"Too many 'campaigns' are allowed a single airing before being declared a failure with the brand team returning to the drawing board."

the company's ability to build sustainable shareholder value.

Unleash the power of data

It is an obvious statement: 'We must extract every penny from the P&L from retail sales value to operating profit'. However, you won't be alone in unhappily condoning +/- 20% forecasting accuracy whilst your promotional RoI analysis might still be an aspiration rather than reality. With the variety of data sources/ manipulation tools available, there are substantial opportunities here.

Consider recasting your category team into a Category Strategy and Advanced Analytics Team. Give them a data and insight role bringing together marketing mix modeling, forecasting and trade spend optimisation and you will create a powerful advisory group who can support inter-disciplinary decision-making (better marketing and joint business plans for a start) as well as consulting with customers on optimising category profitability. Tesco/ BCG took a comparatively simplistic approach to modeling its category reset, and this should act as a wake up call to embrace and drive an area that has been ignored for too long.

In conclusion

UK retailers need strong, distinctive brands with differentiated products...now. The product quality of many brands is arguably not good enough to support these customers in their hour of need, and to the eventual detriment of brand owners.

Our authors from Deloitte showed that successful profitability stems from your business philosophy rather than your process or systems. Get back to basics. Eulogise financial performance as the reward for having a superior marketing mix.

Do you really understand your market landscape and consumers? Do you have a truly distinctive brand built through exceptional creative talent? Does it make you laugh, cry, cheer...? Do you really love your product? And do your consumers?

Are you disciplined in execution, ensuring consumer memory structures are consistently built and reinforced? Are you building brand/ sub-brand/product pillars with substantial

economic scale (aka consumer reward) that are nigh on impossible for a retailer to delist?

Are you treating your innovation funnel as a funnel? Do you have a balanced project portfolio?

Have fun. Embrace data.

The leading retailers will continue to flex ranging to better compete with the discounters. Large or small, make sure you are one of the winners.

Private label decline
a chance for Spanish retailers

Private label decline: a chance for retailers and manufacturers to reinvest in product innovation. >>

Market snapshot

SPAIN

Spain's recovery has continued apace over the last 18 months, and by the end of the year its economy is expected to have expanded by 2.7%. The country still has the highest unemployment in the western world, however, and analysts have pointed to that as well as domestic political uncertainty and international economic tensions as being a key reason behind a fall in consumer confidence at the start of the year. Despite this underlying sense of foreboding about the future, low interest rates as well as the falling oil price have given Spanish consumers greater spending power, and strong retail sales driven by food and non-food categories as well as a booming tourist trade, will likely help Spain be one of Europe's fastest growing nations, ahead of France and Germany. Ecommerce sales have also risen to record levels showing how the shopping habits of Spanish consumers are gradually becoming more aligned to their peers in Europe.

Between 2009 and 2013, Spain's private label market grew by over 30% as the economic crisis effectively forced retailers to offer consumers more low cost alternatives to branded goods. Led by supermarket chain Mercadona, a fierce price war began in the Spanish grocery trade as stores actively removed unprofitable branded product lines, and focused instead on developing portfolios of low cost private label goods. Mercadona, for example, introduced 64 private label yogurt varieties between 2010 and 2012 alone; an indicative strategy that helped the business remain profitable during the 'great recession'.

"...stores actively removed unprofitable branded product lines, and focused instead on developing portfolios of low cost private label goods."

Spain's economy, however, is gradually leaving its troubled past behind. This is evident in the fact that the country has recently recorded its ninth straight quarter of positive GDP growth, while unemployment has also fallen to its lowest level in four years. With more consumers again enjoying the stability of permanent employment, consumer confidence has risen and spending has increased. The FMCG market has now stabilised amidst this more favourable climate, with retail sales climbing at a faster rate than in previous months and at above the expected growth rate for the year.

