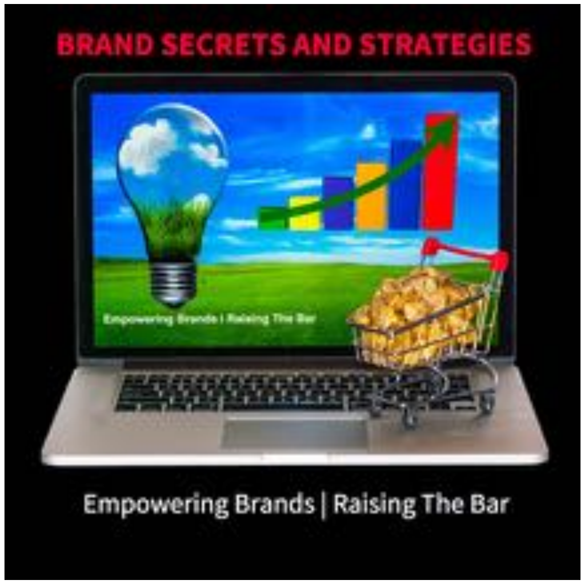


BRAND SECRETS AND STRATEGIES
PODCAST #17

Hello and thank you for joining us today. This is the Brand Secrets and Strategies Podcast #17

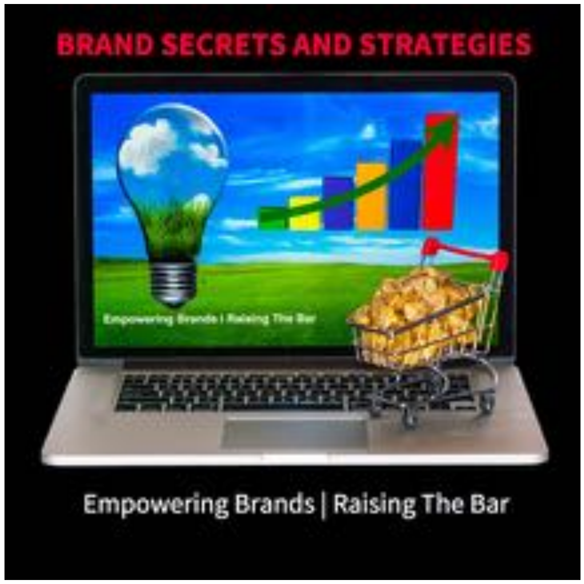
Welcome to the Brand Secrets and Strategies podcast where the focus is on empowering brands and raising the bar.

I'm your host Dan Lohman. This weekly show is dedicated to getting your brand on the shelf and keeping it there.

Get ready to learn actionable insights and strategic solutions to grow your brand and save you valuable time and money.

LETS ROLL UP OUR SLEEVES AND GET STARTED!

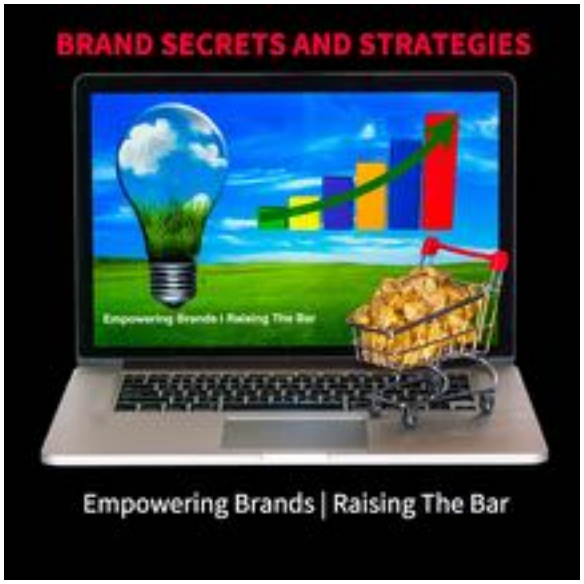
Before I get started today, I'd like to take the opportunity to thank you for listening. I've received a lot of positive feedback. Remember, this show is about you and it's for you. It could not exist without your input and without your support. Please continue to share it with any brand needing help in growing sales and competing more effectively and please leave a review on iTunes. It helps with the show ratings and it helps me help more brands. Now, for today's show.



