and subcultural event-making. When Saturn from GM arrived on the marketplace it promised to be a different car company with a focus on employee and customer relationships. One community-building tool was the introduction of highly successful annual regional barbecues, where car owners and dealership employees could meet and exchange ideas and experiences.

When VW wanted to launch its new VW Fox it started to lay the foundation for a Fox community. In April 2005 VW launched the Fox concept in order to make the new VW Fox a success. During a three-week period, it launched 'Project Fox'. Project Fox was designed to be a contribution to the creative environment and young urban society. Twenty-one designers and creatives around the world were invited to decorate an entire hotel and its 61 individual rooms, each one to be different. Chefs and hotel trainees then participated in a competition and 23 winners were selected to manage the hotel, 800 European journalists were invited to the event, and hundreds of people attended fashion shows, parties and art events. To establish the

potential Fox community in the long run, VW has promised through Project Fox to keep supporting and promoting young creative talent.

The entire Fox project is an exciting and inspiring approach to community building. Whether it will prove to be a success is too early to say. But as well as being inspired by Fox we can also learn some valuable lessons. Some of the invited artists and guests were very disappointed, and felt that the commercial agenda was too visible and influential. It points towards the fact that community building is a difficult task. Nobody likes to be controlled by a commercial agenda without consent. Brands are there to create the framework and participate like everybody else, not to engineer the community and try to control it. Communities have to be nurtured with care and the inhabitants handled with utmost respect.

Harley-Davidson is a great example of a company that for decades upon decades has carefully nurtured a community around its motorcycles. The respect for the community takes priority over everything else, and the entire company is organized around this respect. Every engineer is personally responsible for each individual bike he or she constructs. As an owner of a Harley-Davidson you can always get to talk directly to the person responsible for assembling your personal motorcycle. What an amazing and great way to build a relationship, and what a great way to build a community.

P&G is one of the pioneers in community building. With Pampers it has created a community focused on the joys and challenges of parenthood. On its website parents can exchange stories and tips, chat with childcare experts and take tutorials in different topics: just some of the few things that this community can offer its members. Finally, Pampers has also actively involved parents in evolving not just the community and its content, but also its brands and products.

Instead of just communicating to your shoppers, you have to become a part of their reality. You have to become whole-heartedly involved. Communitying is a strong and unique way of strengthening your relationship with your shoppers, solidifying their loyalty and their involvement. However, you must have an in-depth insight into your target shoppers, and also a carefully planned and progressive tactical approach, but most importantly of all you must demonstrate respect. Without respect, genuine interest and dedication towards your shoppers, it simply will not work. The community is on their terms – not yours! Don't ever forget that. The reward is enormous if you succeed.

Create a community around the shopping of your products.

Strategy is creative; strategy is execution

This rule, which was a phrase often cited by the ex-worldwide creative chief of BBDO Worldwide Phil Dusenberry, was originally conceived to describe mass communication. It also fits retailization. Our process will only work if the strategy and the execution of that strategy are as creative as possible.

This is an area of communication that needs powerful creativity applied to it, and the results may well surprise us all. This is an area where we need to excite our shoppers about shopping for our brand. This is an area where we will need to be ever more creative, ever more insightful, ever more inspired. The future is about driving shoppers to our retail environments, creating and tapping into the communities that become obsessed about our brands and love shopping them. The key to the future of communication is to think of building communities by generating buzz and excitement, which transcends conventional communication strategies. We need shoppers to see our products in the store, be inspired and want to tell other friends to come and experience for themselves. We need to explore these communities to create long-term involvement and loyalty.

KEY THINGS TO DO NOW

1. Evaluate your communication objectives and spending.
2. Determine their cost-effectiveness.
3. Determine their effectiveness in reaching your objectives.
4. Identify your dream communication scenario.
5. See if there is a tryvertising angle to your communication efforts.
6. Determine whether you can burzz up your marketing efforts.
7. Analyse whether you can subculturize your brand.
8. Create a community around the shopping of your products.

