USDA Agricultural Outlook Forum 2007

FUTURE DIRECTIONS IN CONSUMER-BASED MARKETING AND PROMOTION:

MICRO-LEVEL PROMOTION AND PRICE OPTIMIZATION

Jon Hauptman
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Presented: Friday, March 2, 2007

WILLARD BISHOP

Agenda

- Today's Competitive Marketplace
- Price Optimization
- Targeted Pricing
- Innovative Marketing Vehicles (Outside the Store)
- Innovative Marketing Vehicles (Inside the Store)

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Today's Environment

A Wide Variety of Formats are Vying for Shopper Spending

WAL★MART SUPERCENTER

SuperTARGET

Walgreens

COSTCO

DOLLAR GENERAL

7 ELEVEN

WHOLE FOODS MARKET

ALDI

TESCO

IKEA

amazon.com

SAVE·A·LOT

TRADER JOE'S

LINENS·N·THINGS

THE HOME DEPOT

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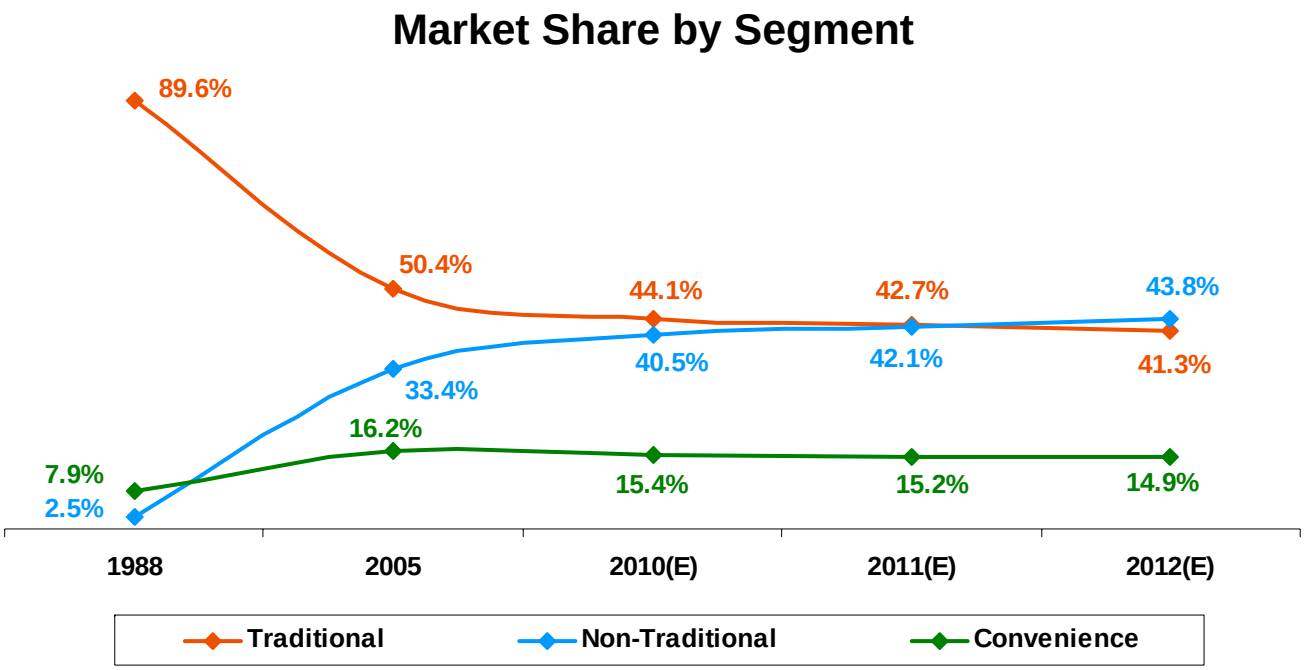
Traditional Channels Are Losing Share

Grocery and consumable sales are continuing to shift from traditional to non-traditional channels.



Source: *Willard Bishop, 2006*

By 2012, non-traditional retailers will surpass traditional retailers in food and consumables sales.

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Price Optimization

- AKA: Retail Revenue Management
- Identifies/sets price points to optimize
  - Sales and/or margin
  - Across the store
  - Continuous
- Accounts for:
  - Price elasticity
  - Cross elasticity
  - Promotional response
  - Cannibalization

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Price Optimization

Why Now for Price Modeling and Optimization?

