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USDA Agricultural Outlook Forum 2007

**FUTURE DIRECTIONS IN CONSUMER-BASED
MARKETING AND PROMOTION:**

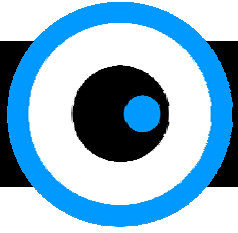
**MICRO-LEVEL PROMOTION AND
PRICE OPTIMIZATION**

**Jon Hauptman
Partner, Willard Bishop, LLC**

Presented: Friday, March 2, 2007

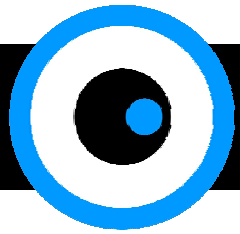


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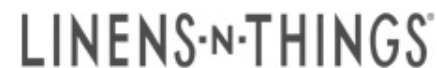
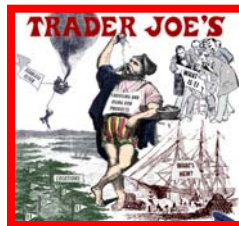
Agenda

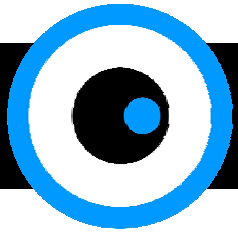
- ▶ Today's Competitive Marketplace
- ▶ Price Optimization
- ▶ Targeted Pricing
- ▶ Innovative Marketing Vehicles (Outside the Store)
- ▶ Innovative Marketing Vehicles (Inside the Store)



Today's Environment

A Wide Variety of Formats are Vying for Shopper Spending

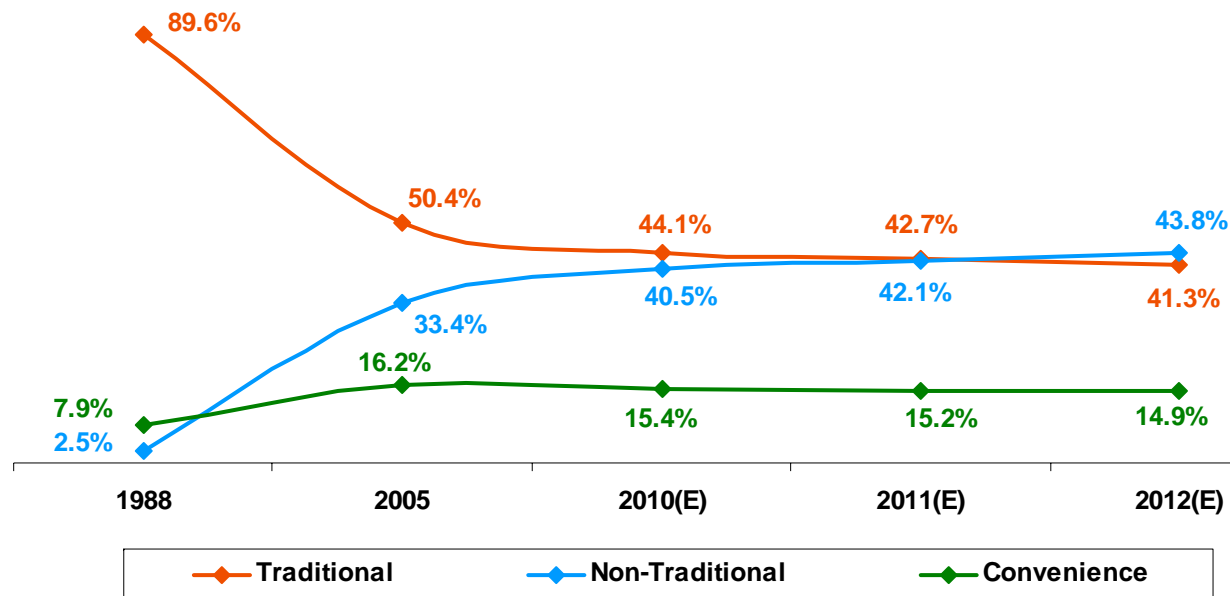




Traditional Channels Are Losing Share

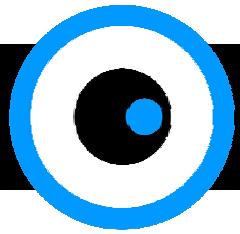
Grocery and consumable sales are continuing to shift from traditional to non-traditional channels.

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
 - ▶ Across the store
 - ▶ Continuous
- ▶ Accounts for:
 - ▶ Price elasticity
 - ▶ Cross elasticity
 - ▶ Promotional response
 - ▶ Cannibalization





Price Optimization

Why Now for Price Modeling and Optimization?

