

In-Store™

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Jon Robertson,
Managing Director,
Ogden RSC

We are starting the wonderful summer months and I hope everybody has that special time planned with family and friends. This issue of *In-Store* is a combined effort from some of our team members here at Ogden. Look to Carlene for some insights on marketing to Hispanic customers. Pam will give us a perspective on trends, and Kevin will take a look at using customer data to drive more profitable category management. Janet will discuss best practices for driving a customer-centric organization.

Four Steps to Living Your Brand

From the Inside of Your Company Out

The spirit of the times rewards companies for practicing what they preach, and is equally quick to spot signs that any external messaging might be overblown. Costco CEO Jim Sinegal throws off any suggestions that his employee policies are altruistic with a low-key message:

Investing in employee relationships is simply "good business."

How do you go about ensuring that the inside of your company is aligned with your external customer promise? How do you ensure that your brand not only inspires customer fervor, but also serves to align and galvanize customer-centric activities company-wide?

Following on the next page are some suggestions culled from a white paper recently published by the National Retail Federation's Associate Member Advisory Council, *Winning through Delight*.

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CARLENE'S CORNER



Dear Readers,

Last month I talked about marketing to Hispanics. Continuing with that theme, I did a little more investigation and found the following facts and figures

at www.couponinfonow.com, CMS's coupon information site.

"In 2002, Hispanics became the largest minority in the United States, representing about 14% of the total U.S. population, according to the U.S. Census Bureau. This rapidly expanding population, which is growing faster than the U.S. population as a whole, is expected to increase 137% between 1990 and 2008. Hispanic buying power in the United States was \$653 billion in 2003 and is expected to reach \$1 trillion by 2008." Perhaps what stands out most to marketers is what Hispanics do with this buying power.

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Four Steps to Living Your Brand

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#1. Articulate Your Vision Clearly, and Distill from It Measurable Goals to Drive Individual and Departmental Performance: If your Vision for your brand, or your customer value proposition, is unclear, chances are that your customers and employees will have diffuse or incorrect notions of who you are and how they relate to you. If, on the other hand, your Vision is crisp, you can deconstruct it in increasingly specific ways over time. Your Vision can unfold in a concrete way: from brand concept to brand attributes and characteristics, and ultimately to the actual composition of your merchandise, your services, your visual merchandising, your marketing communications, store décor, web presence and all the various environmental aspects that are so key to eliciting and maintaining emotional bonds with your customer.

#2. Leverage Your Data to Ensure that Your Assumptions are Correct, and Get Your Whole Organization on Board with *the Facts* about Who Your Customers are and What They Require of You:

There's no substitute for an inspired Vision, and creative and intuitive ideas about how best to relate your customers. In fact, an over-emphasis on quantification can inhibit innovation. The role of data analysis is to complement, and not to substitute for, management instinct and creative development. Chances are you have volumes of underutilized data, which can be organized and brought to bear to actually *inspire innovation* as you use your data to:

- Verify or discredit creative hypotheses by reference to the hard facts (for example, which customer groups are most profitable; which relationship programs are the most effective from the customer's point of view?)
- Ferret out the root causes of problems more accurately (what are the root causes of customer *dissatisfaction*? What exactly is causing the fall-down in store-level execution of customer programs?)
- Eliminate fuzziness and speculation in many

areas where the facts can be determined through actual measurement (will this or that new merchandise category be received well by our customers? What effect will the elimination of this unprofitable category have on our customer relationships?)

- Utilize customer feedback as a vehicle to improve operations (put structure around the way customer comments and observations are collected at the various touch points around the company, and analyze systematically to determine what works and what doesn't from the customer's point of view)
- Tie new initiatives, from the outset, to measurable objectives; then evaluate and improve based upon measurable results (set measurable objectives for customer programs to address both customer and shareholder delight)
- Drive actions company-wide from a profound knowledge of what both external and internal customers expect and desire of you today, and what they're likely to require in the future.
- Get your entire organization on board with respect to a shared understanding of "the facts."

#3. Invest in the Continuous Improvement of Processes to Deliver Your Vision: Your Vision, once clearly articulated, can drive the entire organization, so that you *live* the customer-focused message that you give to the outside world. Merchandising regards and treats Marketing as a valued customer (and *vice versa*), whose feedback is sought and whose delight is regarded as the measure of success...and so forth around the customer-centric organization. You not only convey the message to the outside world that you put the customer first; you have also implemented business processes and management practices that permit you to plan, measure, and drive the organization from the customer's point of view.