Today, I want to talk to you about the most important aspect of your business. It's not how much money you have in the bank. It's not how many investors you have. It's not your marketing program. It's distribution. If consumers can't find your product, they can't buy it. Sounds pretty straightforward, but you would be amazed at how many brands fail to get this right. Even the big brands. In fact, you'd be surprised to know that a lot of the big brands struggle with this as much as the small brands, so here's what I'm talking about.

If consumers can't find your product, then you're giving them an opportunity, or if you will, inviting them to try your competition. That's the last thing in the world you want. The cost of customer acquisition is high. After you go to all the trouble to earn that customer's loyalty, the last thing you want is to give that customer away by not having the product on the shelf. This gives your customer an opportunity to try your competitor's product, which could ultimately lead to you losing a loyal customer. Remember, I've said it a million times, you never get a second chance to disappoint a customer.

This is what this episode is about. It's about helping you create a loyal customer by making sure that they can find your product wherever they shop. This is about you being able to help the retailer drive sales within their market, by leveraging the unique strengths of your product. This is how you stand out on a crowded shelf, and again, this is how you build real customer loyalty. Big brands have deep pockets and they can pay to get their product on the shelf almost anywhere. Small brands can't.

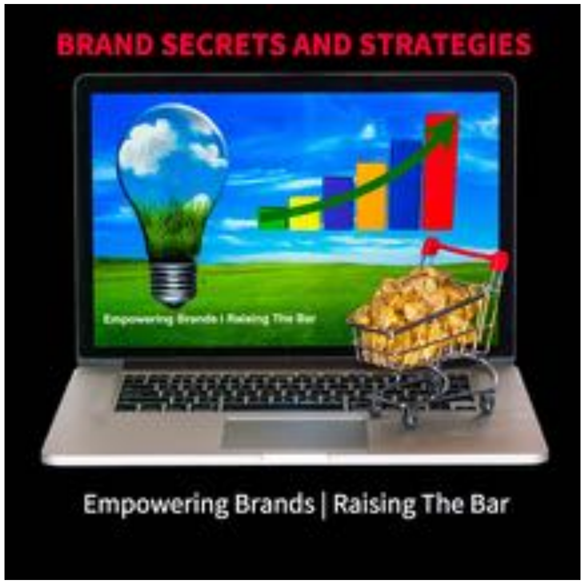


Paying to get your product on the shelf is what I would call a push strategy where you push the retailer to get your product on the shelf and you pay for distribution. You pay for customers to choose your product over the other guy's.

I believe that there's a much better strategy. It's the pull strategy. It's where you develop a loyal shopper beyond the four corners of your package. With social media today, you can develop and evangelistic following of loyal shoppers anxious and eager to buy your product. This is far more important to the retailer. Your ability to drive a shopper to a retail store is greater than at any time ever before. No longer do you need to rely on expensive TV ads or magazine ads, etcetera. True power that small, natural organic brands have is that they're closer to their core customer. They typically have an intimate relationship with that core customer and they can leverage that relationship to drive customers into a retailer's store.

As a small brand, this is your greatest strength. This is the one place that big brands cannot compete against you. This is the one place where you have an opportunity to leverage that relationship with your customer to help you get on the shelf. Use it. Distribution is the single most important thing. It is the foundation that you build your business on. Let's get into this a little bit more. Distribution also includes not only where you can find your product within every retailer within the market, but which items you have on the shelf. Now that I've framed the conversation, we need to look at this from two different points of view. One from the retailer and one from the brand. Let's start with the retailer perspective first.

