

## Differentiating a retailer in a Price Driven Market

### Liquorland New Zealand

Jon Ramage – CEO, Y&R New Zealand

[Jon\\_Ramage@nz.yr.com](mailto:Jon_Ramage@nz.yr.com)

In a tough New Zealand retail market, facing at least four percent year on year decline due to competition from supermarkets, one liquor specialist managed to increase their same store sales by 5 percent per year, more than doubling its growth rate. It did this solely through effective brand- building advertising ,a move from price based newspaper offers to an integrated campaign encompassing television, radio, best buys, in store and staff training manuals - all designed to differentiate its brand.

This advertising not only created brand differentiation through a more emotive positioning focussing on shopper benefits, it drove customer count and sales to unprecedented levels of growth.

It takes courage for a retailer to make such a dramatic shift in advertising strategy, especially when it might seem counterintuitive. Promotional advertising always seems the sure way to drive traffic. But the environment today requires more than that. Creating growth in retail is requires changing the way we do business and engaging the entire organization in the process.

Liquor retailing is a tough game. Like most all segments of retail, we've experience intense competition and fragmentation.

Over the last few years supermarkets have increased their focus on liquor, intensifying already tough competition by using wine and beer to drive foot traffic and driving prices down in the process<sup>1</sup>. **This resulted in a 4-5 percent year on year decline for the specialist liquor retail category** in our market.

At the same time as supermarkets increased their focus, hundreds of small liquor outlets had opened up, often small stores, operating on razor thin margins. And a new player The Warehouse is expected to offer deep discounting as well.

International trends were showing that competition was going to get even fiercer, and only the strongly differentiated stores would survive. **Yet in New Zealand the focus for all specialty liquor stores was price promotion.**

Within this murky battleground was Liquorland, the largest chain in the category with 75 stores, selling beer, wine and spirits. But up until 18 months ago, its size didn't mean much. **Liquorland was an undifferentiated brand<sup>2</sup> in an undifferentiated category.** Liquor King, Super Liquor, Liquor Centre – all the retail brands even sounded the same, and all competed on the untenable position of price. The only differentiating factor that Liquorland had was Fly Buys.

Combine this with the fact that Liquorland is a franchised business. One of the main reasons for buying a franchised business is to buy the brand name. Without a strong brand, the value of a franchise deteriorates, and it also becomes very difficult to get franchisees to comply to operational and brand standards.

Liquorland was in a tough position. It wanted to be the best specialist liquor retailer in New Zealand – not just one of the mêlée competing on price.

The challenge was to create brand differentiation that would allow Liquorland to promise customers something other than low prices and Fly Buys. It would add goodwill, leverage communications spend, and most importantly ensure a sustainable future business.

But on what basis? And how to accelerate sales growth immediately at the same time as creating a brand?

Liquorland - There's No Land Like It.

**Liquorland's to define their overall mission, it is the best specialist liquor retailer in the land.**

They wanted to be head and shoulders above the smaller one-man-bands, but also the other larger chains such as Liquor King and Super Liquor. The focus was firmly on liquor (beer, wines and spirits), not additional convenience products, in order to provide specialist service to customers.

**They wanted to gain market share, and ensure sustainability by removing their reliance on price as a lever.** This stated goal made it critical to move beyond a price/ promotion approach we needed to create meaningful brand differentiation that would ultimately increase sales.

#### **1. Create meaningful brand differentiation:**

Liquorland had not previously done any national non-price advertising, so objectives were set in the classic "awareness, interest, desire" framework: We set ambitious awareness goals with an emphasis on showing the Liquorland experience. Our ultimate advertising objective was to create desire to shop at Liquorland.

#### **2. Increase Sales**

Double same store sales growth - from 2% to 4% year on year.

A combination of the two objectives would lead to an **overall increase in profitability**, both at a group and store level.

While these targets may sound easily achievable, it is important to remember that the overall **liquor category in New Zealand is flat<sup>3</sup>**, and has been for many years. On top of this, **supermarkets are continuing to take share** of the beer and wine categories, at around 7 per cent per year.

