



A Five-Point Plan to Ensure Success in 2009

Category Packaging & Design Focus

Retailers need to focus on adopting measures to ensure their long term survival and not rely on short term fiscal stimulus measures such as the Chancellor's 'VAT holiday' response outlined in the recent pre-Budget report, according to CADA Design Group, an international brand and retail design consultancy that specialises in British design excellence with an international outlook.

With many retailers offering price cuts of up to 25% during the Christmas period in an attempt to sell more or at least maintain customer levels, the VAT cut will do little to alleviate the problem, the consultancy feels.

Founder director of CADA Design Group, David Anderson noted: "Many retailers will lose customers whatever they do and coupled with lower profit margins from introducing significant price cuts means the bottom line will be eroded twice as fast." Anderson points out that at the moment there appear to be three types of business:

(1) those that panic, (2) those with their heads in the sand, and (3) strategic planners. More and more retailers are realising that to survive they have to join the latter band, he says, with CADA believing that retailers need to focus on the following five measures to ensure they endure the recession:

1. Focus on value for customers. Recessions call for an increased focus on value. Brands should take the opportunity to explore the possibility of adding new distribution channels and re-evaluate their current operating systems – take cost out of process.
2. Allocate marketing budget to grassroots activities. All retailers should follow the trend of some of the key players by diverting above-the-line advertising spend into retail marketing and below-the-line activities.

These are usually far cheaper and deliver much more tangible and immediate results by comparison. Retailers will also need to focus harder on the promotion of the product in store.

3. Know thy audience. It is important to get into the mind of a customer when considering cutting prices and by how much. Deep price cutting means some consumers are likely to think: 'if a retailer is prepared to drop prices by this much now, then how much will they drop them in a few weeks time'.

Consumers can smell a retailer's fear and are educated to their sales tactics, which means retailers have to try harder and become more creative in their strategies.

4. Take the high road. Retailers should advocate sustainability and durability in their products taking a moral standpoint when it comes to providing customers with credit schemes or financing options, as it will strengthen their business as well as demonstrate that the company has integrity and understands its customers' needs and concerns.

5. Consolidate your position. Brands need to put their expansion plans on hold and build their war chests to be in a strong position to tackle next year. Then they can take advantage of cheaper properties and lower operating costs. As long as inflation (and in fact deflation) is kept under control, the stronger players will be able to bolster their market share and come out of the recession in a much stronger position.

Anderson, who has cultivated an enviable reputation in both national and international markets for developing creative concepts that meet market expectations, explains: "The hardest hit in the market will be middle market players whose key demographics are middle income families and professionals. These brands will have to try harder to appeal to their customers and with budgets tightened retailers will be keen to engage in cost effective marketing solutions. By adopting the above measures though, even the hardest hit will have a better chance of weathering the storm."

In fact, there will be some seriously interesting opportunities for those retailers that can successfully navigate the current economic meltdown. "The strong will survive and be in an excellent position to take advantage of the surfeit of property that will be on the market come early January," Anderson says. "A lot of keys were handed back on January 2nd and those with the resources will be able to cherry pick the best sites."

The Government, of course, has not particularly impressed during the current crisis (despite what commentators call the 'Brown bounce'), with Anderson making a point that all of us have pondered over – that the 'bail out' plan has to be paid for somehow. He also quotes Winston Churchill who, in a similar situation, said: "We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle." Oh, how we could do with a Churchill now!

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