- Data is more prevalent: POS and Price-Book
- Science has become more mainstream and “de-mystified”
- Computers can handle the data processing
- Software is more intuitive
- It Works!

Source: KSS

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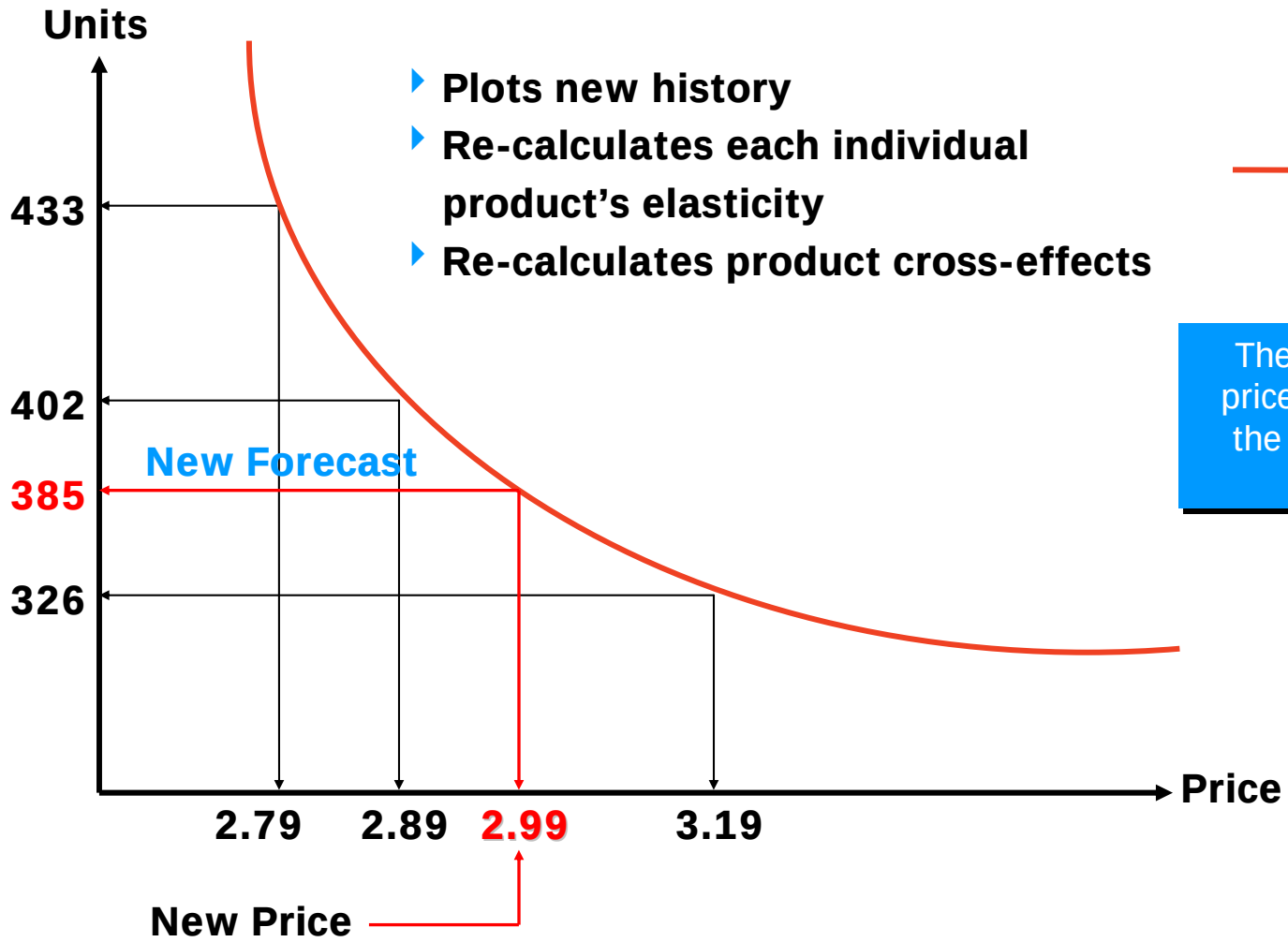
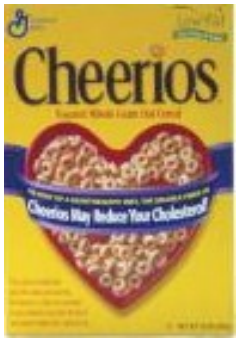
Price Optimization

Elasticity Calculations

- Plots new history
- Re-calculates each individual product's elasticity
- Re-calculates product cross-effects



The more incidents of price change over time, the more accurate the demand curve.