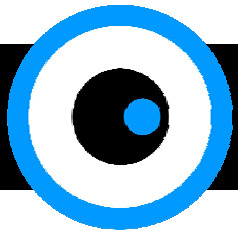
- ▶ Data is more prevalent: POS and Price-Book
- ▶ Science has become more mainstream and “de-mystified”
- ▶ Computers can handle the data processing
- ▶ Software is more intuitive
- ▶ It Works!



Source:  KSS

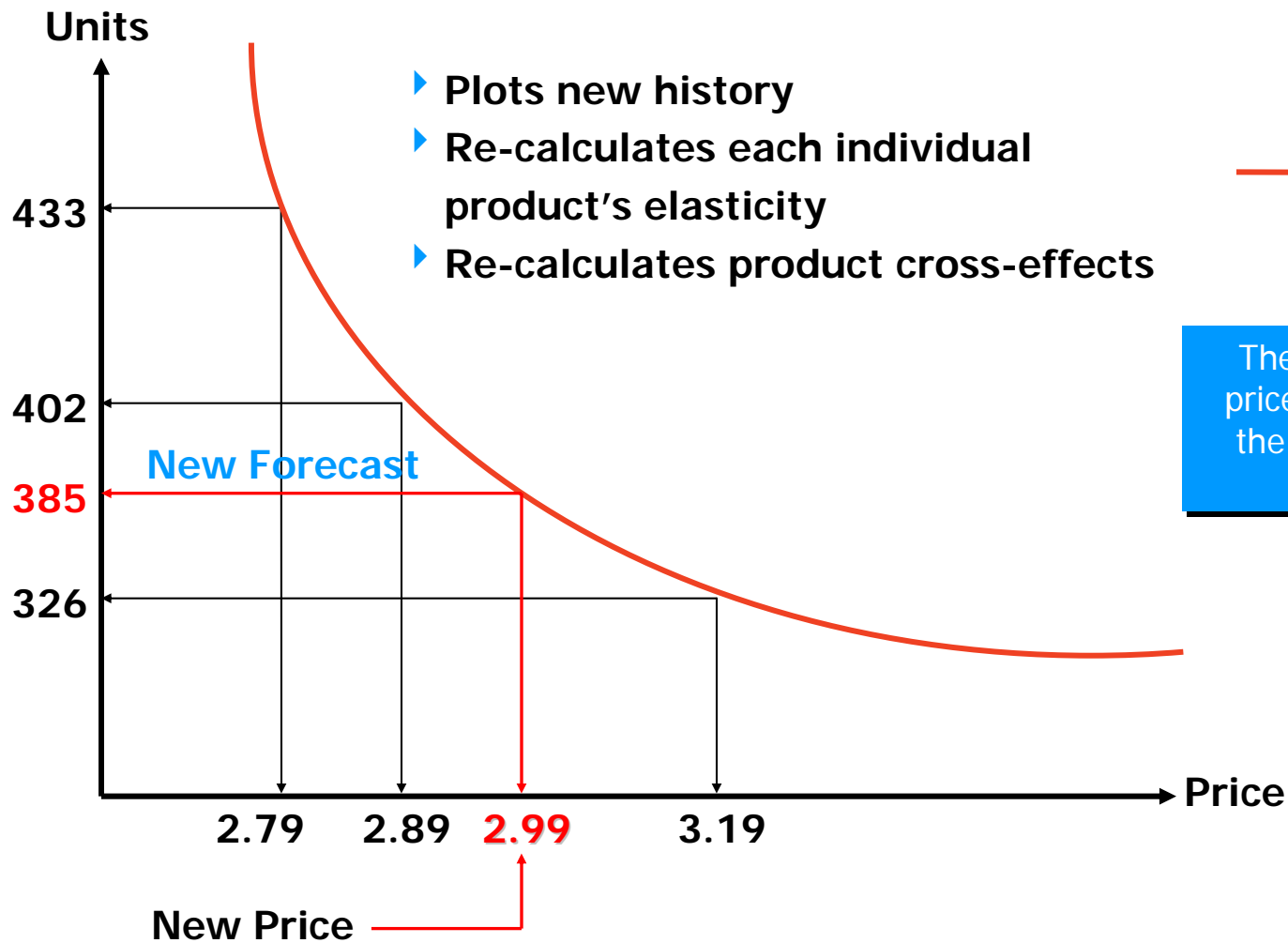
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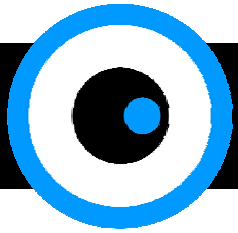
Price Optimization

