

Holding the Bag

Retailers are reinventing
the shopping experience.

Are brand marketers
being left behind?

Why is there so much more talk about building brands at retail these days?

Lisa Klauser: There are actually two forces at work that are making this area become so hot today. The first is obviously what's going on with the fragmentation of the media landscape. In addition, when you look at the fact that in-store is a place where consumers are making upwards of 80 percent of their purchasing decisions, it's also clear that the time is right to take the in-store channel and turn it into an opportunity to drive our categories and our brands.

Dee McLaughlin: There's a need to be very distinctive within the marketplace. It's difficult for multi-brand retailers to do that, but it's essential. Virgin, as a brand — not just the Megastores — has always known that. We've been doing that for decades, whether it's our planes or our phones or our stores. We've always been a lifestyle brand. We have a really powerful personality in Richard Branson. So, I think we've been a little bit

more ahead of the curve than a lot of other brands and retailers.

Ed Gawronski: Some of the segments that are growing in the beer category — such as craft beers and imports — are not making an investment in traditional media. They do not have a presence on television or the web. The way they build presence is in the store. These brands tend to have a bit of a back story, which consumers have an interest in, and that story often is conveyed right on the packaging, in the store.

Laura Coblentz: The focus on retail really is based upon the fact that consumers have changed the way they shop. The days of buying everything at one store, stocking up once a week, creating a list of favorite brands and being completely brand loyal doesn't exist any longer. Consumers today shop multiple stores several times a

week and they don't necessarily go into stores with specific brands in mind, particularly with regard to food. That requires taking different approaches in the store.

Charlie Tarzian: Everyone is coming to the conclusion that face-to-face is really where you want to present your brand. Face-to-face has so much to offer if it's architected properly. In grocery, there's a big push by some of the big players to create a shopping environment much the way you would if you were at a Simon Mall or at the new Macy's. There's a whole new level of sophistication at work in retail today and it's creating a lot of excitement and buzz.

What's the most innovative thing you've seen at retail lately?

Klauser: At Unilever, we've actually looked to both Apple and Starbucks for a lot of inspiration. One of the things that we are doing as a result is that we're actually creating a different experience for our consumers around beauty. We're talking about beauty solutions and actually bringing beauty advisors into stores to talk to our

Unilever wants to understand the business opportunities that each of our customers has and collaborate to drive category growth.

LISA KLAUSER, UNILEVER N.A.

A ROUNDTABLE FEATURING

Laura Coblentz
Wild Oats

Ed Gawronski
Miller Brewing Co.

Lisa Klauser
Unilever N.A.

Dee McLaughlin
Virgin Entertainment
Group

Charlie Tarzian
CoActive Marketing
Group

consumers about different ways to enhance their beauty either through hair care or skin care.

McLaughlin: Xbox set up a demonstration center in Tokyo. It had couches and a 200-inch television screen. They had VIP rooms, wifi access, and a café with Xbox drinks. Xbox created such a buzz that we approached them to set up a whole room dedicated to Xbox in our Orlando store. It drives a lot of customers to that area of the store and really brings the Xbox experience to life.

Gawronski: There's a perfumery in New York called Le Labo that looks like a bar and creates a sensory experience around perfume. They spend the time to talk to their shoppers about their interests, and they work on the chemistry to come up with a scent that they think is right for you. You get to know about the people who run the shop because they also tell you a little bit about themselves. All in all, it's maybe only about a 20-minute experience, but their customers come out of there feeling fulfilled.

Coblentz: Trader Joe's is brilliant at what I call the *food accessory* — it's like the tie or the scarf. Just like accessories can change a whole outfit, Trader Joe's sauces can change your whole meal. You buy chicken or tofu, and you can eat that same thing every night with a different sauce and it feels like something completely different. That's a dinner solution and it's quick and easy and cheap.

Tarzian: The way that Costco mingles luxury goods with everyday goods is an incredible insight. You can go to Costco to buy 50 bagels in a bag, and also come away with a plasma TV and designer, luxury fashion. It's pretty amazing how Costco figured that out. And people

can't help themselves. They love the experience.

Where is the greatest room for improvement in the shopping experience?