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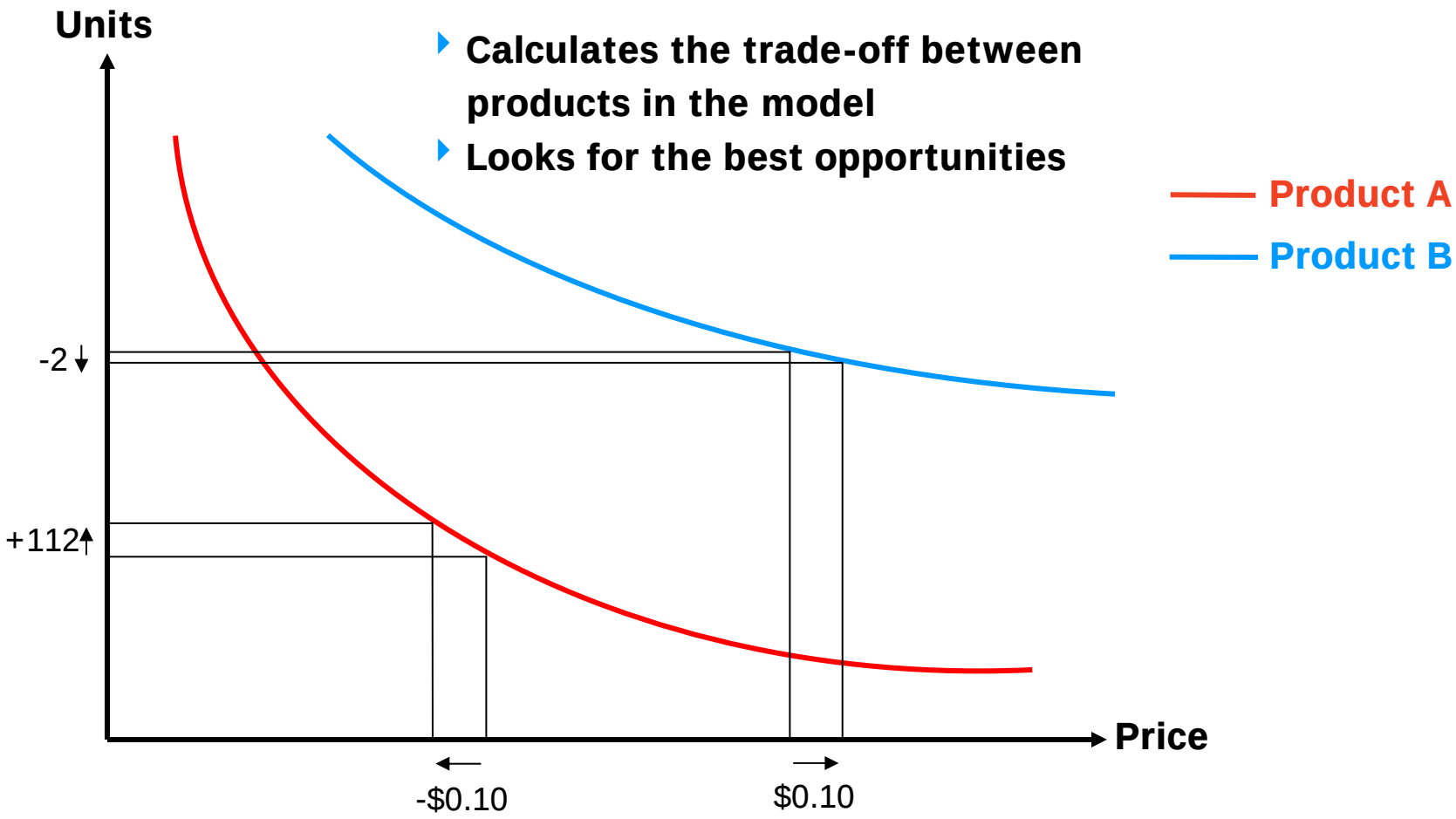
Price Optimization

- Calculates the trade-off between products in the model
- Looks for the best opportunities