**So a steady state in specialist liquor would be a year on year decline of about 3 per cent per year.** Even maintaining the 2 percent growth in the face of new competitors such as The Warehouse would be incredibly difficult.

## TARGET AUDIENCE

The target market was broad – all people who bought liquor aged 18-39. Males are the most frequent customers, but any liquor store has to be female friendly, particularly to attract wine purchasers.

Purchases are driven by occasion type – where, when, and in what type of situation the alcohol was to be consumed.

The one thing that this broad group have in common is that as well alcohol, **they are buying good times – a social occasion usually starts at a liquor store.**

With this in mind, we described our **creative bullseye** as:

A female friendly 26 year old male – sociable, likeable and one of the crew. He uses liquor stores (vs supermarkets) for spontaneous purchases – to grab something on the way home, on the way to a dinner out, on the way to a barbecue, on the way to hang out with his mates. Or for an event – a party or special dinner, where he may need some advice.

He associates alcohol with good times – celebrations, rewards, unwinding, socialising, partying...**And he'd prefer to buy his alcohol somewhere that reflects those good times** and let him live the moment, rather than a bare bones booze barn, or a sterile supermarket.

We'd conducted some research<sup>4</sup> on the kind of things our target would like to see in store – convenience obviously, but a store that was friendly and approachable – one that didn't make you feel foolish if you didn't know that much about wine.

---

## CREATIVE STRATEGY

**Our foundation insight was that any social occasion usually starts at the liquor store.**

With this in mind, we redefined the consumer benefit from “Liquorland provides a range of beer, wines and spirits at competitive prices” to **“Liquorland is the place where good times start”**.

The number one priority was to differentiate a brand in a category where no differentiation currently existed.

We knew that with limited budgets, immediate sales targets, and an army of franchisees and store workers to win over, any strategy must:

- be able to show what Liquorland could offer over and above small retailers and supermarkets
- be able to be a platform for the retail offers so important for getting people in the door
- start at the inside of the store out – there was no point in creating a brand if it didn't incorporate franchisee and staff training, point of sale and all the other things that can bring a brand experience to life
- work across a variety of media
- enable a more effective use of Fly Buys

**We started with the name and worked from there.**

One half of the Liquorland brand was nothing more than the generic name for the category. Take away the liquor, and you're left with the land. That was the starting point for differentiation. After all, nations are the most strongly differentiated brands in the world.

By positioning Liquorland as a land of its own, we set it apart from the competition, and opened the door to an incredibly rich store of potential brand cues. Anything a real country had, we could have too. Laws, newspapers, weather forecasts, ministers (in the Liquor Cabinet), and even a national bird (the roast chook).

Our stores became the physical depiction of our land, and our staff its citizens. Our land grew from the store out, and our laws became the ethos for staff training, pricing and service.

The idea of land let us easily convey the benefits of shopping at Liquorland – they have become the twelve laws of our land. We used these in store, and as the basis for our 15 second television commercials.

We even declared our own holidays. In place of Easter, Liquorland locals celebrate an annual Fly Buys Fiesta. (see included direct mail piece).

We started communicating from the inside out - starting in store. Our stores have signposts, and weather forecasts, just like a real land. Our laws are posted around our shop, and our price offers are special declarations from our Finance Minister.

The result of this was a land where the only passport required was the desire to enjoy yourself and have a good time.

### **Other Communications Programmes:**

Internal communications were a crucial part of the advertising's success. Retail is about the whole experience, so what happened in store had to live up to the advertising.

We designed an Encyclopaedia Liquorlandia which tells all staff what the land is about, as well as giving a basic education in branding to franchisees who often have little retail or marketing experience.

Business titles changed to reflect the focus on brand differentiation. The GM became the Prime Minister, the Marketing Manager the Minister for Propaganda. These changes covered all staff – operations managers became the Managers of Internal Affairs, the merchandising manager the Minister of Foreign Affairs. No one was left out – the head of administration was the Secretary of State, the person who looked after POS the Minister of Tourism.