In doing this, you will have implemented within the company a comprehensive notion of "customer," where each department and individual has a meaningful role within a network of supplier-customer relationships, all aligned to delight the end-customer with consistent delivery to the Brand and Customer Promise. Here, the "art" of creative customer relationship and experience strategies and techniques meets the "science" of organizational and process Quality.

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CARLENE'S CORNER - continued

According to the FMI's *El Mercado*, Hispanics spend \$133 per week on groceries, compared to \$91 per week for the average U.S. consumer. Notably, these higher trends apply across different income brackets and levels of acculturation. Shopping frequency is also higher among Hispanics. Hispanics make an average of 26 shopping trips each month - almost three times more than the average shopper!" *Maybe those stats would be an appropriate response the next time someone complains that they have to press 1 for English! (Just kidding, of course, but it is food for thought.)*

And, despite these attractive characteristics, as I pointed out last issue, "Hispanics are disproportionately less likely to use coupons than the average U.S. consumer - pointing to a glaring opportunity gap for marketers." Why are they less likely?

- Acculturation and language – Immigrants from non-English speaking countries are less likely to be familiar with coupons and have trouble with the predominantly-English messages.
- Loyalty and product preference – Greater brand/store loyalty and preferences for niche products are more prevalent inHispanic markets – factors that may reduce coupon usage.
- Income and education – Coupons use tends to increase with income and level of education. To the extent that underserved consumers have lower incomes and/or levels of education, they would be less likely to use coupons.

A different CMS release cited a study by Dr. Anne Brumbaugh, Assistant Professor of Marketing at Wake Forest University's Babcock Graduate School of Management. The study provided the following useful information and Brumbaugh's plausible possible explanations:

Product class

"Hispanic consumers are more likely to use coupons for refrigerated, personal care, and dry grocery products than for other product categories. This may be due to the lack of coupons in other categories for products Hispanics actually use and want."

Face value

"Hispanics prefer coupons with face values between \$0.50 and \$1.00. One possible explanation for this is that Hispanic consumers associate higher face values with larger packages and/or multiple purchases and, therefore, may not find them as attractive."

Offer length

"Offer lengths around 15 weeks seem to work best. It is possible that Hispanic consumers are not very sophisticated coupon users, so they are less likely to hoard or trade coupons—they are more opportunistic and less systematic." *There's a bit of information that will make the coupon-security-folks happy.*

Purchase requirement

"Hispanic consumers prefer single-purchase coupons. Perhaps, living in smaller homes, they do not have the space to stock up on products. Alternatively, Hispanics may prefer to shop daily for fresh ingredients."

Distribution

"Hispanics don't use coupons because many of the smaller locations they shop don't accept coupons, because they don't know how to use coupons, or because they're made to feel "bad" when they shop in mainstream stores."

AND THE GOOD NEWS FOR RETAILERS IS..... The above-mentioned conclusions apply primarily to manufacturer coupons distributed through traditional media and NOT to in-store environments.

"One area where coupon marketers and Hispanics are connecting is at retail. Hispanic consumers report high usage of most in-store-distributed coupons, like electronic checkout and handout coupons. And marketers seeking to reach Hispanics also favor in-store-distributed coupons. As a result, most in-store-distributed offers tend to generate redemption rates above industry averages."

So the word of this month is to keep working on the marketing ideas we discussed last issue, plus add the above-listed ideas from the CMS-sponsored studies. Mas otra vez!! Carlene

Four Steps to Living Your Brand

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#4. Use Customer Feedback to Keep the Reality of the Customer Experience in Line with Your Brand and Customer Promise:

In the end, in a sense, your Brand *equals* the Customer Experience. Otherwise stated, the Customer Experience is your Brand as experienced by your customer, and your Brand is no more and no less than the reality that it attains through the experience of your customers. You can close the gap between what you envision and desire to achieve, and the reality from the customer's point of view, as you listen to the customer's voice, analyze what you hear, and improve accordingly....and commit to this as a process of continuous improvement and innovation.

In an organization with a compelling brand promise and a finely-tuned, customer-centric organization that ensures its consistent delivery, magical customer moments aren't created by fiat or enforced by policy. What happens is much more powerful. It's ultimately much more reliable, and certainly more emotionally bonding for the customer. Magical moments occur because employees get what the company is all about and they simply and naturally act to put the customer first.

