



Sarah Connelly

Director
Product of the Year
Australia



Brave new world of brand awareness

Signs of a move away from price promotion among some FMCG companies in the UK could herald a global return to focusing on brand building through advertising, although Australia is heading the other way ... for now.

Over the years, I've seen many new product launches and, day to day, I'm generally dealing with clients focused on getting a new product into the market in the best and most cost-effective way.

One of the main challenges they face is the pressure to rely on price promotions as a key strategy for launching their products. It's not necessarily what they want to do, but what they must do to get the shelf space and sales lifts needed to try and stick around.

It's an issue in Australia and overseas. Recently in the UK, however, a new trend has emerged, with some FMCG companies beginning to shun price promotion to focus once more on brand building through advertising, particularly when it comes to new-product launches.

In some respects, this is a brave new world, given the UK sells more FMCG products on price promotion than through other marketing, according to global analytics company IRI, whose research indicates that 49.8 per cent of UK food products and 58.6 per cent of its non-food products are sold on sale – a higher level than anywhere else in Europe, and, for that matter, Australia.

Perhaps the signs of a move away from price promotion represent a triumphant return to the creativity and lateral thinking of the advertising industry – where a clever campaign can build a brand or launch a new product, rather than a two-for-one deal, which may work in the short term but does little for growing the category in the long term.

An IRI study highlights a drop in the proportion of volume sales of FMCG products sold on promotion in the UK in the latest year of its research: a decline of 2.6 share points to an overall average of 51.5 per cent. IRI Strategic Director and study author Tim Eales says this stands out as the “biggest” change it has seen and marks “a complete change in direction”.

Some global brands, including Procter & Gamble, Unilever and Mondelēz, have revealed they have cut down on promotional activity in the UK in favour of shifting marketing spend to other channels.

P&G Chief Financial Officer Jon Moeller has argued that growing the

business by significantly increasing promotion spending would be “a pyrrhic victory”.

“When you talk about increasing trial and sampling at point of market entry and point of market change with noticeably superior products, this moves markets over time,” he said on a call to investors last year. “And being able to price behind superior innovation also moves markets over time. What doesn't move markets is leading the march down on promotion spending.”



It's not just the brands; one of the biggest retailers has followed suit, with Sainsbury's phasing out its multi-buy promotions last year.

“For customers, this means that they will have more flexibility to buy what they need, when they need it, because the regular price of those products will be affordable every day rather than when that product is on a multi-buy promotion,” Sainsbury's said in a February 2016 statement.

Similarly, Coles in Australia has the tagline “everyday low prices”.

UK-based Product of the Year Global CEO Mike Nolan points to a definite shift, with more companies looking to increase brand awareness.

He said local Product of the Year winners were using their award to drive category growth through consumer and trade advertising.

“With FMCG brands pulling promotional activity and concentrating more on brand building, winning awards such as Product of the Year is a great platform to continue building brands,” he said.

Given that Australia often follows

UK trends, what is the landscape here? Are FMCG marketing teams increasing their use of price promotion as a staple tactic, or are they easing back?

Unlike the UK, the percentage of products sold through discounting has increased in the past two years. According to Homescan data from Nielsen, in 2015, 40.2 per cent of all grocery goods were sold on discount; in 2016, the figure rose to 40.6 per cent.

The latest figures from SMI (Standard Media Index) show advertising spend for food products dropped by 6.3 per cent for the first quarter of 2017 compared with the same period in 2016, falling to \$83.2 million.

Perhaps Australia hasn't quite reached the peak of its use of price promotion as a major marketing tactic. Perhaps it may have to get worse before it gets better.

Talk to any of Australia's Product of the Year winners and they will tell of the immense pressure to use discounting to increase sales volume and, in turn, retain their position on supermarket shelves.

One winner said there was so little money left in the marketing budget after price promotion that it could do nothing to try to build brand awareness.

“We can't afford TV, we can't afford print and we're relying on price to tell the story, which is not ideal in the long run, as it doesn't align with our brand and the message we're trying to get across,” the winner said.

Yet, as consumers, we're accustomed to the huge discounting we see in our supermarkets each week and, I'll admit, I'm guilty of stocking up on family staples and favourites when they're on special.

That said, I'm only looking for the brands I know and love, the brands that have already done the heavy lifting to win me as a loyal customer, not the unfamiliar products that have just been released.

We all know that giving something away doesn't mean it will be valued in the long term, which is what many international companies have discovered. I suspect this will eventually begin to filter through to Australia, but, in the meantime, keep stocking up on those two-for-one specials! •