



PRESS RELEASE

Invasion Strategy: Brand companies on the offensive

[October 25th, 2011] The markets for branded goods are undergoing far-reaching changes. The extreme wealth of variation in products from big brands which predominated in recent years will soon be a thing of the past. The reason: Brand companies, in the search for new sources of growth, are abandoning their traditional market segments and are openly making a direct assault on the competition in new areas. Milk and cheese (dairy) providers are breaking in to the market for coffee products, specialists in the segment for disinfection products are moving into the world of washing products, takeaway coffee brands are now stocked for retail. The consequences: So that they don't end up falling victim to the invasion strategy of the 'new' competition, up to one third of all well-known manufacturers of consumer goods will follow this trend. This is the conclusion drawn from a current survey carried out by Dr. Wieselhuber & Partner involving twenty-four well-known companies in the consumer goods industry.

The qualitative telephone interviews conducted for the survey in October 2011, for which top management from leading German branded goods manufacturers were available to answer questions, show: In the past, variation was necessary in the saturated markets, in order to set oneself apart from the retail brands and to assure steady growth. While sales have often stagnated and in the German domestic market have in the last three years only grown cumulatively by around 4 %, the diversity of variation in products has increased by around 15 %. The 'variation bubble' thus created, for example in the convenience area of the food industry has cost manufacturers dearly. The costs of production, packaging, distribution and sales and marketing have increased disproportionately to turnover and volume of sales. In addition, variation products had to be heavily advertised, in order that they might be taken notice of at all and retail demanded additional conditions in case of falling



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turnover on account of an inflation of variations. Moreover, escalating costs of raw materials had a negative influence on the situation. The result: Margins in the developed markets were at best steady, but yet also to some extent declining.

The insiders polled in this survey are in agreement: In the search for new sources of growth in existing segments, success is not to be found easily, neither domestically in Germany, nor in the developed markets of Europe, Asia, North America nor even increasingly, in the emerging markets. A fundamental change in strategy is imminent, a change in which invasions into large market segments, segments currently dominated by other strong brands, will be at the very fore.

In contrast to earlier variations in strategy, this change is risky: the strategy demands a high level of commitment of resources for advertising and communication, at the same time co-operation strategies in production are essential. The reason for this is that, as a rule, the production experts are located in an adjacent sector or in a remote sector. Gottinger on this principle: *“In future, a brand must be more strongly employed as a weapon in cut-throat competition and its potentials must be fully exploited for success”*, comments Juergen Gottinger, industry sector expert and initiator of the survey. *“The idea being then: Don’t be half-hearted about things, but do things in a big way! After all, substantial resources were invested over a period of years to achieve a high level of brand familiarity – now it’s time for these resources to pay for themselves.”*

According to this principal, manufacturers of branded goods should first and foremost make use of the consumer confidence base, in order to boost the authenticity and credibility for new or other solutions. In this, a high level of brand familiarity is a basic prerequisite. At the same time, having recognisably strong core competencies, addressing the benefits expected by the consumer, as well as having, from the perception of the consumer, an easily transportable differentiation approach are all factors that are decisive for achieving success. In principle, invasion strategies into adjacent segments are easier, it is not a big leap to go from personal hygiene to cosmetics and core competencies are easier to carry over. Furthermore, in line with putting invasion strategies into practice, a whole range of complementary and new



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methods for 'retaliatory measures, flank attacks and out-manoeuving' are necessary. Existing approaches need to be made more professional.

„The high resource commitment needed, and the fact that one's own brand is at stake makes an extensive, quantitative, qualitative and above all creative expertise and proficiency indispensable for the successful implementation of the new market strategies.“, explains Gottinger. Entrepreneurial personalities will also be in strong demand in the future as change agents in the sensitive area of brand success factors.

We are at your disposal for enquiries concerning further results of the survey.

About Dr. Wieselhuber & Partner

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past 25 years to become the leading management consultancy firm for family-owned businesses in Germany. With its head office in Munich, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business.

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