CONTENTS

List of figures xi
List of tables xii
List of abbreviations xiv
About the authors xv
Preface xviii
Acknowledgements xx

O1 How hard discounters are disrupting the traditional retail model 1

Ascendancy of hard discounters 1
Back to basics: what is a hard discounter? 6
Hard discounters as brands 7
Retail disruptors as a sign of our times 9
Implications for retailers and brands 11
The next frontier: The United States 13
How this book can help you 15
Notes 16

PART ONE Hard Discounter Strategies 19

02 Understanding the hard discounter business model 21

High volume per SKU 21 Irresistible value for money 26 High profitability 29 Store network expansion 32 Managerial takeaways 34 Notes 36

O3 Strategies of key hard discounters: Aldi, Lidl, Trader Joe's and DIA 39

Aldi – the inventor of the hard discount concept 39 Lidl – the only firm Aldi fears 45 Trader Joe's – the upscale hard discounter 50 DIA – the convenience hard discounter 52 Managerial takeaways 55 Notes 56

O4 Hard discounter success around the world 58

Germany – conventional retailers co-opting the hard-discount concept 58

United Kingdom – breakout into the world's most sophisticated private-label market 61

Australia – leveraging the opportunities offered by a cozy duopoly 65

Hard discount in emerging markets – Biedronka and BIM 68 Hard discounter life-cycle model 71

Managerial takeaways 73

Notes 74

The next frontier – dissecting the US grocery retailscape 76

Developments in the US market 78 Brand discounters 81 Hard discounters in the US 83 Online retailing 87 Amazon 89 Managerial takeaways 95 Notes 96

PART TWO Competitive counterstrategies for conventional retailers 101

O6 How are conventional retailers being impacted by discounter entry? 103

Positioning of conventional retailers 103
How hard discounters create their blue ocean 107
Impact of hard discounter entry on the shopper's mindset 109
Impact of hard discounter entry on various retail formats 113
Managerial takeaways 118
Notes 118

07 How conventional retailers can compete with hard discounters 120

Initial reactions towards hard discounters 120

Four strategic reactions to hard discounter encroachment 122

Fight-back strategy 123

Downgrading strategy 129

Value-improvement strategy 130

Value-redefinition strategy 131

Choosing a strategy 133

Implementing the response strategy 135

Managerial takeaways 144

Notes 145

O8 Strategies to reduce procurement costs 148

The dominant role of cost of goods sold in retailers' P&L statements 148

P&L statements of branded versus private-label suppliers 149

Capturing more value from brand suppliers 151

Cell I: reduce brand assortment 151

Cell II: increase slotting allowances 154

Cell III: intensify category management 155

Cell IV: forge exclusive relationships with brand suppliers 156

Saving money on private label procurement 158

Saving on total procurement bill by scaling up 160

How much can be saved on cost of goods sold? 161

Managerial takeaways 164

Notes 166

PART THREE Brand manufacturer strategies versus hard discounters 167

O9 Competition – creating winning brand propositions versus private labels 169

Brand portfolio renovation 170

Maintain quality superiority 173

Innovation 179

Advertising 186

Use sales promotions – in moderation 189

Customization 191

Purpose-driven branding 192
Service infusion 193
When national brands win: hair care 194
Managerial takeaways 195
Notes 198

10 Cooperation – producing private labels for hard discounters 201

Dedicated private-label manufacturers 201 Treehouse Foods – 'the biggest company you've never heard of' 202

McBride – the limitations of dedicated private-label manufacturing 204

Crossing the Atlantic 206

Key success factors and challenges for dedicated private-label manufacturers 208

Dual trackers 210

Essity – how to be a successful full dual tracker 213
A failed dual tracker: how ConAgra lost over \$2 billion in 30 months 215

Key success factors and challenges for dual trackers 216 Managerial takeaways 217

Notes 219

11 Co-opetition – generating successful sales in hard discounter stores 220

Pros and cons of listing your brand at a hard discounter 221
When is listing at hard discounters more beneficial to brands? 222
The Brand Cannibalization Scorecard 224
Why are hard discounters increasingly interested in brands? 227
Making your case to the hard discounter 228
Win-win at hard discounters 231
Managerial takeaways 232
Notes 233

12 A look into the future of disruptive retailing 235

Notes 238

Index 239