13 Step 7: organizational enhancement

*Empowering your organization to think
sale(s)*

KEY POINTS

- You must ensure that your organization can deliver on your retailization plans.
- You must make retailization your priority and place it at the core of your business thinking.
- You must make your organization commit to change. It is a top-down thing.
- Get retailizing, get curious, get creative, get producing, get everybody involved and finally get moving.

An empowered organization is one in which individuals have the knowledge, skill, desire, and opportunity to personally succeed in a way that leads to collective organizational success.

Stephen R Covey, *Principle-Centered Leadership* (1999)

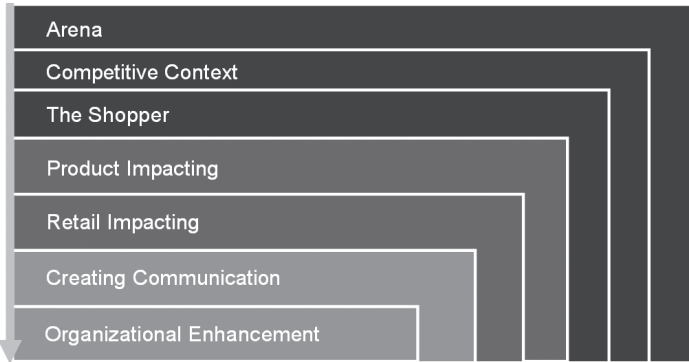


Figure 13.1 Organizational enhancement

Welcome to Step 7! This is the end of our process and the beginning of your journey. Now it is all up to you. Only you can make change happen, but hopefully you have become so energized and inspired that you cannot wait to get going. We urge you to find reassurance in the seven-step process and let our key points at the beginning of each chapter and the action points at the end of each step guide you towards an unsqueezed and retail-centric future.

The retailized company

We are not trying to be organizational change experts in this chapter, but we will point out some of the organizational criteria that you will need to adopt for success. Although this is our last step, in some ways it is the most critical. None of the previous six steps are possible unless you organize yourself from product development to communication. This is where change truly happens. No matter how many great insights, great products and great retail thoughts you have, you need to make them happen. Your company needs to be empowered to deliver the benefits of retailization in order to facilitate the change, sale(s) and success you seek. The answer to how to systematically create a sale(s)-centric organization is a tough one to provide. There is no single answer; there is no easy way out. However, we can tell you what we believe characterizes great retailization companies and show you what makes them tick.

We recently attended a seminar where an executive from Coca-Cola was presenting. At one point she stated, ‘We don’t want to be the biggest brand in the world. We want to be the most distributed.’ This line has stayed with

us for a number of reasons. First and foremost it distances itself from years of relentless focus on branding: the quest for big brands for the sake of big brands, a world where the creation of mass-communicated power brands was the primary objective. Often this obsession obscured the real *raison d'être* for your company's existence: creating sale(s)! Coca-Cola obviously realizes this. Coca-Cola has focused on the point of action, making Coca-Cola one of the world's most dominating and shopped products, maybe the most dominating and shopped product ever. The power of retail thinking is a cornerstone of Coca-Cola's business and arguably its number one factor for success. Take our own International Retailization Study 2005 by ACNielsen. It showed us that shoppers were far more willing to walk away from Pepsi than Coca-Cola at the point of purchase. It is even more interesting to observe that of all the categories and brands that we measured, Coca-Cola seemed to have by far the largest proportion of shoppers who would change store if Coca-Cola was not stocked. No wonder Coca-Cola is keen on talking distribution.

Great retail-centric companies are all around us, such as Apple with its redirecting of its business from a computer manufacturer to an electronic lifestyle retailer. Just think of how it has even created its own arena by launching the world's most successful online music retailer, iTunes. Then there is the impressive growth and scope of retailers like H&M and Zara, with their constant movement and utter dedication to smart and creative retail thinking. More about this later. How about the continued sexiness and overwhelming global dominance of Louis Vuitton? Finally, how about P&G, a company that stays at the top, retaining its position as the world's number one marketing company? How do they all do it?

Here is what we think. We believe that if you want to emulate their success, if you want to change the nature of how your organization works, if you want to be able to think and act retailization, you should:

1. Get curious.
2. Get creative.
3. Get producing.
4. Get everyone involved.
5. Get talking.
6. Get moving.
7. Get retailizing.

