

Breaking the rules

Building the Auchan Brand in Russia

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The grocery retailer category has grown rapidly in Russia over the past decade, mainly due to existing chains expanding their store networks.

The Top 10 grocery retailers in Russia continue to gain market share both organically and through acquisitions of smaller regional chains. Kantar Retail forecasts that between 2011 and 2016 the organic average annual growth of top 10 largest Russian grocery retailers will be 16 percent.

Auchan is one of the leading retailers in Russia where it operates hypermarkets, compact hypermarkets and supermarkets. The French retailer is very popular with Russian shoppers particularly in the capital Moscow, which accounts for the largest portion of Auchan's sales. Auchan built high shopper loyalty in a short time period without the need for significant above-the-line advertising investment. BrandZ data based on an annual survey in Moscow shows Auchan's brand equity greatly improved between 2007 and 2009, particularly in terms of bonding with its core customers.

Sales of top 10 retailers in Russia

	Sales (billions of Euros)		
	2005	2009	2016
X5 Retail Group ¹	2.3	6.9	29.9
Magnit	1.3	3.8	25.4
Auchan	1.2	3.8	10.9
Metro Group ²	1.6	3.0	8.4
DIXY Group	0.6	1.2	4.5
O Key ³	0.3	1.5	3.4
Lenta ³	0.5	1.3	3.4
Sedmoy Kontinent	0.6	1.0	2.3
Spar International ³	0.2	0.5	1.9
Azbuka Vkusa	0.1	0.3	1.6

Grocery retailer sales are based on:

- the forecasted number of new store openings
- the speed at which newly opened stores reach maturity and the like-for-like growth forecast based on macroeconomic factors
- the probability of the retailer growing like-for-like beyond inflation

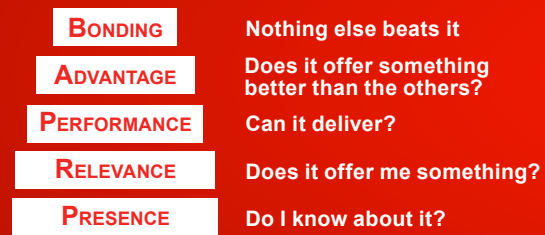
¹ X5 Retail Group includes Pyaterochka, Perekrestok and Karusel brands.

² Metro Group includes Metro and Real brands.

³ O Key, Lenta and Spar did not have significant operations in Moscow and are not covered by BrandZ research.

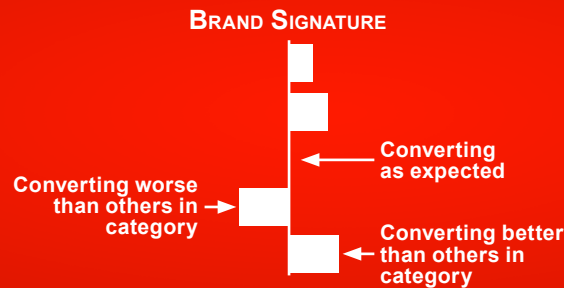
Pyramid

The Brand Pyramid shows how your brand is performing today. The levels reflect how engaged consumers are with your brand. The closer a consumer feels to your brand, the more likely he is to buy (or use) it, and the higher up the pyramid they will rise.



Signature

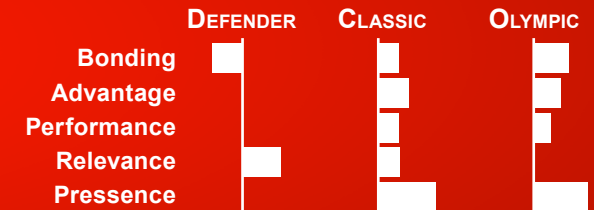
The Brand Signature identifies areas of strength and weakness in brand equity by comparing the percentage of people the brand actually converts to each level with the percent we would expect it to convert.



