

Unite afresh



Beyond the four P's of product, price, promotion and place is something called choice.

By Bhavya Misra

The economic scenario is turbulent and consumers are allegedly not willing to spend. But it cannot be denied that these are also the times when value buyers can be pulled back to stores, provided they find real value at these outlets.

While Big Bazaar promotes Wednesdays as 'Budhwar hafte ka sabse sasta din,' Reliance Fresh outlets host "Mangalwar ki mandi" on Tuesdays and Spencer's aggressively publicises its 'Hara-bhara Wednesdays.' As is evident, these are the days scheduled for special promotions at these retail chains, where a consumer would find a price discount on almost all products that may figure in his basket, especially on fresh fruits and vegetables.

On the other hand, there are also other promotional schemes, which brands launch in collaboration with the retailer. For instance, PepsiCo of late has been running discount offers

on Lay's chips, with the offer varying across retail brands. While in a Reliance Fresh store, two packs of any flavour of Lay's chips in 80 gram pack sizes cost Rs 36 (accounting for a discount of Rs 4 on the original price of Rs 40), at a Spencer's store in South Delhi, a twin-pack of Lay's wafer's style chips (70 gms each) can be bought at Rs 29, including a discount of Rs 11. Another current offer from PepsiCo at the Reliance Fresh stores is to get Rs 20 off on purchase of two one-litre bottles of Pepsi Cola.

Although it is clear that the above measures are deployed by retailers to build customer traffic and by the

brands to boost consumption and increase penetration, the effectiveness of such strategies cannot be accurately and distinctly measured. This is because at most times consumers are not aware of a promotional scheme at all, unless they voluntarily stumble upon the store and discover it for themselves.

Dr Brian Harris, founder and co-chairman, The Partnering Group, USA and Gurmeet Chadha, resident partner and consultant at The Partnering Group (India), call for 'creating a sense of theatre' at retail stores in order to 'promote' the promotional schemes. The Partnering Group (TPG), is a US-based firm that has pioneered the development of 20 best practice business methods in the areas of Category Management, and Customer and Trade Marketing.

Harris and Chadha state, "Many consumers don't even glance at static promotions or even stop for conventional sampling efforts any more. Our advice is to display the product, its benefits and attributes directly to the customer in the aisles, with a demonstration that immediately strikes them as being relevant

to the reasons they're in the store." Indeed, at one of the recently opened Spencer's stores in Delhi, the product sampling for the 'SoBE' energy drink by PepsiCo came across as an indifferently handled promotion, with none of the customers – except perhaps, for self – displaying interest in the 'still so new' product. The sampling effort involved tasting the energy drink, analysing its taste and effect, and then tediously describing the feedback in words, a method – though regarded a scientific research methodology – always susceptible to subjective errors.

Harris and Chadha quote an instance of Kit Moss Productions, where the company effectively designed an in-store promotion for Kimberley-Clark's Huggies diaper brand. The promotion involved a cardboard display featuring a battery-powered "baby" that crawled across the scene, as well as a balloon shaped like a baby, which the demonstrator used to show onlookers how the uniquely designed diapers would fit an infant.

The fact that a new product launch or a promotion needs and is

in fact, dependent on, collaboration between the retailer and the brand cannot be denied. However, such a relationship is yet to fully emerge in the Indian context. Samar Singh Sheikhwat, vice-president, marketing, Spencer's Retail, confirms that such collaboration in India is at a very nascent stage.

Harris and Chadha assess the current state of the same, stating, "In our sense, the current state of win-win collaboration in India is in its infancy. The prevailing relationship model in India is closer to the "European annual contract negotiation" model in which each retailer and each manufacturer negotiate an annual contract. In this process, being a negotiation, the emphasis is not on ensuring a win-win outcome. The retailer's primary focus is to maximise the amount of money it can get from each supplier. There is little information sharing outside of the direct purpose of the negotiation and, very little, if any, emphasis given to any form of joint planning to grow the business strategically over a longer time period."

While it is accepted by both the brand owners and retailers that there needs to be a superior partnership between the two, there is also a handful of grudges that manufacturers and suppliers hold against the retailers. Referring to the absence of workable synergies between the former and the latter, Yash Verma, head, marketing, Himalya International, remarks, "There are not many synergies between the manufacturers and the retailers. In most cases, it is the manufacturer who is at the receiving end

and has to adhere to the demands of the retailers in terms of their time schedule as well as the sampling/promotion parameters."