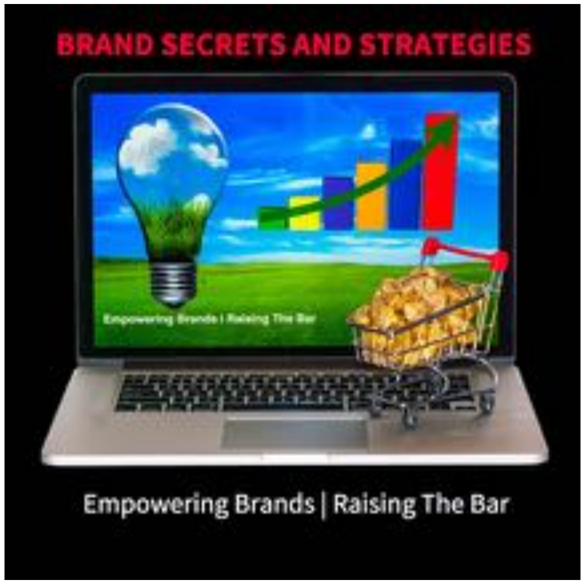
As a retailer, I understood that I had to have the shelves full. Out of stocks encouraged customers to go somewhere else. They disappointed



customers. I understood that I had to have product on the shelf, all the time, no matter what was being promoted. The brands that couldn't support the promotions simply went away. I couldn't afford to leave them on the shelf and allow customers to be disappointed. There were very few brands that were willing and able to help me understand what the sell-through would be on a given promotion. Those brands stood out in my mind. Those brands are the ones I wanted to feature because I could rely on them to help me satisfy my customers. This is one place where brands really need to step up and take a leadership role. This is a big part of distribution.

Secondly, as a retailer, I also understood that I had to have a selection, the right assortment to keep customers coming back into my store and to buy other things while they were there. One of the key reasons that this was so important is because I needed customers to be able to compare my selection with the competition. The primary objective of every retailer is to let the customers know that they have the selection that's going to meet all their customer's needs and wants. This is key. This is why brands need to work closely with retailers to help the retailers succeed and grow within the market using your product.

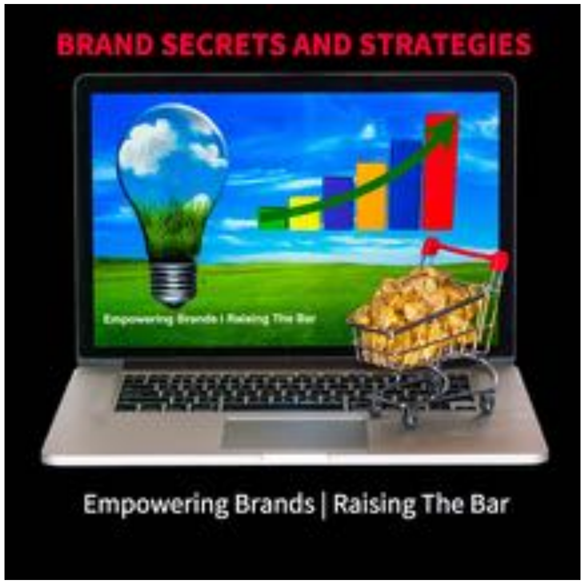
Now, from the brand perspective, you need to have distribution in every store of your top selling items. You need to make sure that if you have five or six items, that those items are available at every store within every market so that when a shopper walks in to that particular retail, they know and they trust that they can find your items. While that sounds pretty straightforward, you'd be surprised at how many brands struggle with this. What am I getting at? You need a healthy foundation to build your brand



on. That means that you need to have your top selling items available anywhere that consumers shop.

Now, I'm going to say something that might seem pretty counterintuitive, but listen to me. This will make a lot of sense in a minute. Not all distribution is good distribution. Let me explain. A lot of brands make the potentially fatal mistake of allowing the retailer, the broker, the distributor, to choose which of your items they're going to put on the shelf. This could be a big problem. Here's an example why this matters and by the way, I've seen this a lot. Especially with the small brands that I work with. A retailer gives you an opportunity to get your product in distribution. They choose which stores they're going to test the product in. Sounds like a great idea, right? You've got distribution in a bunch of different stores, who couldn't be happier? Here's the problem. Sometimes they put your product or test your product in a store that your core customer doesn't shop in.