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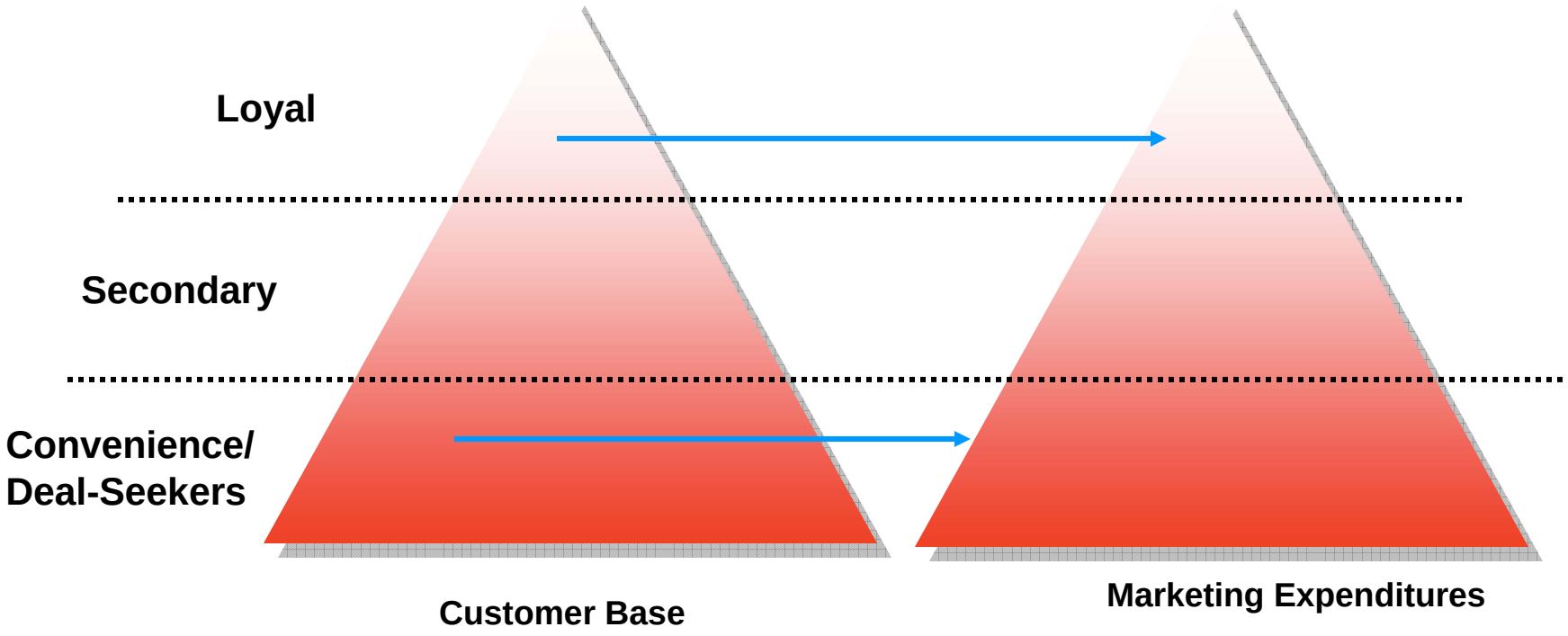
Target Price to Win New Business

Traditional Retail Marketing Economics*



Source: "Customer Intelligence: The Value of Customers, The Power of Profits," Gary Hawkins