Get curious

Curiosity killed the cat, but a lack of curiosity will kill your company. LEGO Group's owner, Kjeld Kirk Kristiansen, spends time every day chatting with kids and their parents online trying to get a better understanding of who they are, and getting to know them. Vice-chairman of General Motors Bob Lutz has launched his own Fastlane blog, having continuous dialogue with bloggers and car enthusiasts about the pros and cons of GM cars (Baker and Green, 2005).

Successful retailization companies go out of their way to understand their shoppers. They are curious about every aspect of the people who build their company's bottom line through their shopping. Tim Corvin from UK brand design consultants SiebertHead explains:

The future is about insight and development; about truly understanding the demands and ideas of the customer and therefore being able to take action and not only satisfy, but also generate needs like never before.

How's that for creating wants? Retailization companies do everything in their power to stay curious and to act upon the results of their curiosity. They train their employees in how to identify market opportunities and potential shoppers. They do everything they can to know them inside out. Go and visit an Apple store: it is not only one huge outlet for the curiosity of Apple shoppers, it is also one huge outlet for Apple's own curiosity. The seminars and the Genius Bar are both great examples of how Apple engages in direct dialogue with its shoppers. The shopper and Apple become smarter as a result. Apple is also famous for the involvement of Apple users and shoppers in its own product development, securing performance and relevance at a very early stage.

Christopher Roberts from Coca-Cola elaborates:

Earlier it was a little easier because the shopper was a little less complicated in their wants and needs. Quite frankly this resulted in their somewhat straightforward and simplistic approach to the shopping situation. That's all changed now. The stakes are higher as the shopper has become much more complex both in terms of needs and wants and how they shop. To be effective as a brand marketer, you must become much more knowledgeable not only about them, but about the whole process of them shopping your product. This is the only way to secure that the resources we implement are leveraged properly.

David Roth of B&Q continues:

The information we're getting is coming from lots and lots of different sources. The key is to have a customer insight unit who are pulling information from how customers react to the store to the other end of the spectrum: understanding what products they may want in two or three years' time. You need to balance all those elements together. Brands' *raison d'être* are understanding both in the short, medium and long term where our customers are and what changes stand out. Which proposition, pricing and ranges would better satisfy them.

In the old days, brands were the consumer experts. Today the retailers seem more and more to be the shopper experts. As David Roth points out, the role of brands and their value to retailers could very well lie in their reclaiming the expert role, becoming the more curious of the two. You had better start running as retailers are increasingly focusing on operationalizing their own curiosity. Tesco is an example. It puts customer insight at the centre of all its activities. Tesco goes out of its way to understand its shoppers, as the company thinks it is the key to areas such as format development, constructing the right assortment, dynamic pricing, effective and targeted communication, customer acquisition and community involvement, just to name a few (Wylie, 2005). If brands are to become a valuable and attractive partner for their retailers, their managers must be able to know more than the retailers about what's going on with shoppers in the category.

P&G has already started down the curiosity path. An example is its Tremor project, where it has formed a community of teens with the objective of creating word-of-mouth marketing programmes. The P&G community has recruited teens in order to get their help to develop exciting and relevant product ideas and marketing programmes that teens want to talk about. Tremor works with a whole range of different companies in entertainment, fashion, music, food and beauty. The teens are directly involved in the creation and launch of these companies' ideas. In only two years the network has recruited more than 280,000 US teenagers. More importantly, P&G is getting to know teens better than most, allowing the company to create relevant products, shopping experiences and communication (Trendwatching, 2005c).

There is evidence that many brands have lost the customer knowledge initiative they used to have. They need to regain it and re-establish their expert role. They need to find dynamic new ways of assessing and understanding shoppers. They need to find new ways of making that insight tangible and leverageable.

Get curious!

Get creative

This book has been one long tribute to creativity and innovation. And of course there is no way to make any difference in the marketplace, at the retailer or in the lives of your shoppers if you are not creative. If you cannot innovate on any level whether it is your products, your services, your people, your retail presence or your communication you will fail. Strategy is creative. Creative is strategy. If you cannot constantly bring new fresh thinking to the world around you, you are better off not bringing them anything at all. The world changes all the time, and so should you.