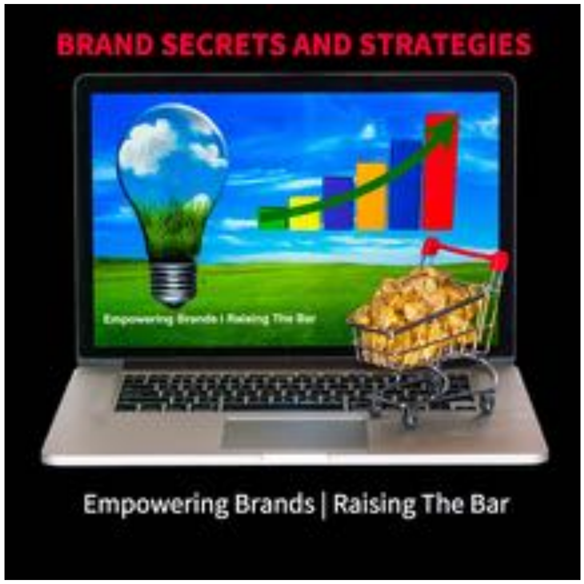
For example, putting a super-premium product in a low-income neighborhood or putting a baby food in a retirement community instead of a community where you have a lot of young parents. It's not reasonable to expect you to be able to grow your brand successfully if you don't put your best foot forward. Meaning, if you don't put your product in front of the consumers that want to buy your product, that are able to buy your product. How do you get around this? Well, first of all, hopefully you know your customer. Hopefully, you know your customer a lot better than the retailer does. There are ways to understand which consumers shop at which stores by demographic, ethnic, etcetera, makeup. Take that information to the retailer and help the retailer understand who shops that store and how that shopper aligns with your ideal shopper.



Going back to the baby food example, imagine this. You have a natural, organic baby food. You put it into a neighborhood with young, affluent families. You can almost be guaranteed that your product's going to sell well compared to other neighborhoods. This is your brand. Your name's effectively on the package. Help the retailer understand exactly where your customer lives. Help the retailer understand how to merchandise your product, where to put it in what stores, so that you can maximize each and every opportunity to draw shoppers into their stores. This is how you become a category captain or a category leader. This is how you become a value-added resource to the retailer.

Leverage these insights to help the retailer drive sales and use this to negotiate against things like slotting and other expenses that make it difficult for small brands to succeed. You might not know this, but not every brand pays for slotting in every store. What is slotting? Slotting is considered to be free fill. Sometimes it's a case and a half, two cases of free product for every store that your product goes into distribution in. Sometimes it's a dollar amount. From the retailer perspective, getting paid to put the product on the shelf and paying for the people to merchandise it, etcetera, that makes a lot of sense. However, some retailers charge slotting and free fill while they expect you to merchandise the product on their shelves. Savvy retailers understand the value of having your brand drive incremental foot traffic in other stores and why that is so much more valuable than a short-term win of getting some slotting.

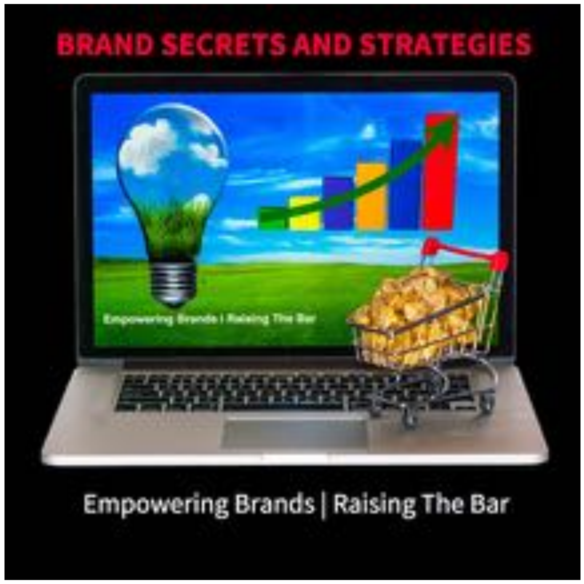
The next key area that I want to focus on is having the wrong items in the wrong stores. You might have 20 or 30 items in your assortment. It doesn't mean that every single one of your items is going to fit on every shelf. Let's