By Janet Murphy
Ogden's President

Trend Focus

You're surrounded by trend cues. They're everywhere – in music and in magazines, on television and online, in the voice of students, community leaders, and international figures, in the buildings around us and in the food we eat. As you develop plans to continuously enhance the customer experience, indulge in the opportunity to heed and think creatively about trends!

Cues are “in the air” and you can use them to your organization's unique advantage. Stay abreast of trends and recognize which ones are ripe for interpretation in your particular environment. You'll be on your way to delivering a memorable customer

experience that's in step with the world and with current consumer behavior and desires. Your customers will wonder how you've read their minds. Moreover, they'll take the experience with them, extending the value of your investment well beyond checkout as they pass the word about you.

There are fads (think South Beach diet), and there are trends, which are more substantial and enduring (think healthful eating). We're talking here about the latter, and the exponential power of putting trends, and ideally combinations of trends, to work for you. Let me explain.

Clearly, many retailers have set out to address customer preferences for eating in a healthful way, and achieving a balanced diet, rich in nutrition and low in calories and fat. Lifestyle merchandising is becoming more common in food stores, as retailers respond to consumers' health-consciousness. The problem is that the consumer has a huge amount of information to filter (sometimes even *contradictory* information). With many new choices on the shelves, decision-making can seem a bit daunting to the consumer. Fold into that challenge the time and energy to determine first, “What's for dinner?” and then to shop, unpack, prepare, consume, clean-up, and start all over again. The whole process is one that many consumers feel is inconvenient, stressful, and time-consuming. How can the poor, harried customer dine with peace of mind?

Enter Season's 52. Season's 52 is a sophisticated grill and wine bar in Florida that serves only dishes with fewer than 475 calories. During the year's 52 weeks, the menu is adjusted to reflect seasonal offerings. Season's 52 addresses the health-conscious customer *and* takes decision-making out of the process, making things easier all around. Food companies take heed! You're well positioned to take advantage of the dual trends of healthfulness, on the one hand, and consumers' need for quick, simple solutions on the other. You can review and revitalize your prepared foods offering in light of these key realities of the consumer marketplace and experience the enthusiastic response that Season's 52 has. What's more, you will have developed opportunities to drive additional sales as customers will look forward to next week's selection. And the offer can change 52 times a year, warding off cuisine ennui!

Trend Focus

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Here's another example of leveraging trends. In a throwback to carhops, family style restaurants like Appleby's and Outback Steakhouse are finding a loyal following with curbside service. No more fighting for a parking space, scrambling out of the car, sometimes with children in tow, and navigating the restaurant to procure your order. Customers can phone in and have meals prepared for them. They can swing by the restaurant and pick up a meal ready to put on the table, without so much as cracking open the car door. And the service has received high marks!

Technomic, a restaurant consulting firm in Chicago, thinks curbside service has been the key to the approximately 10 percent annual growth in takeout sales at casual dining restaurants over the past three years. That's double the overall annual growth rate. It's not hard to imagine customer enthusiasm for a store that will deliver a prepared meal right to one's car.

For a more home-style approach, there is the growing world of meal assembly centers. With almost 700 meal assembly centers now located around the country, families can prepare meals "from scratch" in "cooking communities" with little effort and expense. For about \$3.50 a serving, customers can prepare a meal at the meal assembly center, cook it at a later point at home, and experience the satisfaction of putting a home-cooked meal on the table. The centers are opening at the rate of about 40 a month, and are projected to earn \$270 million this year. A meal assembly solution nestled in a customer's favorite grocery store would provide a convenient, trusted source for a low hassle "home cooked" meal.

Meal assembly centers and curbside service play into two distinct trends. Americans have been on a 50-year slide away from home cooking, in particular cooking "from scratch." Interestingly, though, recent studies show families are having dinner together at home *more often* than they did five years ago. Food companies paying attention to these dual trends can discover untapped opportunities to attract and delight customers beyond what's achieved today through the typical supermarket's selection of prepared foods.

The best companies will read opportunities for business advantage in the trend cues, and interpret the trends in uniquely powerful ways for their customers.

It's all encoded in the trends, yet customers will wonder, "How did they read my mind?" I can hear it now - word of mouth advertising, buzzing on the horizon.