The last few years of living through austerity, however, has ingrained a culture of frugality into the mind-set of the Spanish consumer. Shopping for value is still a major priority for people and amidst a retail environment swamped by heavily discounted private label goods and a never-ending cycle of promotional offers, almost half of shoppers, according to a recent study, still actively seek discounts. Yet the revived economy is leading to subtle changes in the sector, in particular by heralding the return of branded goods manufacturers, who want to lure 'better-off' consumers back to brands.

Although Spain still leads Europe in terms of the size of its discounted private label market, with over half of grocery products falling into this category, a recent study confirmed that only a third of Spanish consumers intend to buy private label products over the next 12 months. Private label spend in Spain had already declined between 2013-2014, in line with a broader European trend, yet whereas retailers and manufacturers in the UK and Germany, for example, are finding ways to reintroduce more standard prices to reset the balance, Spanish-based firms are still trying to satiate discount hungry consumers with offers.

By tapping into the changing psyche of the Spanish consumer - who stills wants to spend cautiously but believes their increased wealth and stability means they can enjoy the 'well known' products again - brands are being positioned as 'affordable' and sold at lower prices; and consequently branded goods manufacturers are regaining market share. A good example of this in action was the launch of the small €1 Cornetto by Unilever Spain, in 2015. Analysts believe, however, that this type of activity is potentially damaging in the long term, as it could diminish the premium aspect of brands and train consumers to focus only on price, while ignoring other 'brand attributes' like health or convenience.

With the grocery trade in Spain seemingly committed to driving its discount agenda, the price difference between private and branded goods is shrinking. That is clearly an unsustainable model for retailers and manufacturers and therefore something must change. Retailers still want to create successful private label portfolios and reap the rewards of higher margins. In order to do so, however, they must invest in further distinguishing their products from the branded equivalents. Likewise, branded goods manufacturers must embed new ideas and quality into products, something which has seemingly been lost in the race to reduce prices.

What has been apparent during the last few years is that businesses in the consumer products industry that have moved forward amidst the enduring burden of austerity have been those that have developed successful innovation programs; innovation therefore, is still the key ingredient that will guarantee success in Spain's retail environment. Industry analysts are also calling for greater collaboration between retailers and manufacturers to meet the needs of consumers, but also to find ways to ensure collective profitability by nurturing healthy competition through a mixture of discounted and standard priced goods, and private and branded labels.

> "By tapping into the changing psyche of the Spanish consumer, brands are being positioned as 'affordable' and sold at lower prices."

Featured interview >>

MIGUEL CHAPA, MARKETING DIRECTOR AT BEL SPAIN

Miguel Chapa

Marketing Director at Bel Spain

Bel Group is the French multinational owner of a range of iconic global cheese brands including Babybel, The Laughing Cow, Kiri, Leerdammer and Boursin. We caught up with Bel Spain's Marketing Director Miguel Chapa Monteagudo to find out how the business has experienced rapid growth in Spain over the last few years despite challenging market conditions. >>

Miguel Chapa Monteagudo
Marketing Director at Bel Spain

Bel Spain began a journey of transformation a few years ago. Why was this journey necessary?

Undoubtedly, the difficult economic conditions in Spain over the last few years have severely impacted the growth of branded goods makers such as Bel. This was particularly apparent within the context of the cheese industry, where Bel primarily operates. The cheese category in recent times has become more and more commoditised and has been in desperate need of a 'step change' to better address new trends and challenges. So, to combat prevailing economic conditions and remain competitive in a rapidly changing market, Bel needed to transform its approach and leverage the expertise of different departments across the business, working collectively to address various factors. These included how to better understand its consumers, improving its customer engagement both on and offline, and working towards building better relationships with external partners. At the same time it needed to invest in its own people, as it was clear that they would be the key to the business achieving the objectives of its transformation.

During the last three years and despite enduring difficult market conditions, Bel has been one of the fastest growing FMCG companies in Spain. What has been the key to Bel's success?

That's right, while FMCG in Spain grew by 2.6% during the last three years, the organic