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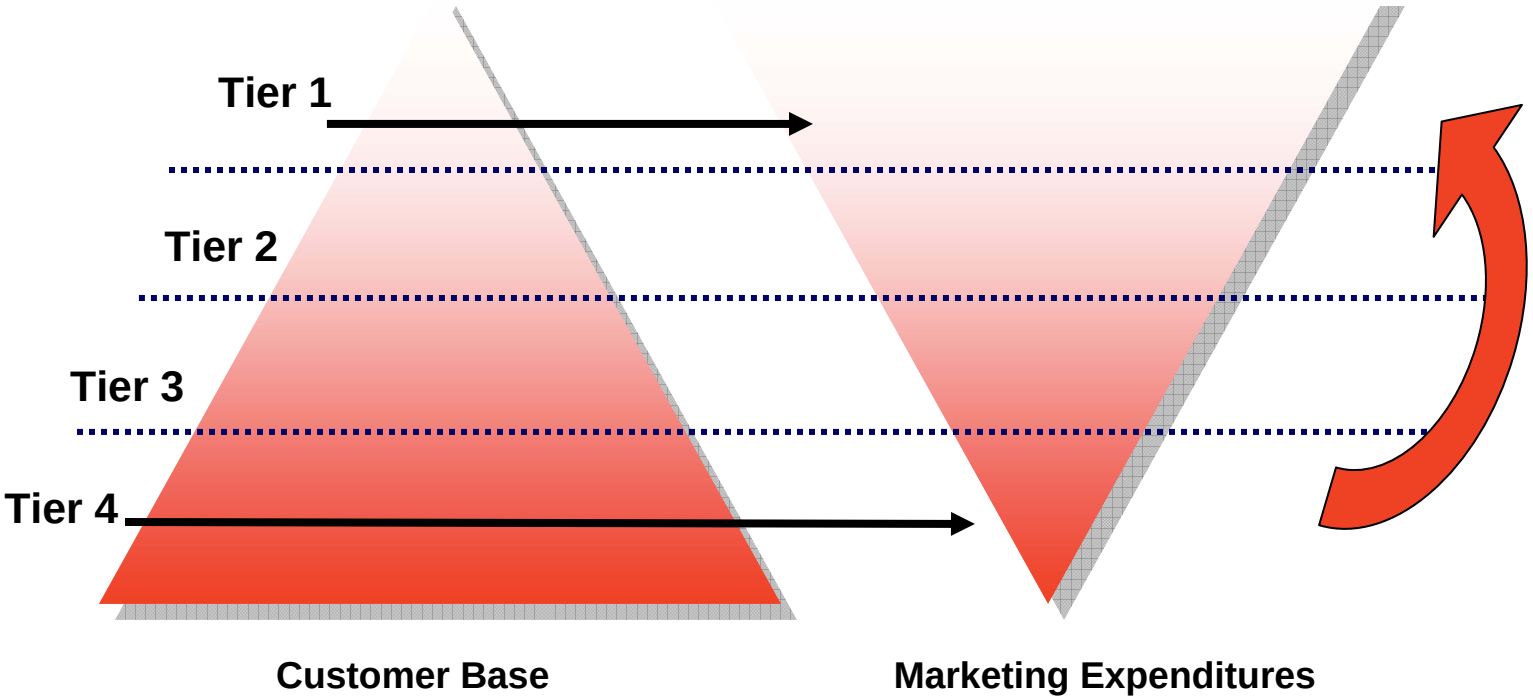
Target Price to Win New Business

Customer- Focused Marketing Economics:
Superior Return on Marketing Investment



Source: "Customer Intelligence: The Value of Customers, The Power of Profits," Gary Hawkins

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Target Price to Win New Business

Some Shoppers are More Valuable Than Others

	Approximate Average Spend *(Per Year)*		
	Gas/ Convenience Stores	Fast Food Operators	Bookstores
Decile			
10	$ 5,700	$ 520	$1,120
9	$ 3,400	$ 260	$550
8	$ 2,600	$ 180	$385
7	$ 2,000	$ 130	$280
6	$ 1,500	$ 90	$215
5	$ 1,000	$ 65	$165
4	$ 60	$ 45	$120
3	$ 300	$ 30	$85
2	$ 140	$ 15	$50
1	$ 40	$ 5	$30

Source: "Customer Intelligence, The Value of Customers, The Power of Profits," Gary Hawkins; data provided by Visible Results (www.visibleresults.com)