Briain de Buitleir from P&G says:

I think innovation is the key and if you're innovative you should combine two elements. One, come up with new propositions; new offerings to your customers that are different, surprisingly relevant and ahead of the alternative products. Two, do this with speed and repeatedly. What you create today is market standard in six months. Hopefully by then you'll have created tomorrow's standard. For us innovation is about these two elements. For us innovation is to constantly create new proposition and new value for our customers. Whether you're big or small this is the key for market performance.

P&G is not kidding. About five years ago, it launched the Connect + Develop programme with the objective of having at least 50 per cent of its new products derived from ideas generated by outsiders (P&G, 2005). P&G spend about US \$2 billion a year on this activity, and it has set itself the ambitious goal of sourcing much of its idea input from outside the company. The results have been amazing, with outside innovators assisting P&G in the creation of everything from Swiffer Wet Jet, Olay Daily Facials, Crest Whitestrips and Night Effects to Mr Clean Autodry, Kandoo baby wipes and Lipfinity (Teresko, 2004). In the past five years, the annual study published by InformationResources, Inc has consistently ranked P&G products among the top 10 new brands and line extensions in the consumer packaged goods industry. Similar stories can be heard at other companies including IBM, Cisco and Intel. That is a lot of creativity floating around.

Jørgen Vig Knudstorp of LEGO Group made this comment: 'It's about creating a creative culture. It's not about the entrepreneurship of one person. It's about the creativity and innovation of an entire organization, their ability to come up with something new that will create new demand.' Remember the Samsung case we mentioned in Step 4? Samsung implemented the same line of thinking as the LEGO Group CEO when deciding

Get everyone involved

Retailization is not a department, it is a way of thinking that should involve your entire organization. This means you should start getting curious and involving the world around you. It also means that your whole company should live and breathe retailization. It is not something you implement, it is something you earn. You need to get everyone involved in becoming one retail-centric, shopper-loving selling machine. H&M CEO Rolf Eriksen explains:

At H&M we've for years compared ourselves to Native-American tribes on the prairie hunting for buffalo. The scouts were able to put their ear to the ground and locate the animals and then everybody would join in on the hunt. At H&M we approach our business the same way, we want all our employees to be scouts and hunters. Our stores are the prairie and we solve all our challenges through the store. We solve all customer issues through the store. And we incentivize all our employees to listen carefully to what the shopper wants. We listen and then hunt together for solutions. This is what we're always striving to master.

Zara, the fashion retailer, is another exciting example of how to get your whole organization involved in making your company an amazing retailization company. Zara has made a virtue of short response times. Zara's speed from idea to store is extremely impressive, the objective being to ensure that the stores carry the clothes the shoppers want at the exact time they want them. Zara prides itself on the fact, that within 30 days from identifying a trend it can have the clothes on the racks. It should be proud. We all admire the company for it. Often leaving the competitors confused playing catch-up, Zara excels at an impressive game of being on the forefront of fashion trends, a game that secures better margins and continuous sale(s). Zara's large design team is constantly busy playing the trendspotting game, churning out more than 1,000 new styles every month. Luckily they are not working entirely on their own. Zara has an insane drive for involving everyone and their grandmother in the trend game with the goal of staying ahead.

Zara has a rule: react rather than predict. In order to be able to do just this it involves a good deal of people. Zara personnel visit nightclubs and other venues to observe what people are wearing. Zara has open channels to the world outside, allowing anybody to inspire the company and keep it updated on what's hot. At the leading edge of its trend research are the key sales associates and store managers in Zara stores. They are all actively encouraged to observe and engage with customers, sharing ideas and

thoughts on trends. They instantaneously report back ideas and thoughts to design headquarters and almost immediately they are converted into new styles and trends. At Zara, every employee is encouraged to be a trendspotter. There are no focus groups here. Zara's trend identification comes through constant research and interaction. The result is a daily stream of insights by emails, pictures and phone calls to design headquarters: insights that Zara's scarily effective production facility quickly transforms into real tangible clothes, ideas that are on the shelves within 30 days (Dutta, 2005).