Elasticity Calculations

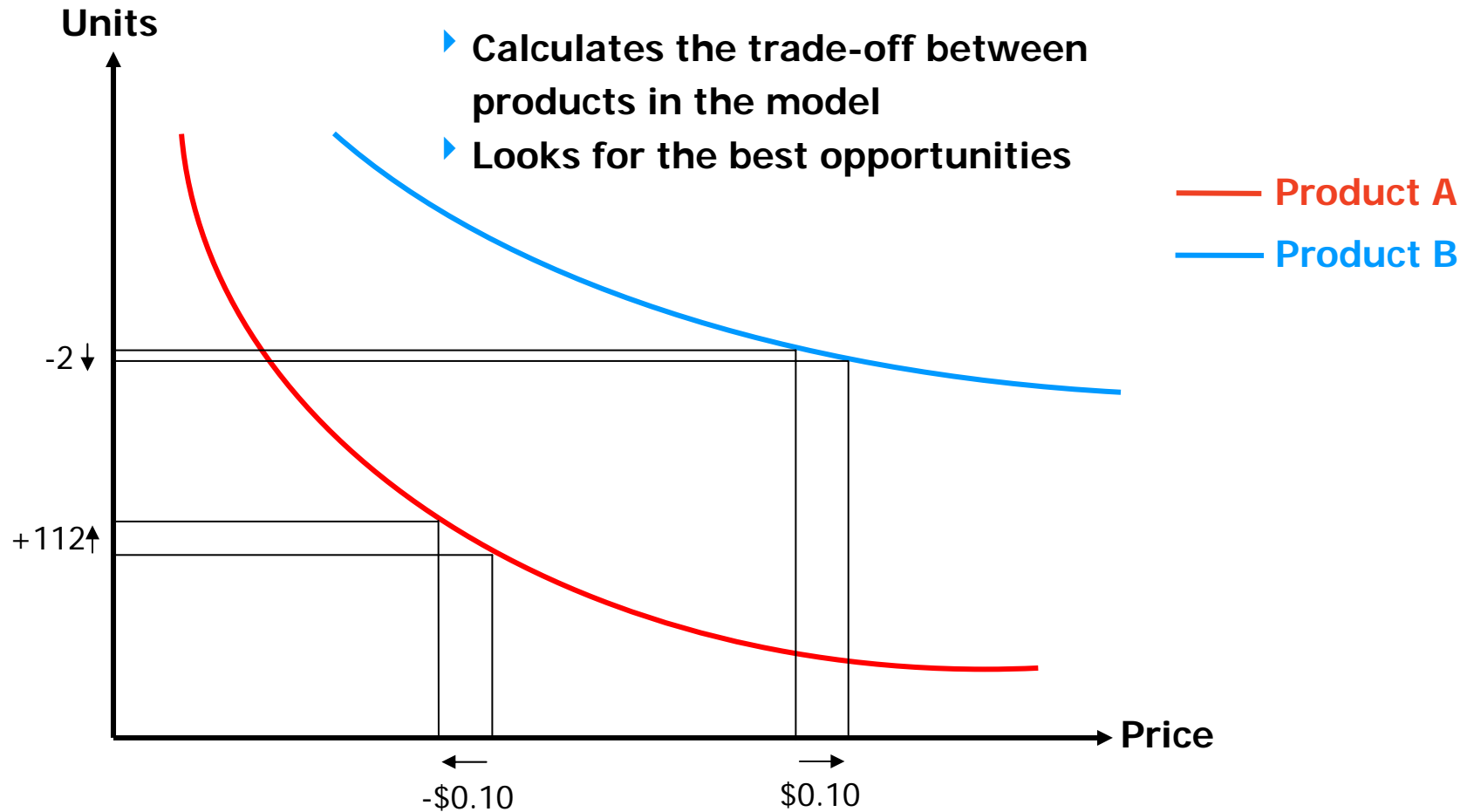


The more incidents of price change over time, the more accurate the demand curve.