Typologies

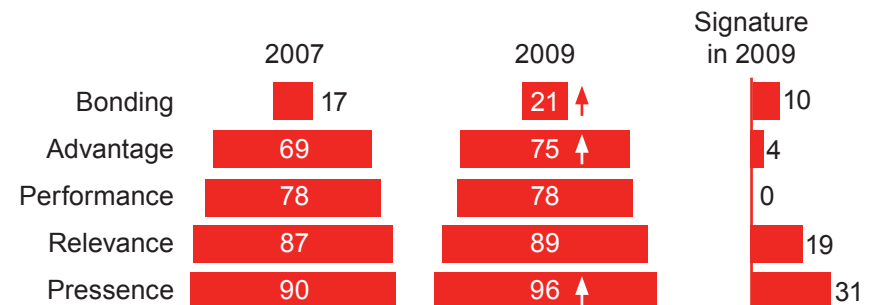
The BrandZ Typologies classify brands according to the shape of their Brand Signatures.

Analysis of over 19,000 Brand Signatures shows that most brands fall into one of eight types, which each have their own characteristics. These are some of the common types:



The 2009 Auchan pyramid indicates that almost all consumers in Moscow (96 percent) knew the brand, most consumers (75 percent) believed Auchan offered advantages over its competitors and one in five (21 percent) was a loyal user of Auchan.

Auchan has climbed the BrandZ Typologies scale. Beginning as a Defender brand, the brand achieved Classic status and by 2009 became an Olympic brand - the top typology. This change in typology means that Auchan grew from an established brand, which is acceptable to most but lacks strong competitive advantages, into a well-known and well-loved market leader with a large core following. This is a remarkable achievement for a brand in a relatively short period of time.



Auchan's journey to Olympic

Auchan opened its first store in Russia in 2002. Since then, the brand has consistently grown its presence in the market. In just two years, the company doubled its number of stores bringing the total to 38 in 2009.

During this period of rapid expansion, Auchan made an agreement with Turkish construction firm, Enka, to operate 14 of its Ramstore hypermarkets in Russia. Following the agreement, the Ramstor stores were rebranded Auchan. The takeover helped Auchan to enter the strategically important city centres in Moscow and

St. Petersburg. In 2009, Auchan also opened two gardening hypermarkets in Moscow called "Auchan-Sad". Remarkably, Auchan's growth in Presence happened with almost no above-the-line support. The only communications used were billboards informing locals of the new store openings.

Expansion of the store chain and a general lack of modern retailing in Russia have helped Auchan to gain awareness and trial.

Achieving Relevance with strict price policy

Auchan uses the strategy — used commonly by large European retailers — of high-volume, low-margin sales. As a result, customers can buy the same quality products 10-20 percent cheaper at Auchan than in other stores.

Auchan retains 93 percent of people at Relevance, which is almost 20 percent higher than the retail category average. Auchan was able to maintain this edge over its competitors through a range of strategies. It offers customers

goods at an acceptable price without encountering quality issues. It offers a wide range of products so shoppers can find what they need under one roof. The brand has a large network of stores, so no problems with finding a store nearby. No entry pass cards like two well-established retailers.

Kopeyka and Pyaterochka, struggled as many people perceived their goods too cheap to be of an acceptable quality. In contrast, Sedmoy Kontinent was seen to be too premium, which weakened its brand equity. Metro's wholesaler positioning is not relevant for everyone since it requires customers to first apply for a pass card to gain entry to the shop.

