

Game Changing Retailing in a recession

Leading-edge shopper understanding with TNS

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Game Changing Retailing

Item
Management

Execution &
Ability to
Influence

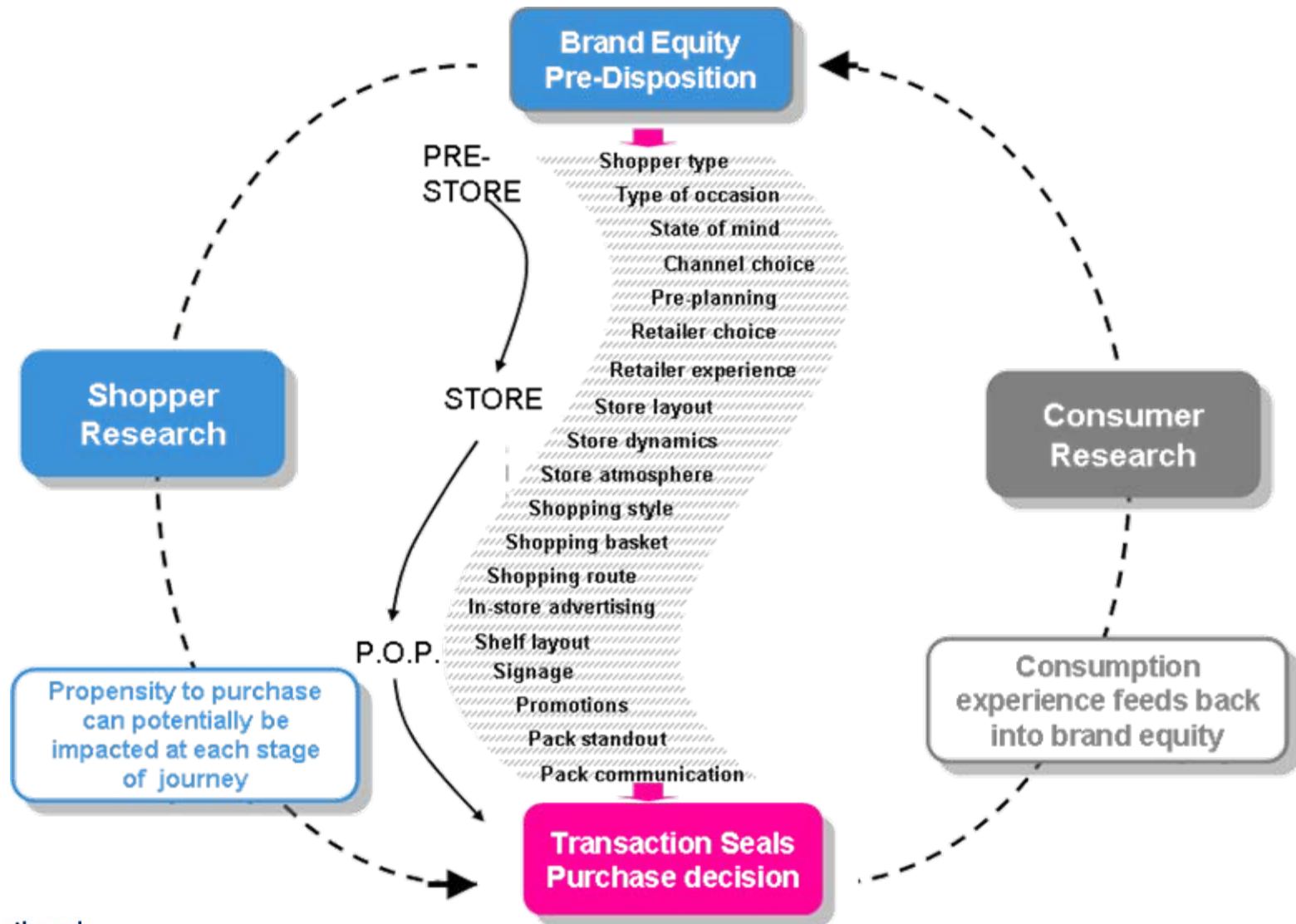
The art of selling one item to one shopper

Game Changing Retailing is... *Active Retailing*

- To know exactly what each shopper wants, or may buy, as they come through the front door.
- To deliver that to them right away, accepting their cash quickly and speeding them on their way.