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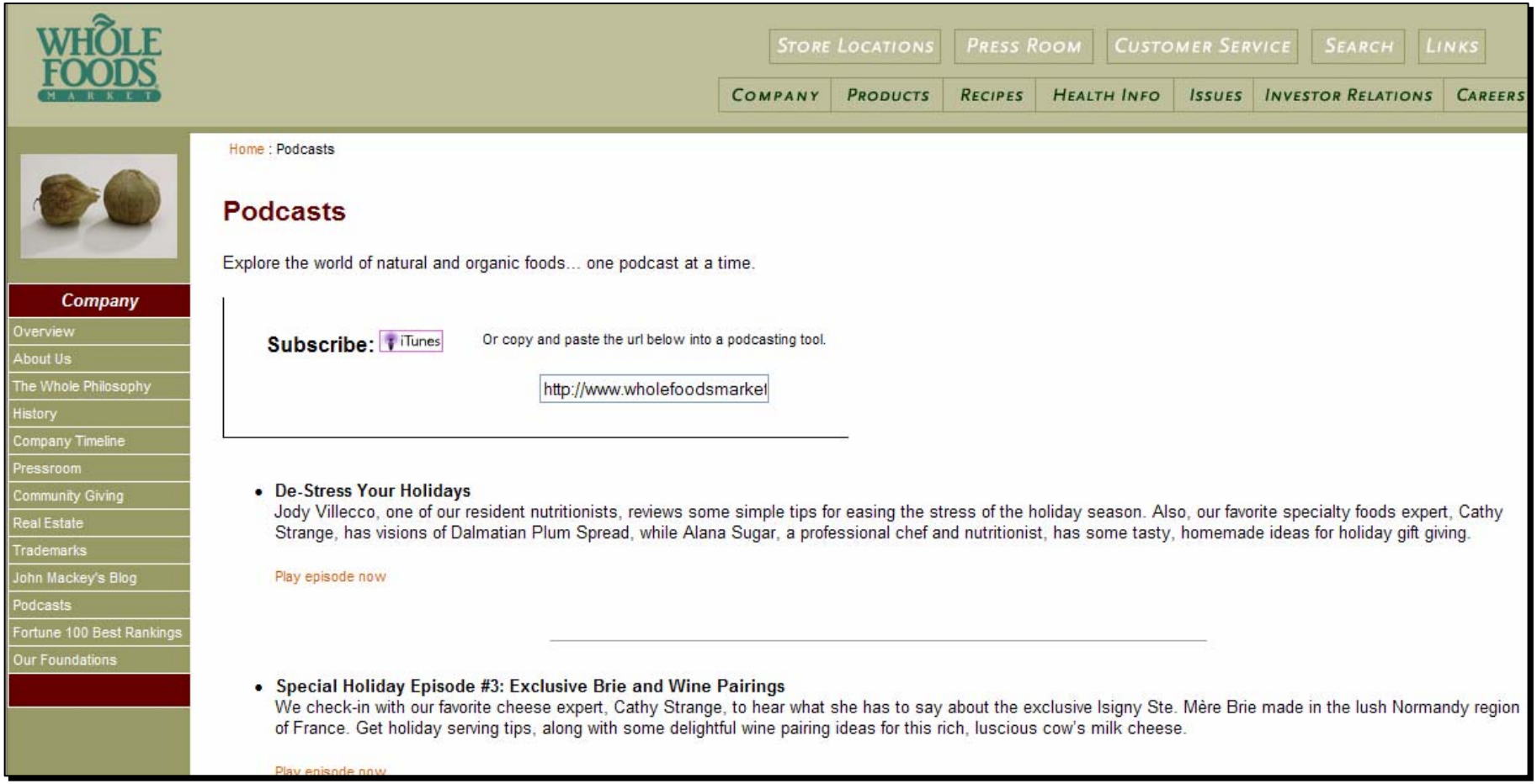
Podcasts



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Blogs

WHOLE FOODS MARKET

STORE LOCATIONS | PRESS ROOM | CUSTOMER SER

COMPANY | PRODUCTS | RECIPES | HEALTH INFO | ISSUES

Company

- Overview
- About Us
- The Whole Philosophy
- History
- Company Timeline
- Pressroom
- Community Giving
- Real Estate
- John Mackey's Blog

Home : Company : John Mackey's Blog

The CEO's Blog — John Mackey

Conscious Capitalism: Creating a New Paradigm for Business

Hi Everyone,

I've been very gratified and impressed with your responses to my dialogue exchange with Michael Pollan over the last six months. The following lengthy essay is something I have been working on for several months; the ideas have been gestating for many years. The topic is Conscious Capitalism and I encourage you to read this material with your mind open to the possibilities inherent in these ideas. The essay is long and it may take extended time and concentration on your part to read. However, I think the ideas I articulate here are important ideas and they deserve to be read by an intelligent and critical audience.

Continue reading "Conscious Capitalism: Creating a New Paradigm for Business"

Posted by John Mackey at 9:31 AM, November 9, 2006
Comments (54) | TrackBacks (0)

Compensation at Whole Foods Market

The following message from John Mackey was distributed to all Whole Foods Market Team Members on November 2, 2006.