## **MEDIA STRATEGY**

Primary target audience was all liquor buyers aged 18-39. Both males and females were important to us, even though they had different purchasing habits. Males buy more, but females buy higher margin products.

Part of the problem of lack of differentiation between liquor stores had been that not only did they all say the same thing (price and product), but they all used the same media – national press. We knew from comparing sales increases to expenditure that national press was not effective in increasing sales, and as a medium it would not be effective for brand building or for showing a differentiated message.

Instead, television was chosen as the primary medium – because of its ability to raise awareness and differentiate Liquorland from other retailers. We also knew we could dominate this medium – no other liquor retailers were using it. This was differentiating in itself.

To extend reach and frequency, we used 15 second TVC's, each of which took the form of a "Rough Guide" style travel programme, and communicated one of our laws (which were really key consumer benefits).

We still need to be able to communicate our retail specials – but in a more effective way than national press. We chose the Best Buys catalogue, a vehicle that targets 900,000 households. This was much more cost effective than newspapers, but allowed significant reach, especially among the female market. This was important, not only for targeting female purchasers, but because it allowed us to showcase our Fly Buys offers, where females are the main followers.

There are five key sales weekends in liquor retailing (Christmas, Easter, etc). Over these key times we used radio for promotions. This allowed us to promote special offers, driving people into store, while still bringing the 'Laws of the Land' concept alive. This meant we could tie into television, but also to introduce new elements of the "Liquorland There's No Land Like It" concept, where it wasn't possible on television. For example, we introduced the Minister of Finance through the 20% off wine promotion – it became a Ministerial Declaration.

## RESULTS

Against objectives, the results clearly show the effectiveness of the advertising. All pre-set measures were met or, in most case, exceeded.

### Objective 1: Create Brand Differentiation

Objective:	Result:
1. Create awareness for the Liquorland brand: - 50% ad recall - 70% brand recognition	- Prompted advertising recall among target audience (18-39's) of <b>68%</b> , and 54% among all alcohol buyers <sup>5</sup> - <b>79%</b> of recallers associated the advertising with Liquorland <sup>6</sup> .
2. Show that the Liquorland experience offered more than just price: - message takeout - 40% enjoying the advertising	- <b>60%</b> described message as "there's no land like it" compared to only 15% who thought it was for the "best deals in the land" <sup>7</sup> - Consistently over <b>40%</b> of all demographic groups said they enjoyed watching the ads <sup>8</sup>
3. Develop positive perceptions to Liquorland compared to other liquor retailers.	- 57% of people, having seen the ads, indicated they would be likely to shop there.

In the appendix

**The results show that we built brand awareness and differentiation, resulting in an increase in positive perceptions towards Liquorland.**

**This in turn had a positive effect on the second objective – increasing sales.**

---

The result of the Liquorland advertising has been an ongoing year on year increase in same store sales – **up 5 percent**<sup>9</sup> – against a category decline of between 4 and 5 percent. Within this we have measured an increase of customer counts and an increase in basket value.

This increase in sales can be shown to be directly attributable to the advertising. Over this period this was the **only change** within Liquorland to have occurred. Factors such as pricing, range and management all remained constant. Competition, if anything only got fiercer. Liquorland had been using Fly Buys for 9 years, but as a result of the new advertising incorporating Fly Buys, Fly Buys customers increased from 20% to 50% of sales.

Television was particularly effective, generating an additional 2 percent growth in sales when flighting. This is especially important given that the television ads are about brand and benefit, not about a retail sales offer or a special price – yet they immediately drive an increased customer count and sales.

This is shown in the graph below comparing television advertising with sales. Sales increase by around 5 - 7% over the times advertising is flighting<sup>10</sup>. As these results are indexed against the previous year, there are no seasonality effects.

As alluded to earlier, another important result of the advertising, for which an objective had not been set, was a **cultural change in the organisation**.

As a result of redefining the Liquorland brand as a Land, **there was a change in how staff viewed themselves and the company they worked for. The GM became the Prime Minister, the Marketing Manager the Minister for Propaganda**. Such changes covered all staff – operations managers became the Managers of Internal Affairs, the merchandising manager the Minister of Foreign Affairs. No one was left out – the head of administration was the Secretary of State, the person who looked after POS the Minister of Tourism.