Get everybody involved!

Get talking

Start by thinking retailization and make it a priority to carry the message through your organization. Your company needs to be empowered to deliver the benefits of retailization in order to facilitate the change, sale(s) and success you seek. Empowerment starts at the top and spreads down. The CEO, as chief retailization officer, should set the tone for the actions that everyone needs to take. He or she needs to demonstrate why retailization is so critical for the company and why it is right for everyone in the company. He or she needs to start making it happen. He or she needs to show why it makes a difference.

We hire eagles and teach them to fly in formation.

D Wayne Galloway, former CEO, PepsiCo

Nice thought. But how exactly do we do it? Essentially we need to accomplish three things if we are going to get the theme of retailization to be all-embracing throughout our organization:

- Develop a series of tools to communicate the new theme to our key internal target audiences.
- Ensure our multiple external stakeholders know what we are doing and planning.
- Roll out the message gradually and sensitively over time.

We start by recognizing the fact that we have to inform a lot of very different audiences about our retailization efforts. This starts from senior management who have to be genuinely on board and committed, to financial analysts who will pay particular attention to your efforts, to the general public who

need to hear that you have a different proposal. We start with our internal audience – all our management and all our employees.

In our opinion any organization can move from a scenario of being a squeezed brand stuck between the shopper rock and the hard retail place to become a smart, retail-centric and dynamic company with great products and successful sale(s). Be honest! Is this an issue you can ignore? Only recently we sat in a meeting with a major global player who said he was quite prepared to ignore half the market. To be precise he wanted to ignore the half of his market controlled by the major retailers because he felt he could not win. As he put it, ‘the maximum promise they’ll give me is two years at the lowest price possible. What’s the point?’ Well, we believe there is a point. You cannot ignore half your market (or even a quarter), however unpleasant that half may be. The future can look very different if the full philosophy of retailization is applied within your organization – a future of new innovative, high-performance products, effective niche-communication approaches, growing distribution leverage within your traditional channels and new distribution within your own channels. We also hope you will experience a sustained price premium, a sale(s)-obsessed workforce and consistent sales growth will be your reward. Sounds sweet, right? What are you waiting for?

Jørgen Vig Knudstorp of LEGO Group began this book with this quote: ‘Our biggest challenge is to convert this company from being consumer driven to retail driven.’ This was only a fraction of the sentence. Mr Vig continued, ‘For the past 18 months, I’ve literally told my organization every day, “Look guys, there might be a consumer out there, but if there aren’t any retail customers buying our products, working closely with us, well – we’re dead.”’

Get talking.

Get moving

The biggest challenge is to be able to change fast enough in response to a customer change that happens faster and faster. How do you continuously innovate? Continuously reinvent yourself?

David Roth, marketing director, B&Q – interview, March 2005

You know the story of Nokia going from being a Finnish boot manufacturer to becoming the largest mobile phone company in the world. We are not going to retell it for the umpteenth time, but it is still a potent and relevant case of a company being able to see changes in the marketplace and

completely redirect its business accordingly. Nokia should be an inspiration for us all. If a company of that size can do it, so can you.

The secret to retailization is perhaps just doing it. Change comes only if we change. That sounds banal. It sure is! But how many strategy meetings have you sat through which produced the next strategy meeting and little else? How many new suggestions have you heard only for them to be forgotten one minute later? Talk and ideas that in the end never happened? Why? Because nobody started moving. Apathy ruled. Think about Sony. How many times do you think it discussed MP3 players and potential winning strategies? Whaaaaam! The market has gone! It disappeared right under its nose, probably while its people were sitting through yet another PowerPoint presentation. Speed and agility is everything today: the ability to move. Imagine what Sony could be achieving if it had the same set-up as Zara, P&G or Samsung.

The retailization process should work as a vibrant, flexible and stimulating call to action for your organization, a kick-start which will allow you to focus your attention and efforts and produce a faster, more agile, constantly moving organization as a result. How do we create loyalty through great products and great shopping experiences? How do we work together with our retail partners? How do we make communication work again? How do we create sale(s)?