Archives

- November 2006
- June 2006
- May 2006
- February 2006
- October 2005
- September 2005

Recent Entries

- Conscious Capitalism: Creating a New Paradigm for Business
- Compensation at Whole Foods Market
- Detailed Reply to Pollan Letter
- Michael Pollan's Response to Whole Foods Market
- An Open Letter to Michael Pollan
- The Upward Flow of Human Development
- Winning the Battle for Freedom and Prosperity
- 20 Questions with Sunni's Salon
- Rethinking the Social Responsibility of Business

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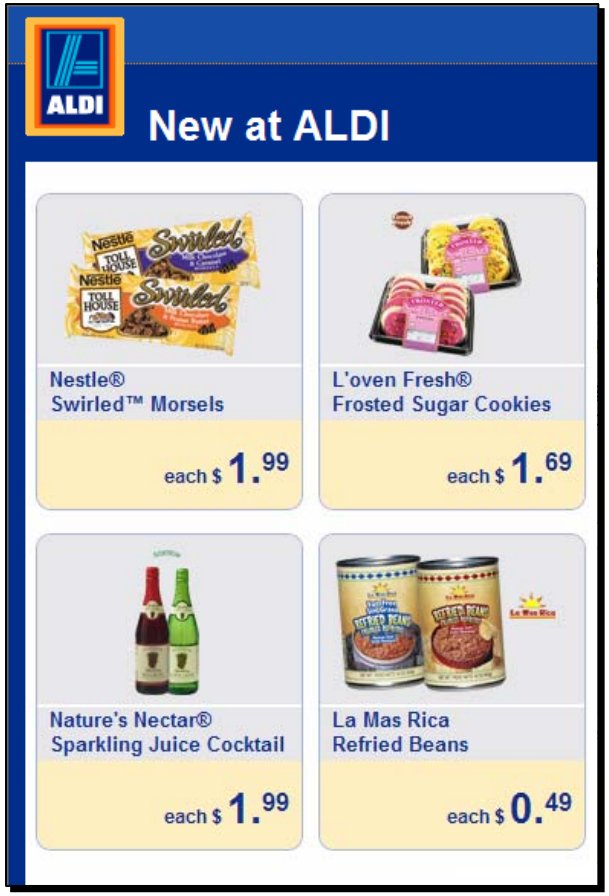

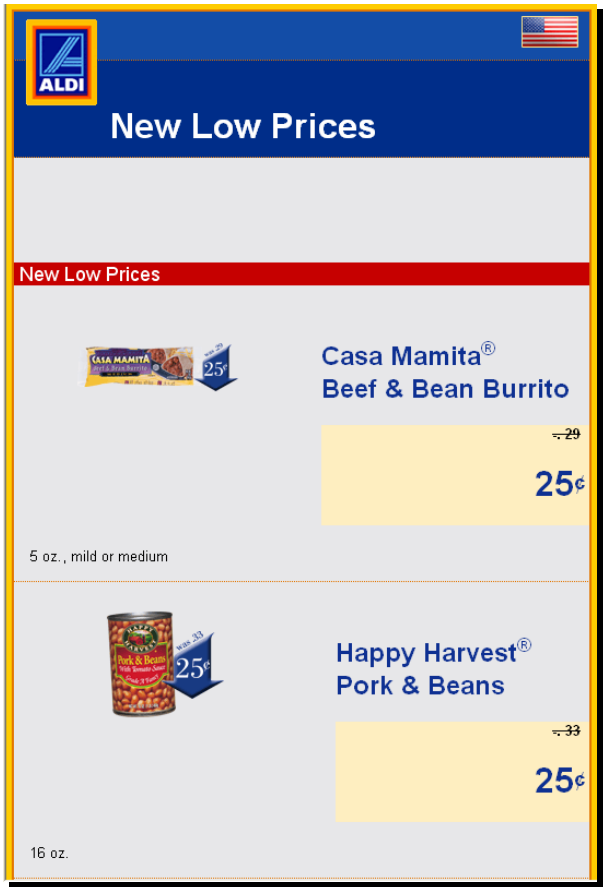

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Targeted Pricing – Kiosks

This is all about personalization that “recognizes” and “rewards” the shopper.

- Special prices
- Extra services
- Transaction discounts
- Lifestyle-defined offers

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Cell Phone/Text Messaging

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Interactive Cart

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In-Store TV/Digital Signage

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Smart Displays

RFID Tracking

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Good Luck!

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