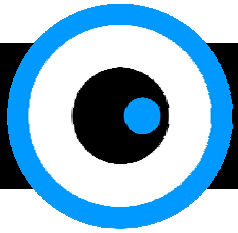
Price Optimization



Source:  KSS

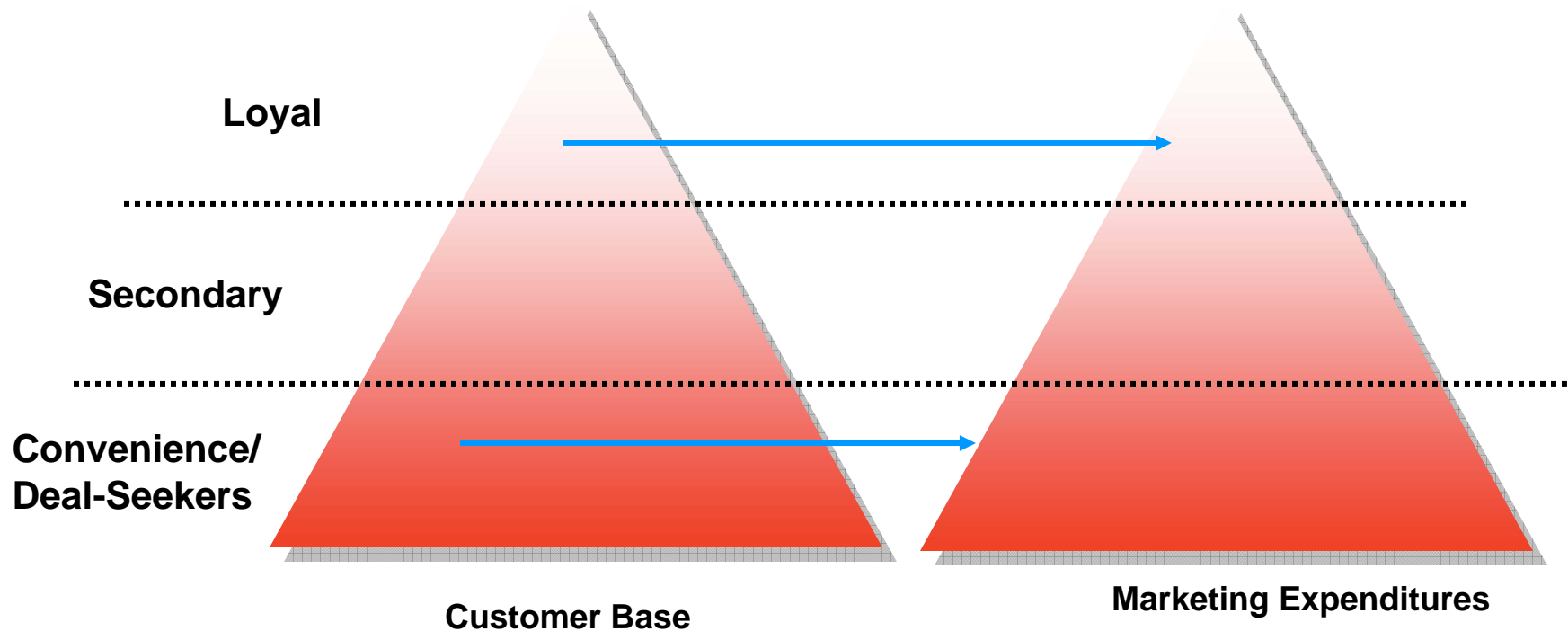
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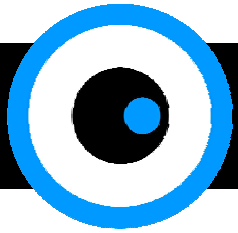


