

NEWS IN BRIEF

OPINION PIECE

Excess stock management can be an opportunity not a threat says Michael Vaughan* A new sector is gaining prominence in European retailing - independent discount retailers. Much has been written about the emerging grocery multiple discounters such as Poundland. However, there is less awareness of a booming sector below the radar of the most leading brand manufacturers - the independent discounter. This is a diverse sector that consists of thousands of small to medium-sized stores throughout Europe with an established customer base buying predominantly what some manufacturers call non-performing stock. Because of the low individual store volumes, this is a sector that is not cost effective for manufacturers to deal with directly, so they use specialist distributors to access this market.



Whilst the individual retailers are small, the sector is a multi-million pound business and that business is growing in the UK and across Europe. In the current financial crisis, the independent discount sector is set to come into its own providing a significant alternative for hard-pressed consumers. There is a distinction between 'discount' retailing and 'value' retailing and, although the lines are blurring, it is important that retail category managers and manufacturers understand that difference and deal with surplus stock accordingly.

In the fast-paced environment of packaged ambient foods & drinks, confectionery, toiletries & personal care products and household lines, nearly every manufacturer

has to deal with surplus stock. Consumer priorities are changing and snob value of shopping at a mainstream store but not a pound shop is rapidly falling away. However, the multiples should guard against losing their USP and cannibalising the market by allowing discounted goods to compete with full-priced stock. Leave that to the discount retailers.

I am constantly surprised by the meticulous process and huge sums of money a company will spend on developing a brand and maintaining it in the market-place only to risk falling down on the sale of surplus stock, which can cause immeasurable harm to a brand name if not handled in the correct way. Brand image is like a delicate plant that can be nurtured or allowed to wither. Interestingly, surplus stock can not only offer incremental sales but also assist with longer-term brand building as research shows that around 15 per cent of customers who trail purchase discounted stock go on to convert to the full-priced version of those same brands.

There has been a massive escalation in discount shoppers as people start to feel the pinch of the credit crunch. The discount sector is changing as consumer attitudes shift and needs change. Continuing to keep up interest in premium brands will attract additional customers to the brands - whether at full or discounted prices. It can be one more tool in the armoury of improving brand awareness as well as maximising profits.

But one thing is certain: by straying into relatively unknown territory - discounted goods rather than just 'value' products - everyone in the supply chain would be well-advised to understand and respect the difference.

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