

# This document is discoverable and free to researchers across the globe due to the work of AgEcon Search. 

## Help ensure our sustainability. Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

## USDA Agricultural Outlook Forum 2007

FUTURE DIRECTIONS IN CONSUMER-BASED MARKETING AND PROMOTION:

MICRO-LEVEL PROMOTION AND
PRICE OPTIMIZATION

Jon Hauptman
Partner, Willard Bishop, LLC

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)


## Today's Environment

A Wide Variety of Formats are Vying for Shopper Spending

## WAL*MART 

## O) Supertarcer

 BEMEA옹



## amazon.com



LINENS.n.THINGS


## Traditional Channels Are Losing Share

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

Market Share by Segment


Source: Willard Bishop, 2006

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

## Price Optimization

- AKA: Retail Revenue Management
- Identifies/sets price points to optimize
> Sales and/or margin


## \% $/$ SS

## X khi ©metrics

- Accounts for:
- Price elasticity
, Cross elasticity
- Promotional response
- Cannibalization


## 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

## Price Optimization



## Price Optimization



## Target Price to Win New Business

## Traditional Retail Marketing Economics*



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

## Target Price to Win New Business

## Customer- Focused Marketing Economics: <br> Superior Return on Marketing Investment



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

## Target Price to Win New Business

Some Shoppers are More Valuable Than Others

|  | Approximate Average Spend (Per Year) |  |  |
| :---: | :---: | :---: | :---: |
|  | Gasl Convenience Stores | Fast <br> 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 |

[^0]
## Podcasts

| $\begin{aligned} & \text { WHOLE } \\ & \text { FOODS } \end{aligned}$ |  |  | Store Locations |  | Press Room |  | Customer Service |  |  | SEARCH LI | LINKS |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Company | Products | Recipes | Healt | Info | Issues | inves | or Relations | Careers |
|  | Home : Podcasts |  |  |  |  |  |  |  |  |  |  |
|  | Podcasts |  |  |  |  |  |  |  |  |  |  |
|  | Explore the world of natural and organic foods... one podcast at a time. |  |  |  |  |  |  |  |  |  |  |
| Company |  |  |  |  |  |  |  |  |  |  |  |
| Overview | Subscribe: Tiunes $^{\text {a }}$ Or copy and paste the url below into a podcasting tool. |  |  |  |  |  |  |  |  |  |  |
| About Us |  |  |  |  |  |  |  |  |  |  |  |
| The Whole Philosophy | http://www.wholefoodsmarket |  |  |  |  |  |  |  |  |  |  |
| History |  |  |  |  |  |  |  |  |  |  |  |
| Company Timeline |  |  |  |  |  |  |  |  |  |  |  |
| Pressroom |  |  |  |  |  |  |  |  |  |  |  |
| Communty Giving | - De-Stress Your Holidays |  |  |  |  |  |  |  |  |  |  |
| Real Estate | Jody Villecco, one of our resident nutritionists, reviews some simple tips for easing the stress of the holiday season. Also, our favorite specialty foods expert, Cathy Strange, has visions of Dalmatian Plum Spread, while Alana Sugar, a professional chef and nutritionist, has some tasty, homemade ideas for holiday gift giving. |  |  |  |  |  |  |  |  |  |  |
| Trademarks | Play episode now |  |  |  |  |  |  |  |  |  |  |
| John Mackeys Blog |  |  |  |  |  |  |  |  |  |  |  |
| Podcasts |  |  |  |  |  |  |  |  |  |  |  |
| Fortune 100 Best Rankings |  |  |  |  |  |  |  |  |  |  |  |
| Our Foundations |  |  |  |  |  |  |  |  |  |  |  |
|  | - Special Holiday Episode \#3: Exclusive Brie and Wine Pairings <br> We check-in with our favorite cheese expert, Cathy Strange, to hear what she has to say about the exclusive Isigny Ste. Mère Brie made in the lush Normandy region of France. Get holiday serving tips, along with some delightful wine pairing ideas for this rich, luscious cow's milk cheese. |  |  |  |  |  |  |  |  |  |  |

## Blogs

Store Locations | Press Room | Customer Ser
Company Products Recipes Health info Issues

Company

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,

## 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

Syndicate this site (XML)
The following message from John Mackey was distributed to all Whole Foods Market Team Members on November 2, 2006.

Disclaimer

## E-Communities



For years, consumers have had a love affair with WD-40. They rave about it, tell is their favorite uses
and say its the greatest thing since sliced bread. With this kind of enthusiasm there was only one
and say its the greatest thing since sliced bread. With this kind of enthusiasm, there was only one
thing to do - compile a list of 2.000 uses and start an official WD-40 Fan Clubl
JON THE CLUB,
Joining the WD-40 Fan Club is easy, and FREEI Simply click on the [Sign Up Now] button below and
complete the brief registration form. By joining the Fan Club, youill gain access to a special members-
complete the brief registration form. By joining the Fan Club, youll gain access to a special members.
only section of our Web site offening a variety of benefits and fun things to do, including:
$\checkmark$ Share Your Favorite Stories...(©)
$\checkmark$ Download Fun Freebies
$\alpha$ Check Out the C -newsletter
$\checkmark$ Receive the C-TIP of the Week


TELZ A ARTIEND
ABOUT THUSSITED
*



 Company Consumes should execrse commons
any waming printed on the WO-40 padseaing:

Return to the wD-40 Corporate Site
wD-40 Comp
IIII


## Email



New Low Prices

## New Low Prices <br> rices

Casa Mamita ${ }^{\circledR}$ Beef \& Bean Burrito
.29

5 oz. mild or medium


Happy Harvest ${ }^{\circledR}$ Pork \& Beans
.33

## Targeted Pricing - Kiosks

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

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



## Cell Phone/Text Messaging



Omobileolime


## Interactive Cart



## $\bullet$ In-Store TVIDigital Signage



## Smart Displays

## RFID Tracking



## Good Luck!

## Questions? Please contact:


www.willardbishop.com

WILLARD BISHOP
840 South Northwest Highway Barrington, IL 60010 Phone 847.381.4443 Fax 847.381.3588 www.willardbishop.com


[^0]:    Source: "Customer Intelligence, The Value of Customers, The Power of Profits," Gary Hawkins; data provided by Visible Results (www.visibleresults.com)