The retailization process is an ideology. It is a journey that will force you gently to move and to reassess how you approach everything from your arenas, competitors and shoppers to your products and retail presence, to the way you use communication. Last but not least, you must work out how you create that alive and sparkling organization that immediately starts unsqueezing itself just by wanting to move in a different and more relevant manner.

When you start your retailization journey, please do not exclude your partners or stakeholders. Get everyone involved. Retailization embraces, and the chances are that their input will make your development even better. It is not an impossible task. Think of Orange and its Learn initiative. Orange might not have changed its entire organization, but it started changing the way it approached marketing and Orange restructured part of its organization to accommodate that change. Eventually Orange will start changing its entire business.

Just start.

Just get moving!

Get retailizing

Retail is fundamentally critical because no matter how hard you work at developing great products there is little point if you cannot connect them with your shopper. Your sale(s) are dependent on this very ability. The world in most instances has forgotten this simple truism. We have been obsessed with the latest gizmo, the latest fashion, the latest trend and the latest ad. This is almost used as an excuse for not getting to grips with the problem that faces people every day they walk into their companies: how do I sell what I made or bought yesterday? In reality most organizations do a very bad job of selling. It is a job that is going to become increasingly difficult as the retailers gain more and more power and the shoppers become more and more informed and picky. We have said throughout this book that selling is key. We need to ensure that selling obsessiveness is reflected at every stage of our retailization journey, from product development to communication.

Retailization demands new ways of thinking which lead to new ways of acting. The future can look very different when the full philosophy of retailization is applied within your organization. Yes it is ambitious, but isn't ambitious more fun and inspiring than the mediocre and predictable? Retailization demands new ways of thinking that lead to new ways of acting.

Are you ready to roll up your sleeves? Start preaching, start putting thoughts and ideas into action. Create workshops, let our key points and action points guide you. Take it step by step.

It is easy. Really. You have the seven steps in front of you. You just need to push the button and start the process.

Get retailizing!

KEY THINGS TO DO NOW

1. Create a plan for your retailization process.
2. Define goals, benchmarks and deadlines.
3. Identify a core retailization team responsible for carrying the process through.
4. Create a plan for how to make your organization curious and how to act on that curiosity.

5. Create a plan for incentivizing your organization to be creative and innovative in all aspects of its workings.
6. Create a long-term producing plan and attitude.
7. Get everybody involved not only in your retailization process but the future workings of your company. How can they contribute?
8. Define how things will be different. Describe the new, retailized company.
9. Make a long-term commitment for living and breathing retailization.
10. Get going!

14 Let's retailize

Recharging and regaining brand power

Reengineering, the principle slogan of the 1990s, used to describe any and all corporate strategies.

Anonymous, *Fortune* (15 February 1995)

Retailization, the principle slogan of the new millennium, used to describe any and all corporate strategies based on the power of retail thought.

Anonymous, *Fortune* (15 February 2007)

Lofty thinking maybe! But when we look at the near future do we have any other choice? People are always fearful of forecasting the future, because they are invariably wrong. Events have a habit of overtaking the extrapolations. However, some things seem more certain than others. Retailers will continue to grow, consolidate and dominate the marketplace. Shoppers will increasingly grow in scepticism, about both the products they buy and what they are told about them. Private label will become increasingly acceptable as quality and price perceptions erode. Communications will continue to fragment and become progressively more niche in nature. An even more squeezed brand is the inevitable result. The squeezed brand will continue to be squeezed until it reaches the point of near explosion.

Reengineering was often interpreted as an excuse to cut costs. Retailization is not about cost cutting. Retailization is about investment. Retailization is about realizing an opportunity. That opportunity has arisen from the very thing that seems to threaten today's brands, the rise of the retailer and particularly the rise of the global super retailer.

Retailers come in very different packages – from Zara to Apple to Armani to Tesco – but they all share common characteristics. They have consistently

grown, developed their abilities and successfully understood their environments. And most importantly, they grasp the needs and desires of their shoppers like never before, servicing them with ever increasing value propositions. Simply put, today's successful retailers are a new breed, a breed we can learn a lot of lessons from.