**By Pam Massenburg
Customer-Inspired Merchandising Chair
& Trend Watcher, Ogden**

Making Categories Leaner, but More Profitable

As a member of Marketing, you're in a unique position to help your chain's category managers. Beyond evaluating the performance of your targeted campaigns and other promotions, and assessing their impact on sales of specific items, you can suggest ways to refine the categories in your stores — making them leaner, but more profitable.

We'll highlight the things you'll want to consider when you begin your own category refinement process.

The Pros and Cons of Variety

Think for a minute about your last shopping trip (take off your Marketing cap, too). Walk into any store, and you'll find *at least* eight choices for any item that you might be looking for. Need olive oil? You'll probably find the store brand, Bertolli, Carapelli, Colavita, Sclafani, and one or two others. Okay...now what size? 17 ounces? 34 ounces? 51 ounces? One of those big cans on the bottom shelf? You ask yourself, "How much do I use this stuff?" And, you might wonder too, "Does olive oil "go bad"?" You move to the cereal aisle to look for Cheerios. Do you want regular, honey nut, multigrain, frosted, or berry — in a 11, 14, 15, 16, 20, or 27 ounce box? There's also the store brand, Malt-o-Meal, and an organic brand.

Farther down the same aisle, you see that your selection of granola bars for the kids isn't going to be

Making Categories Leaner, but More Profitable - continued

any more clear-cut. You find yourself empathizing with the man standing behind you on the cell phone with his wife, asking “Honey, do we use Skippy or Jif peanut butter?”

Variety isn't, of course, limited to food retail. Head to a bookstore for a recommended book on personal finance and you'll likely find it in hardcover, paperback, and a “special edition” packaged with a CD full of templates, worksheets, and calculators. At a music store, you'll find 10 CDs of Gershwin's “Rhapsody in Blue” that range from an \$18.99 CD by the New York Philharmonic to a \$5.49 CD by the Budapest Philharmonic Orchestra. Clothes, toys, countertop kitchen appliances, office supplies, pet toys — whatever you look for, you're certain to find several options.

Retailers offer such a selection to cater to different groups of customers and to keep them from wandering off to a competitor. Exit interviews with shoppers leaving wholesale clubs, which typically have 4,000 to 5,000 SKUs, have revealed this sentiment: “There's so much choice!” Ironically, exit interviews in traditional grocery stores, which have in excess of 30,000 SKUs, have shown a different, more negative perception: “While there are many choices, the trip was *time-consuming*.”

Helping Your Category Managers to Refine Your Categories

As John Rand of Management Ventures has pointed out, there comes a point when variety and selection overwhelm customers — especially if the variety and selection doesn't include those items that your customers have shown, through purchase behavior, that they want. Selection requires shelf space. And shelf space costs money. And where you invest money, you have to look at the return on the investment. And, Rand has asked, “do we really know, and can we prove, that greater item complexity to the consumer results in more trips and higher conversion?”

Look For Categories That Need Pruning

The answer may lie in what Rand calls “SKU rationalization,” making each item prove that it deserves shelf space in your stores. Brand volume, argues Rand, is not a protection here; instead, the process is driven SKU by SKU and must include your private label products on the same criteria of consumer preference.

So, how do you go about finding which brands, or items within brands, or package sizes and eventually, you want to do this refinement for all your categories, but if you're coming at this kind of evaluation for the first time, the best place to start is your poorest performing categories. You can further expand your knowledge of your categories analyzing trends in a more granular way, and defining *when* products need shelf space (*e.g.*, you may be able to reduce shelf space throughout the year, increasing it only during peak seasons).

Identify Items That Can Be Pruned

From there, you'll look at the items within those “problem” categories to help category managers determine which brands or items within brands can be cut. As you do, remember what Rand calls the base question of category management: What should *this* category do for *this* retailer in *this* market — and how does that make the retailer different?

When you define the characteristics of an item that deserves shelf space, you make your shelf space more valuable because you're stocking it with items that your customers have demonstrated that they want. By clearing the clutter — SKUs with low purchase rates — you can focus your attention on item movement for the products that manage to stay, or get into your stores in the first place. It also puts manufacturers in the position of proving to *you* that *their* items deserve to be on *your* shelves.

Looking at the categories identified in your top-line evaluation, you can then start to address questions such as these:

- Which brands should we recognize in a category

Making Categories Leaner, but More Profitable - continued

with additional shelf space, end-caps, and so forth?