Game Changing Retailing is... *Shopper Understanding*



2 “trends” to forget in retailing

Low Price Everything

- Transportation costs (oil, tariffs)
- Manufacturing costs (commodities, labour, oil)
 - Distribution costs (oil, road tax, labour)
 - Marketing & Media costs (fragmentation, aggregation)
 - Safety scares (toxicity)
- Labour protectionism & Nationalism
 - Cheap goods for export (as consumed internally in CHINDIA)
 - Interest from Consumers

Too Much Choice

- Demand for Simplicity
 - Curated products and Niche marketing
- Fake “innovations” – re-ash of all products, easily spotted by savvy consumers
- Consumers’ interest in mainstream brands
 - Time to shop for essentials
 - Retail space to display these products
 - Relevance of many brands

2 common denominators of future retail environments

Technology

Will affect all aspects of the retail experience:

RFID everything, including seamless payment and stock-keeping

Mobile shopping directly from brand showrooms

Truly interactive kiosks

Dynamic pricing

Confusion

Consumers / Shoppers will suffer from overload

Potential backlash on the all-technology

Refuge in Comfort food & services

Home outsourcing

Brand equity more valuable than ever but at risk by the slightest issue

No logo as lifestyle

A man in a white shirt and tie is covering his face with his hand, appearing distressed or frustrated. He is in an office environment with computer monitors and other office equipment visible in the background. A woman is partially visible in the background on the left.

WE INTERRUPT THIS BROADCAST

DISSENT OVER SOLUTION TO RECESSION..... CONSUMERS CUT BACK..... MORE BORROWING ON

The market certainly doesn't disappear...but there is change needed...




- Consumers don't stop buying. Just re-evaluate and think more about what they buy.
- Only in extreme cases, consumers reassess category participation.
- Look for better value, which is not always the same as a lower price.
- Seek anchors. Trust becomes more important.
- Family values become more important.
- Small luxuries replace big ones- adding a bit of cheap and instant cheer.
- Explore new routes of purchase
- Stronger feelings of nationalism. If someone is to be blamed, then the outsider seems like a good choice.
- Seek more information, reasons to believe.

DISSENT OVER SOLUTION TO RECESSION..... CONSUMERS CUT BACK..... MORE BORROWING ON

Neither do the companies that understand these differences

- Recessions do not have a uniform adverse impact on everyone.
- There are companies that come out stronger, wiser and richer.
- In fact some major success stories have been products of recessions


New launches

<p>Launched in peak 1980-82 recession</p>  <p>THE WORLD'S NEWS LEADER MUSIC TELEVISION</p>	<p>Premium+ launches in recession</p>  <p>N. America (2001) Asia (2002)</p>
<p>Launched days after 9/11</p>  <p>N. America (2001)</p>	 <p>N. America (2001) Europe (1970)</p>

Brands that Refreshed Themselves

 <p>Delta XEROX</p>	 <p>Kodak ups DELTA xerox</p>	 <p>STARBUCKS COFFEE WAL*MART ALWAYS LOW PRICES Always AT&T</p>	 <p>STARBUCKS COFFEE AND TEA Walmart</p>
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MORE BORROWING ONLY SOLUTION..... 20,000 LOSE JOBS..... JOB LOSSES ON UNPRECEDENTED



Those who did well... in the past recessions

- Stuck to their values.
- Continued investment into R&D which enabled speedier recoveries
- Took advantage to strengthen against weaker rivals.
- Focus on corporate image alone not enough.
- Invested into rewarding loyalty - higher dividends at these times.
- Identified and focused on faster growing segments
- Took advantage of the lowered 'introductory' costs for successful new launches.

JOB LOSSES ON UNPRECEDENTED SCALE..... NO GOOD NEWS IN SIGHT.....US TAKE BIGGEST



And those who didn't

- Those in the middle were squeezed.
- Cost cutting through cutting back on quality eroded brand equity.
- Price promos almost never the answer.
 - After a short term spike, impact negatively on profitability.
 - It also becomes difficult to raise prices when the bad times pass.

US TAKE BIGGEST GAMBLE..... STOCK MARKET SLIPS FURTHER..... NO RELIEF IN SIGHT.....