Once prestigious key partners to retailers, brands have often been relegated to simple suppliers. Brands have lost respect, fallen in status and no longer have the power they once had, the power they took for granted for so long. Much of this they have brought upon themselves. Inertia, apathy, formulaic thinking and an inability to move forward with consumer change have left most brands standing in an obsolete yesteryear. It is time to regain that lost power.

Retailers do not have to listen any more and often choose not to. Once upon a time, they used to listen because they believed that brands knew their customers best. They listened because they thought that brands could control consumer purchasing behaviour through mass advertising campaigns. But those days are long gone. Mass communication no longer has the force it once had. Retailers – not the brands – are the ones who know the consumer best. The shopper is now the retailer's knowledge property, and this knowledge has given retailers infinite strength and great confidence, confidence to create new solutions for the customer and confidence to say no to brands.

The super retailer understands that real power centres on the shelf. If you control the shelf, you control the shopper. You become the choice master. You determine what people choose. Brands need to grasp that essential truth if they are to regain their power and in some cases even survive.

When you control the shelf, you also control its profitability. One of the best ways to squeeze profitability out of a shelf is through a private label. Private labels are key to the erosion of brand stature at retail; retailers have simply replaced external brands with their own. And the more private labels are accepted, the less you need to worry about brands. Brands have to put a stop to this snowballing phenomenon now or face more dramatic and damaging consequences in the near future. Better yet from the retailers' standpoint, private labels themselves are being transformed. Once seen only as a low-quality, low-cost option, private labels are beginning to enjoy high quality profiles and premium price tags. Premium private labels are the ultimate danger to brands. They give retailers great brands with great profits under their complete control. Why do they need a brand? That is the inevitable question rising up in the near future.

All this squeezing is increasingly taking its toll. The results are beginning to appear everywhere. For example, a 2005 analysis by Danish research company Factivator clearly demonstrated that Danish shoppers are finding

big brands less unique and less distinct. In 2002, 38 per cent of shoppers thought that Coca-Cola was superior to other brands. In 2005 only 28 per cent thought so. That is a huge change to the biggest brand in the world. Do you really think you are unaffected?

What is the solution for brands? What can they do to survive the next 10 years, or next year? How can brands turn the tide so that they are not continuously squeezed off the shelf? How can they combat the onslaught of premium private labels? How can they regain their power? How can they seize the opportunity awaiting them?

The game has changed. So should they. So should you.

First, you need to address the very source of retail power – the shelf. The very concept of the brand is transforming – *from branding to the shelf to branding from the shelf*. The shelf is where the power lies. Own it and turn it into the ultimate shopping experience.

Second, make sure the shopping experience is yours and yours alone. The ‘*buying and trying*’ which surrounds the sale of your product should be at the forefront of your marketing thinking. Buying and trying are the two moments of truth that dictate whether your brands live or die. Those two moments are when you can realize the full retail potential of your brand. Those are the two moments that will fundamentally change the way you do business in the future – from the way you communicate to your customers to the way you create products to the way you organize your company.

Third, just remember you have got *six seconds* to make it work, six seconds to turn the shopper kings and queens in your direction, six seconds to confirm their decisions, six seconds to get and secure a sale. Six seconds may sound like not a lot of time. In reality it should be an eternity to you. All your efforts, all your focus, all your creativity should go into that six seconds. We believe that is equally so whether you are selling a bar of soap or a car.

Fourth, forget consumers and embrace *shoppers*. This is an age that has produced a world where we increasingly live and consummate our whole being from satisfaction to entertainment in one place – the shop. Shopping is where it happens! Shopping is the place where the two new powers of our society converge: the shopper kings and queens and the retail emperors. Shopping is a world that demands efficient connections between brands, retailers and shoppers. Do everything you can to understand your shopper and make those connections work smoothly.

Fifth, stop fighting (or surrendering) and start cooperating. The more enlightened retailers realize that the most successful future will be created through *cooperation*. The benefits of cooperation between retailer and brand are increased power, lower risks and better sales. The dangers of non-cooperation are well understood and help no one. To make cooperation a

reality, brands must start to think of retail proactively and as an important investment priority with a quantifiable return.