Aside from such differences of opinion, one question the answer to which would interest both parties is: does widening the choice lower brand loyalty?

Damodar Mall, group customer director, Future Group, believes that in an increasingly self-service environment, a lot of brand decisions are made by the customer when she is in the store. "Therefore, the modern self-service stores are as much a marketing platform as they are a sales platform. Traditional retail was a demand fulfillment mechanism, in which traditional grocers played the last miles of the supply chain and that's how the brand owners and manufacturers have looked at this," he points out.

"But today, a lot of what's in the shopping list of the customer ends up looking quite different by the time it goes into the trolley, because the customer sees several choices within each category displayed in front of his or her eyes."

"We as retailers believe that modern retail is the place where brand decisions are made increasingly, therefore we can participate/intervene in a customer's decision of brand choices, and we can also work jointly with the brand owners to do the same. Only a traditional mindset dictates that retailers are merely demand fulfillment channels; modern retail doesn't function like that."

Elucidating the key indicators that define collaboration in today's world, Harris and Chadha propose three criteria: joint business planning, which includes having in place a formal process by which the retailer and supplier develop business plans; information sharing, under which the retailer and the manufacturer share internal information in areas such as consumer and shopper insights, category, brand and product level sales, upcoming product

launches etc. and, sharing of strategies. They further state, "For collaboration to yield any real benefits and be productive, each party has to clearly understand the other's strategies, especially the go-to-market strategies."

"Based on the above indicators, the current scenario in India can be classified as information sharing but limited to sharing of POS data and the marketing plans. Retailers and manufacturers have different sets of objectives and focus on consumer demand and behaviour in silos. The overall situation today in India is of isolated instances of more joint, collaborative work going on but these are more at the 'project' level. Collaboration as a competitive advantage strategy hasn't yet been appreciated in India."

Given that the consumption scenario in India is growing rapidly, with more and more consumers being added to the aspirational class, there are apparently not enough brands and categories to cater to them. And, according to Mall, it is this scenario that now provides an opportunity, equally, to both the manufacturer-owned brands and retailer-owned brands.

Allegedly, the established brands have been contributing very little towards building categories and promoting consumption. This is evident by the monotony in product choices at the modern or traditional stores, a monotony that refuses to be diffused even by the seduction of a discount offer on the same.

Harris and Chadha state, "Many CPG manufacturers introduce new products primarily for defensive reasons (to protect brand market shares) rather than to add new and more unique value to the category and the consumer."

Corroborating this, Mall states, "The newer/ smaller brands are faster on the uptake of modern retail as a marketing opportunity. The entrenched brands, on the other hand, have been slower on the same." He refers to the success of the 'Ching's Secret' brand, which was initially introduced only in modern retail stores and modified its product offering in sync with customer feedback. Mall confirms that the brand is now neck and neck with one of the established noodles brands.

Verma agrees to the need for more effective collaboration between retailers and manufacturers and also, to building categories. "There is a great need not only to build categories but also to involve the retailer in participating in all such activities. Ultimately it is to their advantage in generating more profits and expanding the customer base," he states. "Unfortunately, most retailers do not participate in cost sharing and all the burden falls on the manufacturer. We don't visualise a retailer coming forward, on its own, to build such synergies in the foreseeable future – at least not until manufacturers take a stand on cost sharing by the retailers."

According to Harris and Chadha, to boost consumption of a new product is not in the retailer's interest; the manufacturer has even higher stake involved. "The focus on common goals along with greater understanding for better utilisation of combined resources leads to a successful launch and increase in the sales of a new product. Therefore, retailers and suppliers need each other and their co-dependency increasingly can be codified in co-marketing activities at the store level."

In the long lasting battle of catering to the consumers, it is clearly in the interest of both the retailers and manufacturers to understand each other's value. While a modern retail store serves as an appropriate venue to test-market a new product, it is for the brand owners to evince a greater understanding of the Indian consumer, who is now increasingly driven by impulse buying and is open to newer choices. The competition has begun to let itself loose and the role boundaries between the retailers and brand manufacturers seem to be set to fade, though perhaps not in the short term. As Harris and Chadha declare, in today's highly competitive market environment, collaboration between retailers and manufacturers is an essential requirement for success. "It is no longer a competitive advantage, it is a competitive necessity! One factor that tends to consistently separate the world's most successful retailers from the rest is their commitment to smart collaboration with their manufacturer partners. The same is true for the most successful manufacturers as well," they emphasise. ■

