

Mack Elevation Forum examines how NOT to become SKU-rationalized

By ROB EDER

SAN DIEGO — It's a new game. And the winners are the ones that follow the new rules of the game. That was how Swanson Group VP Dan Mack teed up the discussion here, Friday morning, at the Hilton Bayfront Hotel, for the latest edition of The Mack Elevation Forum.

The share group — which merged with the Swanson Group last November — organized and coordinated by Mack, brings together executives from noncompeting, generally smaller to mid-sized companies to examine critical business issues with the ultimate goal of enabling participants to align their sales and marketing strategies with the broader vision of the retailers they do business with. In all, executives from more than 20 different supplier companies were in attendance.

Among other things, the new rules, Mack explained, dictate that the pie of which suppliers fight to secure a share is smaller than it once was as retailers focus on growing their store brands; the new "value" consumer continues to grow in number — and value isn't always defined by price; social media continues to level the playing field from a brand marketing standpoint, even as SKU rationalization does its best to shrink the playing field; and customer loyalty has reached an all-time low.

Special retailer guest, Bill Bergin, VP health and beauty for Rite Aid, provided attendees with an insider's view of how suppliers can better engage Rite Aid, and shared details of key programs — such as the chain's newly introduced Wellness+ customer loyalty card program, which the company began rolling out in May — that are priorities for Rite Aid.

Picking up on the theme of *Drug Store News'* June 6 issue cover story, "7 Deadly Sins of SKU Rationalization," Mack Elevation Forum attendees focused a good deal of the discussion around the topic of SKU rationalization — and, more importantly, how smaller vendors can keep out of the crosshairs.

To some extent, SKU rationalization has been a bit of a self-fulfilling prophesy, explained Vic Mazzacone, CEO of Drive Medical Design and Manufacturing, retail division. "The supplier community set the table for the radical SKU rationalization that is currently occurring," he said, citing a lack of "real innovation. And overzealous marketers created a stream of new products that did not grow the segment and only traded sales. Too many brands are truly not differentiated, which makes them vulnerable."

Dan Quail, VP sales for Similasan, noted that in one of his key business segments, the ear cat-



Dan Mack moderates a session during Friday's Elevation Forum at the Hilton Bayfront Hotel.

egory, there historically have been six to seven other manufacturers competing within the section. "With some retailers, there are now only three manufacturers competing in the section," Quail said. "It was a perfect case of companies not being differentiated and diluting the overall performance of the section."

The bigger question, of course, is not so much what caused SKU rationalization, but what suppliers can do to keep from having their items eliminated.

"Suppliers must understand emerging consumer trends and stay on the forefront of meeting evolving consumer needs," said Mike Barna, VP sales for First Boston Pharma. "By staying out in front of the curve, you have the opportunity to create new products in growth segments where retailers are more willing to invest ... and [you] are

also more insulated against rationalization."

Audie Rudiger, VP sales for Wahl, noted that the 80-year-old clipper company utilizes data from Zoomerang to identify consumer preferences, and uses that information to help support why its products must be a part of the planogram. Rudiger also recommended the online consumer survey service Questback.com for deeper qualitative and quantitative consumer feedback, and QuestionPro for more complex consumer research.

Another strategy for maintaining an item's place on the shelf is to demonstrate that item's contribution to the overall market basket, or the value of the trip the item generates, or that the value of that shopper is higher than the category norm, noted Tina Jackse, senior director of national accounts for Beiersdorf. "Try to establish if your brand — if not on the shelf — encouraged the consumer to leave the store."

In the end, it is important for suppliers to leverage all of their assets to bring constant value back to the retailer. "Winning companies are bringing products to their retailer partners, but they also provide context on national best practices and are students of the important societal shifts," Mack explained. "They understand that the game is about bringing ideas that help retailers build customer loyalty, drive trips and encourage in-store conversion. Companies offering these type of assets build strong brands and are more immune to being delisted."



Left: Special retailer guest Bill Bergin talks about how to engage Rite Aid.



Below: Traditional Medicinals' Darrick Blinoff, Drive Medical's Vic Mazzacone and Similasan's Dan Quail



Far left: Ric Durr of the Swanson Group and Jim Doyle of Sunstar Americas



Left: Nilda Oyola of Majestic Drug, Mike Barna of First Boston Pharma and Sandy Katz of Hygenic Corp.