Klauser: For the packaged goods industry, it is around merchandising. We are talking a lot about shopping experiences, but when you go into a store you still see cut-case pallets and corrugated displays. We have the opportunity to really up-the-game in the world of merchandising and create better experiences for consumers and shoppers while they're in the store.

We want to make sure that Wild Oats doesn't look so much like a conventional grocery store as we have in the past.

LAURA COBLENTZ, WILD OATS

It's absolutely a priority for us here at Unilever and we have a lot of different programs that we're working on and testing right now.

McLaughlin: The shopping experience should be fun, and discovery driven. It's not good enough anymore to have a satisfied customer because satisfied customers can switch for no reason other than just to try something else. Last year, we launched a loyalty program called VIP — Virgin Important Person. Not only do our customers earn points with every purchase, they actually get cash back.

They win instant prizes right at the register and they are entered to win a huge sweepstakes each month. We take VIP members to meet their idols — Jay-Z, Paul McCartney, Pamela Anderson — the list goes on. Our slogan is, "It's

not the size of your VIP-ness... it's how you use it." When we sent out our first email to people who had signed up for it, we had 92 percent of them come back into the store and buy something.

Gawronski: What we see is more movement toward leveraging the sensory experience. We've done that with one of our brands, called Leinenkugel's Sunset Wheat, where you get the experience of the orange with the beer. That's a way to bring to life different aspects of the brand, to use and leverage the sensory experience. That creates a point-of-difference. When consumers want something different, you have to be much more innovative and

creative in how you show, present and display the beer.

Coblentz: One of the biggest areas for improvement is just the experience itself. In Europe, you see grocery stores that look like high-end fashion boutiques.

Wild Oats is opening a new flagship store in Boulder with a completely new layout.

Graphically, we put a lot of things in place in terms of imagery and colors that are more supportive and conducive of the lifestyle that Wild Oats represents versus linear, vertical rows of aisles. We want to make sure that Wild Oats doesn't look so much like a conventional grocery store as we have in the past.

Tarzian: We've only begun to scratch the surface of a much better use of data to drive insight

and to become more one-to-one with the retail experience. For me, the high mark is the Tesco loyalty program in the U.K., where they can deploy insight into their environment on a weekly basis. As a result, they can talk to people in a mass-customized way.

We also need more people to be passionate about the integration of consumer marketing and trade marketing. Most organizations are not taking advantage of the insight that would be gained by treating their trade spend and their consumer marketing spend as a single portfolio.

What are the most important things to understand about shoppers to be successful at retail?

Klauser: For Unilever, it's really about understanding the shopper holistically, understanding the types of trips they're taking, why they're taking those trips and how to capitalize on where our customers are under-represented. It's about understanding their behaviors in total and what that shopping trip

period, despite our competitors having pretty awful years.

Gawronski: What Miller Brewing really wants to be able to do is to make the shopper feel smarter and more sophisticated. However, when you go into most supermarkets today, or a liquor store, it's real difficult for people to find out more about the products. Particularly in this day and age where people are trying to be more healthful in their choices, they are really seeking out much more information. There's a big opportunity to make more information available.

occasion is — what they're buying it for, who they're buying it for and why they're buying it.

Tarzian: You have to understand the social aspect of people. People are social and therefore you have to understand what that means in the context of everything they do — what they buy, see and eat. If

We recognized at least two years ago that Virgin MegaStores couldn't be just a music store anymore, that people don't shop that way.

DEE MCLAUGHLIN, VIRGIN ENTERTAINMENT GROUP

you can create a shopping experience that's satisfying, it's going to be talked about. Regardless of where people are in terms of their household income, who doesn't want a good experience? That's what everybody's looking for — to rise above what you've been and deliver an experience that makes people really feel good about it.

Where are the greatest opportunities for retailers and manufacturers to work together to improve the shopping experience?

Klauser: Retailers and manufacturers should have one thing in common and that is to drive category growth. Unilever wants to understand the business opportunities that each of our customers has and collaborate to drive category growth. We are really committed at Unilever to this space. We basically re-designed our entire marketing organization to strengthen our focus and capabilities around shopper marketing.

