

## **Remember, Value is Still King in 2010**

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The Commerce Department recently reported 5.7 percent growth in the 4<sup>th</sup> quarter of 2009, the fastest pace seen since 2003. The report signaled to many that the worst recession since the Great Depression had finally ended.

In some parts of the country, however, unemployment is hovering at 10 percent, and many workers still fear that their jobs are not secure. Consumers may agree that the economic freefall is over, but there has been a fundamental shift in consumer spending. Restraint and thriftiness is the new mantra and that is having definite effects on the way companies do business.

### **Value is King**

Bottom line? Value is king with consumers as they enter the new decade. We see it daily in our work with manufacturers and at the desk of our retail partners. Same store sales increases for value chains such as Dollar Tree and Dollar General are indicative of this new consumer mindset. Coupon redemption rates are up to levels not seen in years. Discretionary spending across the board remains soft and is expected to remain so for most of 2010.

### **Implications**

So, what are the implications for manufacturers in this new retail environment? How can you ensure that you not only maintain your current distribution but also increase sales in the new decade? Several factors come into play.

#### **Relevance**

Many retailers have adjusted to appeal to the new value conscious consumer by expanding private label or store brands. Private label has traditionally shown share strength in commodity categories or those with little differentiation. However in the last year, store brand unit share has shown share growth in all departments, from Dairy and Frozen to Health and Beauty, Meat and even Produce and General Merchandise.

As we continually stress to our clients, your most important action should be to validate your reason for being. Does your product influence category closure rates? Does your brand impact incremental category growth? If you can't answer yes to either of these questions, your brand is in jeopardy. With the increased emphasis on private label, mid-tier "me too" brands are at greatest risk.

#### **Point of Difference**

In today's marketplace your product's point of difference must be something other than price. If your brand offers innovation that positively resonates with the consumer, then you are at less risk of losing distribution on your brands. If your brand appeals to a growing segment such as seniors or a particular ethnic group you are most likely positively impacting the category.

## **Clean Up Shop**

Don't wait for retailers to discontinue your product before reacting – complete your own SKU rationalization before they do. Retailers are starting to cut SKU's and in some cases complete brands. Wal-Mart recently cut Glad and Hefty from the food bag category despite increased ad spending from both brands. Super Valu just announced that they would be implementing a SKU rationalization project that will go through 2011. They've just completed the project for the paper category that resulted in a 25 percent reduction in for bath tissue.

## **Increase Trial and Repeat Purchase**

Once you've established your position in the category, you still have to promote your brand and drive trial and repeat purchases. And there are new challenges in this post recession environment. Over the past year, more than 50 percent of shoppers have been making a list before hitting the aisles and over a third of shoppers now look for coupons before they shop. According to FMI's research, 55 percent of consumers report they are preparing more food at home and are actively looking for meal solutions at the supermarket. Therefore it's important to find ways to influence consumers *before* they hit the stores. Having an online presence for your brand is one important way to do that. According to the NGA Consumer Survey Report, 75 percent of women visit social network sites and 55 percent either publish blogs, read blogs or post to blogs.

The good news is that all evidence points to a better retail environment in 2010, but the lessons both retailers and consumers learned during the recession will continue to impact their decisions going forward. You must innovate and differentiate your brand to give retailers and consumers a reason to buy, spelling out the benefits so that those reasons are crystal clear.

Remember that for consumers today, Value is King. Understanding this and making adjustments are imperative for your brands' success for the foreseeable future.