be honest, we all know that shelf space is limited and we know that the battle for the shelf space is intense. If the top three selling flavors in a category are chocolate, strawberry, and vanilla, and instead you have banana and two other flavors, while you might make me happy, the reality is I don't live in your neighborhood and you cannot grow sustainable sales on that alone. You need to know what the top selling flavors are within your category and you also need to know how well your items sell at every other store.

You need to develop some KPI's, Key Performance Indicators, that identify not only one of the top selling items in every store, but what are the focus items that you're going to put in each store? For example, in a four-foot section, you may have four flavors. In a five-foot section, you may have your fifth and your sixth flavor, and in a six-foot section, you may be able to squeeze nine flavors. The way that your KPI's work is this. Identify what your core assortment is, let's say your top four items. There's no excuse, period, end of sentence, that you should not have all those four items in every single store where you have distribution. This is where you build your foundation. This allows you to promote more effectively. It provides you a strong foundation to build your brand on that you could grow on. If you don't have those top four items, your top selling four items, in every store, then what that does is that dilutes your brand equity in the store and makes you ripe for having items discontinued. It also makes it difficult for shoppers to find the items that they want.

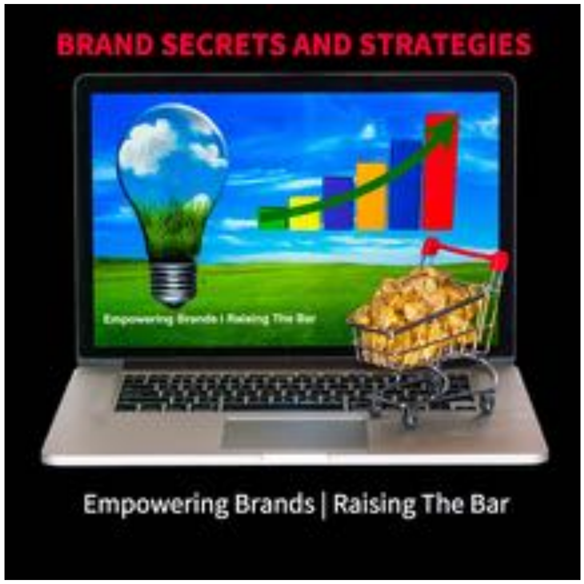
Now, let's go to your larger store. Say that that store has an eight-foot section. What are the next two items that you want to put within that assortment. That would be your second KPI. Your third KPI would address



stores with even larger sections, and so on. This is critical. When you work with brokers, distributors, and even your internal sales force, help them understand which items go in which stores. You choose with items. Don't allow anyone else to do this. Again, if they choose the wrong items for your assortment, you essentially trade sales between your bottom selling items and your top selling items. This is one of the biggest problems, the single biggest problems, that I find when working with literally every brand, even the big brands.

Where do you start? Well, today's freebie is the efficient assortment example. This is the single most powerful tool that I've created and used throughout my entire career with big brands, big retailers, and small brands alike. You can use this to identify what your core KPI should be for what size store. More importantly, you can use this to help the retailer understand what items are selling and what items aren't so that you can make recommendations to help them grow sales in their category by getting more of your products on the shelf. You can download this instantly by texting, Efficient Assortment, one word, “EfficientAssortment”, to 44222 or you can get it at the show notes. I'm going to do my best to walk you through this even though you may not be able to see it right now. Again, this is something I think is going to be a game changer for you and your brand as you work with retailers.