- Which brands are moving so slowly they barely have a pulse?
- When items are primarily purchased by our lower segments, is shelf space costing us more than the value of keeping these customers?
- Does the cost of shelf space increase or decrease styles for items, can be cut from your categories? You can start by building a list of the categories that you most need to look at. You can then compare spending and ID rates of Product Groups over time. Pay particular attention to categories that show minimal, no, or declined growth when we cut these items from our shelves?
- What are the things that are making us money?
- During what types of trips are items most frequently being purchased (*e.g.*, stock-up, fill-in, convenience, etc.)?

Evaluate Segment Behavior

Beyond just evaluating item movement, you'll want to do your analysis against your customer segments. Being able to describe the impact on your categories by household segment helps your category managers to better determine what items to promote, how to promote them (*e.g.*, end-caps), and when to promote them.

Ultimately, after reviewing your segment-level item movement, you can create a number of lists to take to your category managers:

- The top 25 selling items for your best segment(s) in a growing or declining category so that action can be taken to retain or re-acquire these customers.
- Items with low/stagnant movement for one or two calendar quarters.
- Items with zero movement for one or two calendar quarters.

These lists can be used to develop a new partnership with your category managers in which you create coordinated and collaborative initiatives for customer and category management.

It's important to understand that category refinement is a partnership between the two groups, and not one in which Marketing presents a list of items to Category Management and says, "Here, cut these." Use the conversations, particularly over low- and zero-movement items, as a chance to learn why your stores continue to stock items that, from your perspective, don't "deserve" shelf space anymore. What you learn could prove to be invaluable in securing continued, or expanded, vendor funding for your promotions.

Refining the composition of your categories is time-consuming work, but offers substantial payoffs in the long run.

By Kevin Hargis
Retail Knowledge & Technology Chair,
Ogden



"The Canyons,"
Park City, Utah,
the site for
GEMCON 2006,
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Three Easy Ways to Register

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Back Page by Janet Murphy



Being Who You Are ...and Winning Big

Ogden's President, Janet Murphy

Delivering an authentic brand experience requires both art and science. You need both a compelling brand promise and a finely-tuned, customer-centric organization that ensures its consistent delivery. This is the essence of the challenge facing retailers today.

I made the 20-minute drive to a Costco store recently to return a digital camera I had purchased some months ago. I was mentally prepared to lose precious time waiting on line at customer service, and expected extra time loss and potential hassle, entirely of my own doing, since I didn't have my receipt. To my surprise and delight, the customer service rep reminded me of the company policy in a tactful way, yet proceeded to execute the return cheerfully and expeditiously.

As I mused about the experience as I drove away from the store, I was reminded of the business philosophy of the company's CEO and co-founder Jim Sinegal concerning both customer and employee relationships. Under Sinegal's nearly two decades of leadership, Costco has had a clear and enticing customer value proposition that effectively balances quality, price, and service. What impressed me most here, however, was something a little different:

The ability to surprise and delight customers exactly at the moment they're expecting nothing, or expecting the worst. Doing something extraordinary that reinforces who you are as a retailer, and reminds customers of your promise to them.

Unremarkable as this incident was, it was not unremarkable to me. It reminded me of the Disney

resort goal of seizing unique and unexpected opportunities to create a magical moment for each guest. Yes, in our pressured lives, a hassle-free, quickly completed return transaction can be a bonding, magical moment for a customer!

For an organization to deliver magical moments to customers on anything like a regular basis is a huge task. Procedures, policies, however strictly enforced, will never do it. At minimum, employees need to be clear on the company's promise to the customer and how their own job activities help to deliver the promise. Furthermore, they need to be motivated to fulfill this role well.

Sinegal has been recognized for inspiring not only customer fervor and advocacy, but employee loyalty, morale, and motivation as well, through rational and sensitive employee policies and compensation and benefits offerings that beat the industry averages, by not overpaying himself, and by persuasively conveying the values of the organization and the promise to the customer. He's one good example of the principle of:

Living your brand authentically, from the inside of your company out, and putting into practice in dealing with "internal customers" (employees, business partners, shareholders) the same kinds of standards and values that you publicly proclaim.

The increasingly transparent marketplace we have today, where the consumer has nearly instantaneous access to pricing, product, and other specific information on the company and its executives, makes it more important than ever that companies *be who they are* in dealings with groups both inside and outside the company. It's good marketing. And, as Jim Sinegal would say, it's good business.

I could go on and on. More importantly, what do you think? I'd love to hear from you at JMurphy@ogdenconsultants.com!

Janet