What Miller Brewing really wants to be able to do is to make the shopper feel smarter and more sophisticated.

ED GAWRONSKI, MILLER BREWING COMPANY

means to them. For example, a mother who is shopping with three children is going to be a lot different than a male shopper who is shopping for himself and by himself.

McLaughlin: We recognized at least two years ago that we couldn't be just a music store anymore, that people don't shop that way. People shop more for their lifestyle. At

Coblentz: We need to stop thinking about consumers as people in boxes. What we find is that consumer behavior is determined by the occasion. That really determines what they'll buy and how they'll buy. The more occasions you can own as a retailer, the more successful you'll be. Consumers shop multiple stores in a week, depending on what the

Some of the issues that we can work on together with our customers include out-of-stocks, SKU rationalization, and working together to create better in-store experiences for our consumers. The challenge is to create an organizational model that would enable people to focus against these issues. We are now about 18 months into it and we are seeing phenomenal results. We've got people really focused against our customers, our categories, and key industry issues. We're proud of the progress.

McLaughlin: When you're a multi-brand retailer like Virgin, customer experience is delivered first and foremost by the products. We not only want products that fulfill the needs of our customers, in terms of quality and value, but we also

things out there that really influence consumers about the choices they want to make.

There really is an opportunity for the retailer and the manufacturer to come together to make that happen. We're looking at an environment that's much more cooperative going forward, and we've got to work more closely to put the story together.

Coblentz: That's a very good question! With the emergence of really strong private label equities like Wild Oats or Wal-Mart and Safeway, it's not just about the cheap store brand anymore. Because there's been so little focus on the consumer and the customer in the center of the store, that part of the store is really starting to decline. It's really

Everyone is coming to the conclusion that face-to-face is really where you want to present your brand.

CHARLIE TARZIAN, COACTIVE MARKETING GROUP

need the supplier's reputation to reflect the right values that are consistent with our own.

Richard Branson himself—through Virgin Unite, our charity arm—pledged \$3 billion to the environment in 2006. We are increasingly influenced by that type of value. We have also set up a couple of TV and DVD rooms—one in our Times Square location and the other in Orlando—in partnership with a number of the studios and cable TV, like HBO. Those partnerships are doing really well.

Gawronski: You've got to change the game in terms of merchandising in the store. The days of just throwing the POS up on the floor are over. We need to remove a lot of the clutter in the store, and put

becoming commoditized. It's not very exciting.

There should be a collaborative effort between manufacturers and retailers to start merchandising products and creating interesting displays and suggestions for consumers when they're in the store. If you keep on stacking up cans and diapers in their stores you're going to become a cautionary tale.

Tarzian: On the manufacturer side, A.G. Lafley of Procter & Gamble is saying that if you want to start a brand, then sit down at the kitchen table and ask someone about their lives. That's a radical approach, and it means that you've got to look at your organization and make sure that a) you are organized around that premise



LAURA COBLENTZ is vice president of marketing for **Wild Oats Markets, Inc.** Before joining Wild Oats, she was at Horizon Organic Dairy, E&J Gallo, Heublein/Diageo and Sutter Home wineries.



ED GAWRONSKI is vice president of market and business insights at **Miller Brewing Company.** He was previously at Philip Morris providing leadership in insights, strategy, sales and information technologies.



LISA KLAUSER is vice president of brand building and marketing excellence for **Unilever North America,** and is responsible for translating shopper insights into actionable solutions for Unilever's customers.



DEE MCLAUGHLIN, senior director of marketing for **Virgin Entertainment Group,** North America, is responsible for product marketing, executing the brand's store promotions and partnership strategies.



CHARLIE TARZIAN is CEO of **CoActive Marketing Group,** an integrated marketing agency. Previously, he was CEO of Euro RSCG Worldwide New York. Charlie can be reached at ctarzian@cmkg.com

and b) you have the people to get the job done.

It also means that there's a need to embrace data in a different way, and a need to trust each other between the retailer and the manufacturer so that the data can move more fluidly so that everybody can start acting smarter. The harmonization, from the consumer in, has to happen. It's going to change everything, and will make everything easier for everybody. ■