This immediately created differentiation within trade circles for Liquorland<sup>11</sup> versus their competitors and injected brand personality. It created a feeling of brand throughout the organisation, which permeated into individual franchisees and at store level. This changed mindset, brought a smile to the face of customers – showing that the good times really did start at Liquorland.

In summary, the results clearly show that not only have all the results been met, they have been exceeded.

- **What is perhaps most compelling is that despite the shift away from promotional advertising, we've seen a clear correlation between advertising flighting and sales increases.**

The advertising, as well as driving a change in attitudes and sales, was also **business changing** – the concept of Liquorland as a land has permeated throughout the organisation, resulting in a changed perception of what a brand can do for a company.

Note: Key target groups are M18-39 and F18-39

Figure 3 – Campaign Messages

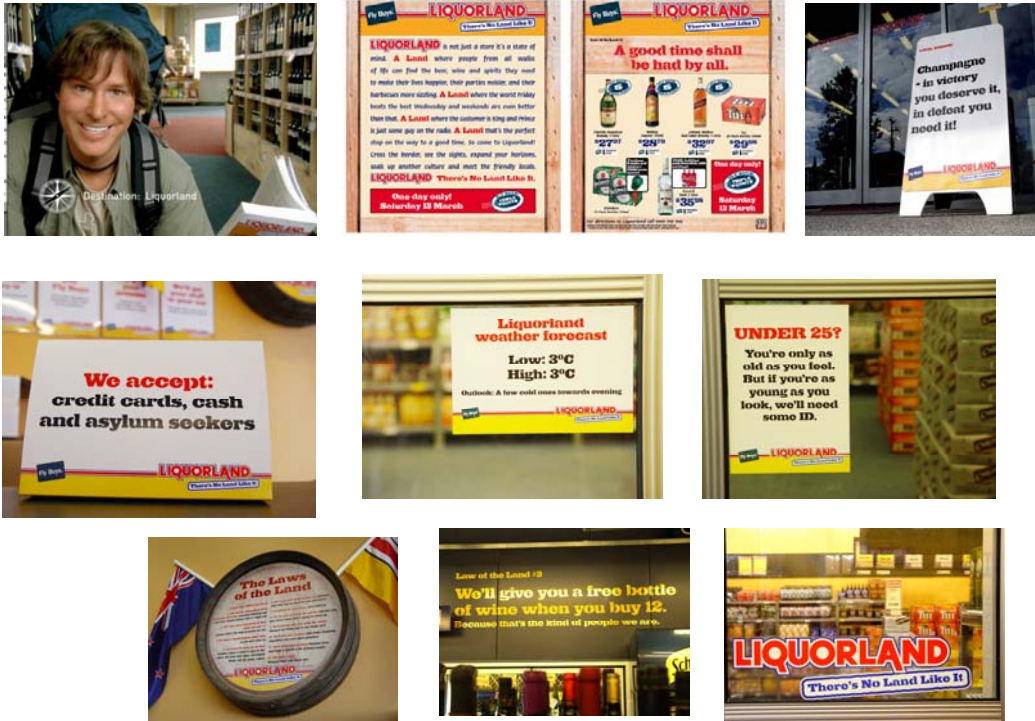


Figure 4 – Likeability

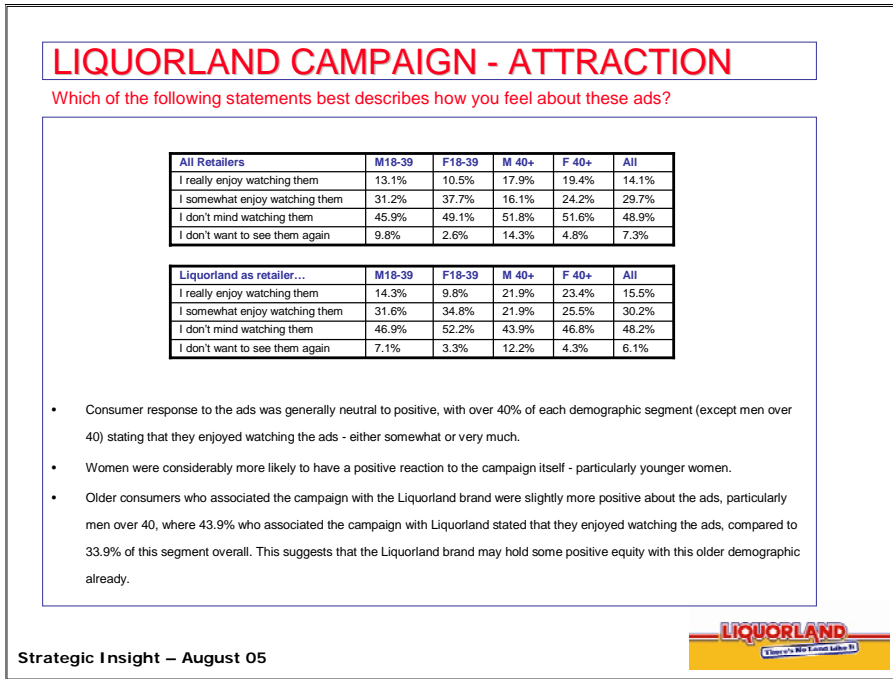
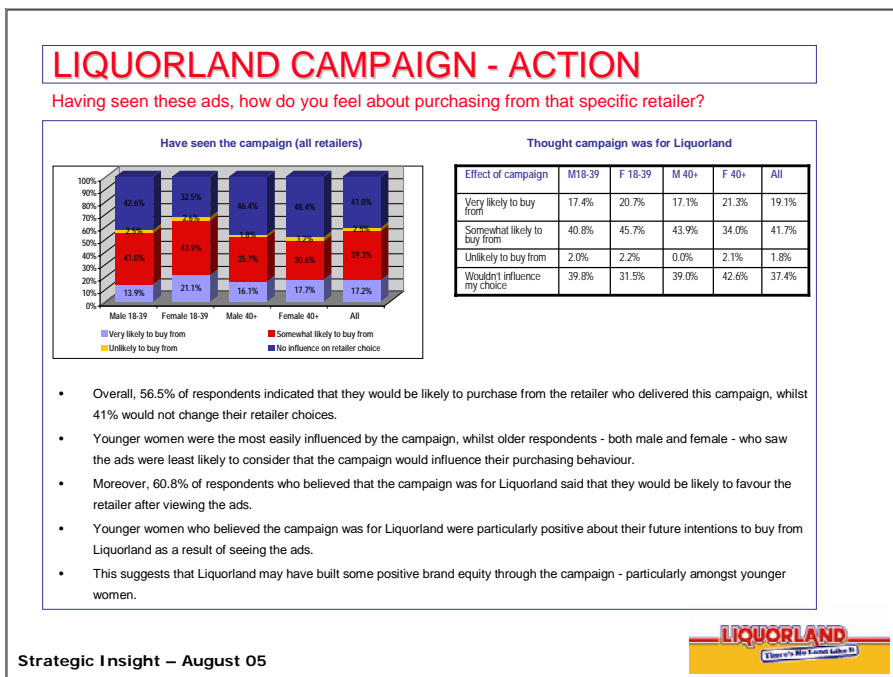


Figure 5 – Propensity to Purchase



Figures 2, 3, 4 and 5, from Strategic Insight Research – August 2005

**Foot Notes:**

- <sup>1</sup> NZ Herald Friday 19, May 2006
- <sup>2</sup> Agency Research
- <sup>3</sup> Department of Statistics – Retail Trade Survey
- <sup>4</sup> Agency Research
- <sup>5</sup> Strategic Insight Research August 05
- <sup>6</sup> As above
- <sup>7</sup> As above
- <sup>8</sup> As above
- <sup>9</sup> Liquorland Internal Data
- <sup>10</sup> Liquorland Internal Data
- <sup>11</sup> Liquorland staff reports