The Shifting Market Landscape Imperative

How consumer changes are driving retail and manufacturer survival needs

Change drives companies out of business

- In the 1950s, there was talk of breaking up A&P. In the 60s it was Sears Roebuck.
- However, the marketplace took care of that as the companies failed to change fast enough.
- NCR was the dominant player in cash registers, yet IBM dominated in the next generation of machines, and now Dell and H-P in PCs, which IBM exited. Where is General Foods, Manufacturer’s Hanover Bank, Smith-Corona or American Motors?
- The world changes around us and woe betide the company which does not change at least as fast as the market. Those which do not change get left behind.

Concern for Natural, Organic and the Environment is growing

- In 1990 most US consumers cared little for natural or organic products and even less about the environment.
- In the past year, the trend towards this has accelerated. The fastest growing section of many markets, from meats to vegetables is in natural or organic products.
- Natural and organic ingredients in H&BA products continue to grow also.
- In a slow growing US food industry, Organic Foods & Beverages grew +17% from 2004 to 2005 (to $12.8 Billion), while Natural grew +11% (to $12.4 Billion). Functional & Fortified foods grew an amazing +26% (to $29.4 Billion)
- Not to be outdone, Natural & Organic Personal Care Products grew +22% to $4.9 Billion.

So what are the implications?

Different Retailers have grown than were expected a few years ago

- As this has occurred, new retailers, many not tracked by Nielsen or IRI, have been able to capitalize on it.
- Whole Foods has grown to become the 55th largest retailer in the US of any kind in 2005, while Trader Joe's was 57th. Each have growth rates well above the average. While Whole Foods is premium priced, Trader Joe's is a deep discounter, yet both have similar consumer images.
- Costco was the 5th largest retailer in the US in 2005, with food becoming more important.
- Tesco is coming! If you know Tesco in the UK, do not assume it will be the same. Modestly sized stores, emphasizing fresh and fresh prepared foods. Very carefully researched and tested, soon to appear in California.

Consumer Map changes, drives Retail Map

- The Terrain has not changed as much as where the consumer is.
- As Consumers move to different territory, retailers either change or not - most move too slowly for fear of losing existing space.
- Any company which bet largely on A&P or Sears years ago, would be in trouble.
- Companies which were early into alternative channels such as club stores, natural food chains, category killers, etc. have benefited.
- But much of this is retailer-driven. Store owned brands are growing faster than manufacturer-owned brands.

Many Brands have been Hurt by this Change

- Foods seen as artificial – with the bar getting ever higher.
- Health and Beauty products which are not seen as providing real benefits.
- Consumer durables which are perceived as inadequately updated, unless considered “traditional.”
- Long-standing brands are often perceived as antithetical to modern trends.

Other Brands have benefited from this

- Brands which reinforce health
- Brands which are seen as “natural,” “organic,” “local,” “exotic.”
- Brands which signal or reinforce lifestyle.
- Brands which have enhanced availability in retail channels which may not be traditional, but are going to grow.

Smart retailers re-invent themselves – as do all smart companies.

- Tesco moved from inner city, mark-down stores, to suburban supermarkets to a mix of carefully segmented superstores and urban convenience stores. One of the few retailers in the world which has re-invented itself several times.
- Nieman-Marcus moved from a local, niche department store to a national chain of upper-end segmented fashion oriented stores.

So if you are betting on today's biggest spaces and channels…

- You may be aiming at where the consumer and retailers were!
- Yet, predicting the future is risky, the past is the worst predictor of it.
- And….making no predictions may be the riskiest of all.
- But be where the consumer will be – design product and other marketing elements around the consumer and the channel.

Take a Chance...

- Which is the safest of all - by leading change rather than being driven to change!

Max Brand Equity has re-invented categories before

- Ice-cream novelties
- “Broadband” (Data, Voice, (IP telephony)
- Fresh prepared foods
- Solar, wind and district energy
- Nutritional supplements
- Oral hygiene

- Let us show you how we do it.