



This article is written by Tony Gattari, Australia's leading Retail Marketing expert.

Tony Gattari has joined with Howling Success Marketing to help Pet Retailers overcome the 'Addiction to Discounting'.

Howling Success Marketing has a double CD available for \$29.95, which expands on the strategies outlined in this article.

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The addiction to discounting

THERE IS A DILEMMA affecting retailing worldwide and Pet Stores are no exception. It's hurting the likes of Woolworths, Coles, Big W and even large pet retailers. It is a disease that sucks in small retailers, which explains why a lot of independent pet stores are getting belted week in, week out.

The disease has a name:
commodification.

As soon as your products are sold in multiple retail outlets, when customers can understand that there is no mystery in why that product is important to them, or purchasing is based on the lowest price available, they have become a commodity.

Then retailers fill their stores with these commodity items, promote them just because everyone else does, and lowers the price because the big guy down the street is slashing their prices; these are also signs of commodification.

Once a retailer suffers from commodification, they go through the process of denial and blame and go in search of experts to explain why their business is going south.

Experts will diagnose the problem as a lack of branding presence, enhancing the customers shopping experience, poor supply chain, high wages or poor store layouts. Yeah, this may be part of the problem.

Economists will talk about basic supply and demand - High demand for a product naturally brings down the price because it is now cheaper to produce.

They will also add that pure competition

forces retailers to drop their price because the market will force them into that position.

Experts and theory don't explain this – that retailers have an addiction, an addiction to sales. The drug is volume, and once one retailer uses price to increase market share, and is successful in the process, they will link the spectacular growth in the business to discounting. If only there was a 'Discounters Anonymous'.

Retailers are always complaining about poor margins, but it is the exact same retailers who are forcing downward pressures on price well before the market demands it.

A cure to kick the habit

Once you find out your business suffers from commodification, it is like being told you have two months to live. Some survive, some live longer but eventually die and others have a quick death. The strategies listed below are preventative measures and cures for commodification:

Prime mover advantage – Are there products you have that are new, unique, desirable and so exciting that you can create a real buzz in the market? Products that will never be found in the mass market? If you don't have such products, take a look at what is happening outside of your initial market. What opportunities are there that you can take to market before anyone else?

Treat the new product category as a separate business – One of the great ways to take the new product category to a leadership position is to treat the category as a separate business.

Allocate separate budgets, resources, and marketing efforts. Remember that new innovations make up to 20% of your sales, so don't forget your core business.

Lengthen the product life cycle – Once you get prime mover advantage and own a market category you will get copycats. What a lot of retailers do is to use their market position and purchasing power to take market share by reducing price. You should promote your leadership position with aggressive marketing programs to protect your market share, by framing you as the expert of that product.

Add Intangibles – Unique intangible offerings that reduce customer fears are a great way to maintain market share without discounting. Some great examples of intangibles are in-store competitions, guarantees and loyalty programs, which are innovations that have secured the market position of retailers who have embraced this concept.

The solution is simple. Don't be so dependent on items that are commodities. Find products and services that are unique and exciting, and take them to the market first. Once you have a leadership position use that as a marketing tool to maintain that position and avoid discounting as a defensive/offensive strategy.

The golden rule for retailers – don't get high on volume. That thrill turns into an addiction.

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