Target Price to Win New Business

Traditional Retail Marketing Economics*

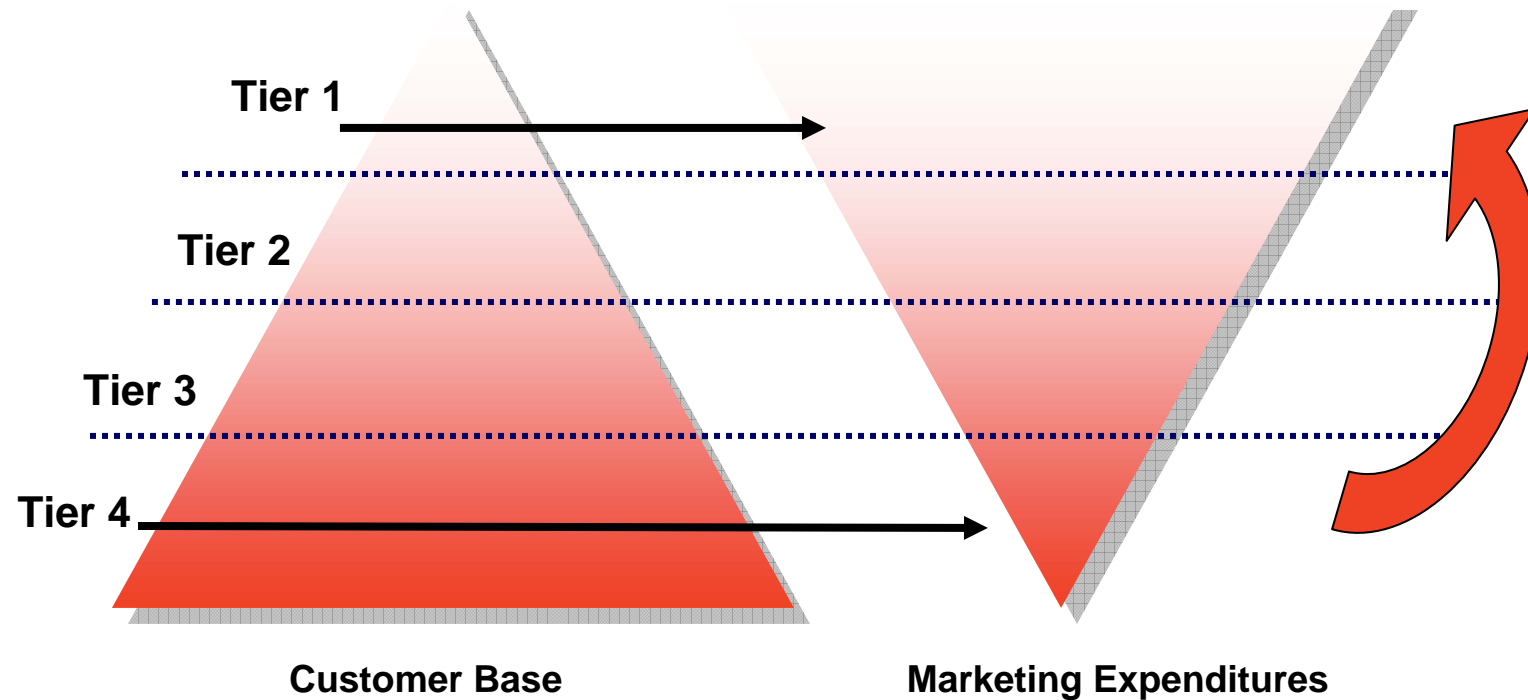


Source: "Customer Intelligence: The Value of Customers, The Power of Profits," Gary Hawkins

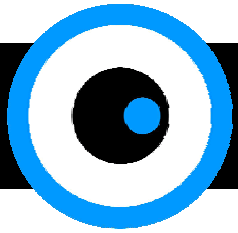


Target Price to Win New Business

Customer- Focused Marketing Economics: *Superior Return on Marketing Investment*



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

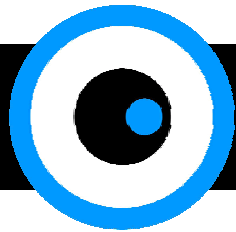


Target Price to Win New Business


Some Shoppers are More Valuable Than Others

Approximate Average Spend (Per Year)			
	Gas/ Convenience Stores	Fast 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

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




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
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- De-Stress Your Holidays**

Jody Vilecco, 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.

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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.

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The CEO's Blog — John Mackey

Conscious Capitalism: Creating a New Paradigm for Business

Hi Everyone,

I've been very gratified and impressed with your responses to my dialogue exchange with Michael Pollan over the last six months. The following lengthy essay is something I have been working on for several months; the ideas have been gestating for many years. The topic is [Conscious Capitalism](#) and I encourage you to read this material with your mind open to the possibilities inherent in these ideas. The essay is long and it may take extended time and concentration on your part to read. However, I think the ideas I articulate here are important ideas and they deserve to be read by an intelligent and critical audience.

[Continue reading "Conscious Capitalism: Creating a New Paradigm for Business"](#)

Posted by John Mackey at 9:31 AM, November 9, 2006
[Comments \(54\)](#) | [TrackBacks \(0\)](#)

[Compensation at Whole Foods Market](#)

The following message from John Mackey was distributed to all Whole Foods Market Team Members on November 2, 2006.

Archives

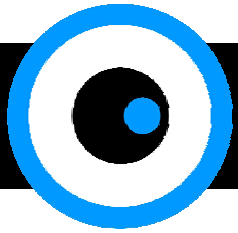
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New Low Prices



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16 oz.



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



avenü



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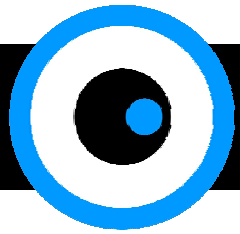
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Interactive Cart





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Good Luck!

Questions? Please contact:

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