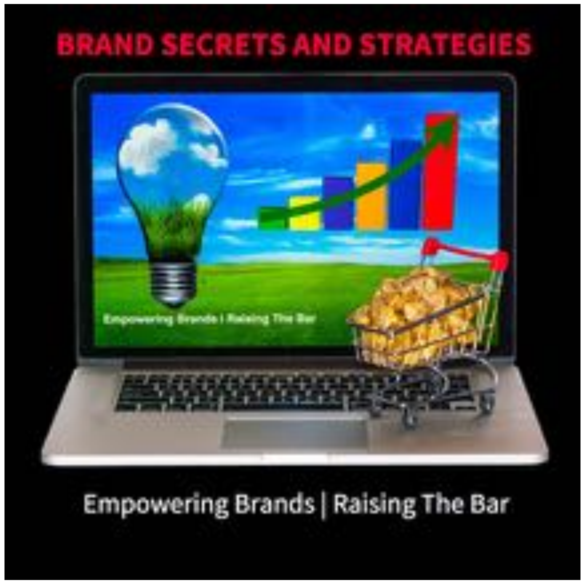
Let me try to describe you what you're going to be downloading. Visualize that you're looking at a spreadsheet that I've converted to a PDF. Try to recreate this as you're working with retailers. In the first five columns you're going to see the UPC, the brand, the item, the size, and the units of measure. In the next columns to the right, you're going to see the market,



the 52-week dollar sales, the dollar rank, dollar share, average price, percent ACV, and then you're going to see the dollar percent change for 52, 24, and 12 weeks. In the next columns to the right, you're going to see the count information. The retailer that you're actually working with. You're going to see the dollar sales, the dollar rank, the dollar share, the cumulative dollar share, I'll get to that in a minute, the dollar share in the market. That's the current dollars divided by, [inaudible 00:12:47] account divided by the market. Then, you're going to see the average retail price, the ACV, and the dollar percent change, 52 weeks, 24 weeks, and 12 weeks. I hope this makes sense. Again, it will make more sense once you download this.

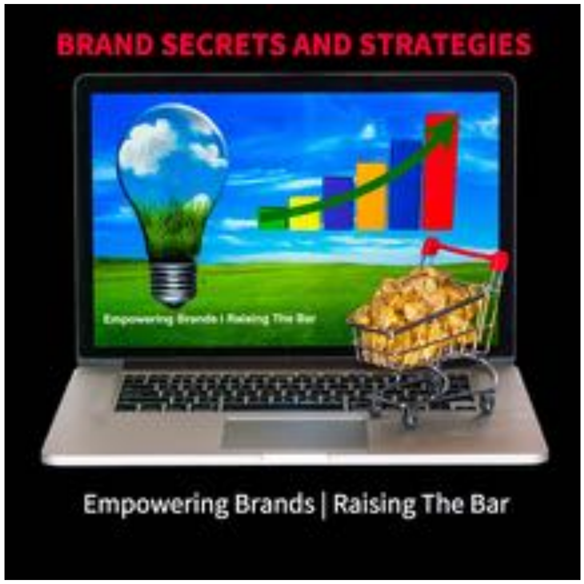
The items on the spreadsheet are ranked in dollar order, in descending order by the account or the retailer. Dollar share's calculated by taking the total of all the items in the category and then dividing each item against that total. The cumulative share, which you're going to find in the account, are the dollar share amounts added together. Now that we've gone past this, this is going to start making a lot more sense. What I've done is I've identified which items fall between the 80% to 90% of sales and blow the 90% threshold in the account. I then compared that to the market. The items between 80% and 90% are highlighted in yellow and the items between 90% and 100% are highlighted in blue.

Now, here's where this becomes a powerful tool. If you take the items highlighted in yellow and you find the items that are declining in sales both in the market and in the account and you highlight those in red. Next, go down to the items that are in blue and highlight those items that are declining in the market and highlight those items in red. Beginning from the



bottom of the spreadsheet and working your way up, anything highlighted in red is an item that's ripe to be discontinued. These are items that you can recommend to be discontinued so that you can make space for your items. Most retailers want you to remove one item for every new item you recommend, so obviously, starting at the bottom and working your way up, remove or suggest the discontinuance of every item that you need to make space for your brand. When you're developing the story to help the retailer understand why it's important that your brand needs to be on their shelf instead of the competition, compare how well your item's doing in their store versus the market. That's called fact-based selling. This is providing the insights that retailers need so that they can help identify the items that are growing sales within the category, within the market, so that they don't miss out on any sales.