Sixth, it is time to put *creativity* back into your retail thinking. That is where the power can really be different. To be genuinely successful you have to creatively rethink the arena you operate in or move onto a new one, creatively steal choice from your competition, creatively understand and reach your shoppers, creatively develop the products that will make your brand truly great, and finally create the best shopping experiences imaginable.

Finally and deliberately last, learn to sell again. Our organizations, our people, our processes have often lost their selling edge. They need to refine and regain it. They need to live and breathe *sale(s)*, particularly the repeat sale which leads to real long-term growth, loyalty and prosperity.

Successful brands have followed similar paths to success. We talked about Garth Brooks earlier in this book and his recent success with Wal-Mart. We did not talk about what brought him there. In reality he was a very squeezed brand before he made his smart move. In the mid-1990s his record sales had started flattening, new albums were not living up to expectations and he was line-extending like mad to keep going (into areas as obscure as professional baseball, rock concerts and movie projects). He even reinvented himself as a new persona called Chris Gaines! Then he came to his senses and realized what he really needed was a channel of distribution that guaranteed him steady sales growth. Hence the Wal-Mart solution: a new arena and a new refocused success story.

We have also talked about Apple again and again throughout this book. We have all but forgotten that Apple's retail strategy started when it got delisted from CompUSA, its only surviving distributor. It was faced with a retreat onto the internet for sales and a difficult competitive set including the dominant Dell, or it could do what it had always been famous for – being different. Apple chose the latter and now retail is to a large extent its driving strategy. A unique shopping experience, genuine new product introductions and burzz communications were all aspects of retailization fully embraced by the new reinvented Apple.

Last but not least there's arguably the greatest retailizer of them all – P&G. Its obsession with the two moments of truth has led it to refocus its communication spends to produce genuinely through the line experiences, find new ways to gain trial through its innovative 'Tremor' programme, reinvent its product development philosophy through its 'Connect and Develop' programme and finally change the very nature of its organization through the appointment of their first director of the first moment of truth.

And so on and so on ... brands have succeeded and continue to succeed in a brand-squeezed world. But alas, they remain a minority. Make sure you

are one of them. Squeeze or be squeezed. Make everything you have got count, or lie back and wait for the implosion. We mentioned before that we recently sat in a meeting with a major global player who said he was quite prepared to ignore half the market, the half controlled by the major retailers because he felt he could not win. As he put it, 'the maximum promise they'll give me is two years at the lowest price possible. What's the point?' Do you want to be him, or do you want to be Garth or Apple or P&G? *It is up to you.*

We started by talking about a world full of super retailers. We end by talking about a world of opportunity – an opportunity we call retailization. Retailization, like reengineering, is a new philosophy, one that attempts to completely refocus your organization and communication efforts. Retailization is a new order, a new discipline to help you influence your future sales.

Retailization is a new way to help you win your consumers. Again and again.

Retailization helps you reconnect with your ultimate consumer, the shopper.

Retailization helps you reconnect with your key partners, the retailers.

Retailization evolves the very essence of your brand into a retailized brand.

Retailization helps you embrace and regain the power of retail thinking.

Retailization is a tool to help you rethink, reimagine and restructure your entire organization. Retailization unsqueezes the squeezes. *It's up to you.*

Retailizing your business is not a static achievement, but a dynamic process.

We have provided you with a guide, a process to help you develop your thinking and actions. But at the end of the day the decision to retailize is yours and yours alone. Do you want to seize the retailization opportunity? Do you want to retailize? Do you want to survive? Do you want to live, breathe and think retail in everything you do? Do you want to regain power? *It is up to you!*

Retailization – achieving sale(s) by connecting brands to shoppers through the power of retail thinking.

Go retailize!

The end

Retailization on a page

If you are to remember anything about our process, please take away the following:

- The place you play defines your strategy.
- Always steal choice away from the competition.
- Redefine your consumers as shoppers.
- Behind every great brand, there is an even greater product.
- Shopping for your product is as important as your product.
- Make the two moments of truth the stars in your communication show.
- To create sale(s), you must retailize your company.

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