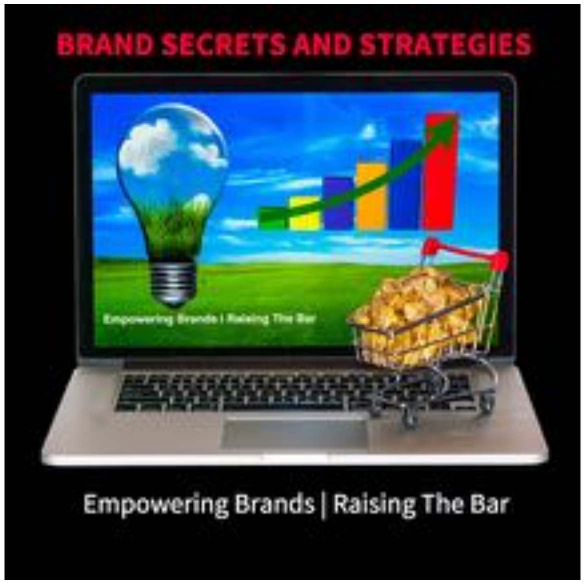
In the example that you're going to download, there are items highlighted in green that are only available in the market. Those are items that you might recommend, maybe even your items that you recommend that the retailer carry so that they can remain competitive against the market. Again, once you download this and you take a look at the example that I'm talking about, this will begin to make a lot of sense. I mentioned earlier that you could use this to help identify what your core KPI's are. In this example, you're going to find items that are named Brand C. Identify the top selling items in the market and those will be your four KPI's, the top selling items that you want to make sure are available and on the retailer's shelves. Break those items into groups based upon how many items you think reasonably you can put on each retailer's shelf. Remember, start with the smallest store possible and then work your way toward the larger stores. Your KPI of A might be a four-foot section. Your KPI B might be an



eight-foot section. How many items reasonably can you expect to put in those sections and build your foundation on?

You're going to put these items in a retail scorecard. The retail scorecard is going to allow you to identify which items are going into which stores to hold accountable your brokers, your internal sales team, and your distributors to make sure that they focus on your core KPI's first based upon what you determine to be the strategic direction for your brand. For example, every store has your top four selling items. That's your KPI A. Your KPI B will include larger stores and so on. I hope this makes good sense. Please feel free to reach out to me so that I can help explain to you how to leverage this at retail. Again, this is perhaps the single most powerful tool that I've used throughout my entire career both as a retailer, as a category captain, and as a consultant working for large and small brands alike across literally every channel.

I hope you found today's episode helpful. Remember, the foundation of your brand, the strength of your brand, is in the ability for you to develop a strong distribution of your top selling items across every single retailer. To growing that distribution with the incremental items. Again, it allows you to promote effectively across every channel, it allows you to better manage your inventory, and it provides you with a strong competitive set allowing you to drive profitable sales at retail and within your brand. Remember, shoppers can't buy what they can't find and if they can't find your product, well, guess what? Most likely buy your competitor's product and you may have lost a loyal shopper. The cost to get that consumer back is going to be a lot greater than it was the first time.



Download the show notes. You can go to BrandSecretsandStrategies.com/Session17. There you're going to get the freebie, which is the Efficient Assortment example, and you'll also get my Retail Scorecard.

Thank you again for listening and I look forward to seeing you in the next show.

Thanks again for joining us today. Make sure to stop over at brandsecretsandstrategies.com for the show notes along with more great brand building articles and resources. Please subscribe to the podcast, leave a review, and recommend it to your friends and colleagues.
Sign up today on my website so you don't miss out on actionable insights and strategic solutions to grow your brand and save you valuable time and money.

I appreciate all the positive feedback. Keep your suggestions coming.

Until next time, this is Dan Lohman with Brand Secrets and Strategies where the focus is on empowering brands and raising the bar.