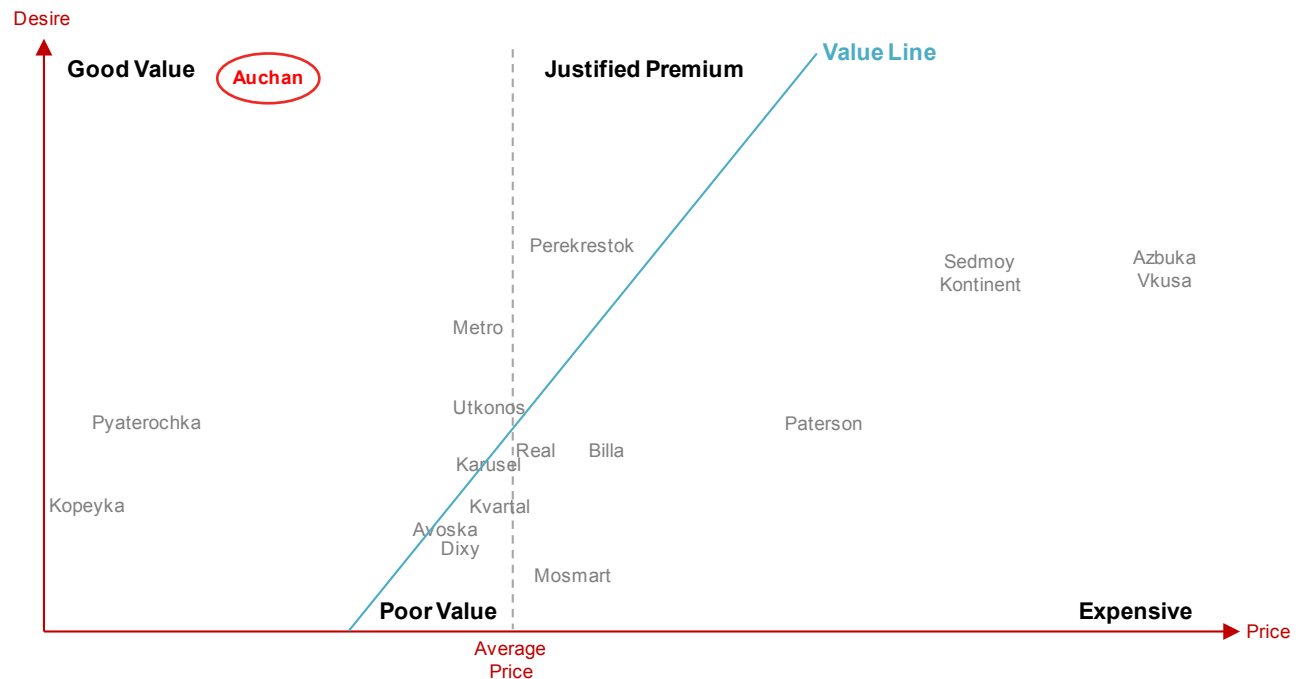
ValueD

Auchan's strength in pricing is also reflected in its impressive ValueD score. It achieves an index of 148, one of the highest in Russia across all categories.

On the ValueD matrix, Auchan plots in the top-left quadrant, representing Good Value brands. It has very strong desire and price perceptions are well below the market average. Other cheaper retailers like Kopeyka do not maintain such good-quality perceptions.

ValueD measures the gap between the consumer's desire for a brand and the consumer's perception of the brand's price. By qualifying this gap, ValueD helps brands optimize their sales, profit and market positioning potential. Any score above 100 is relatively strong because it signals that the brand scores higher on Desire than on Price. And that's important.

Moscow grocery retailers ValueD scores, 2009



Gaining Bonding through clarity of image

When it comes to the strongest levels of loyalty, Auchan has a much closer relationship with its customers than its key competitors.

In addition to its unique approach to communications and pricing, Auchan also operates its in-store activities differently to other retailers. Advertising of branded goods is almost completely excluded from inside its stores. Unlike other retailers where the customer may be distracted by various point of sales activities, Auchan trusts its wide range of products and discounted prices to drive sales

Auchan's drivers of Bonding

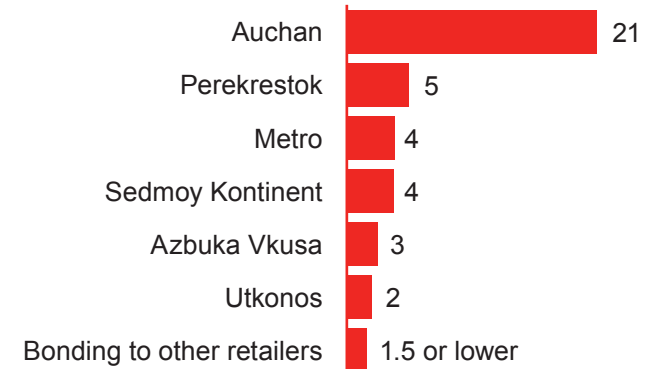
Popularity

Grocery range

Non-grocery range

Price

Bonding levels



Tips for marketers

Inspiration for every brand:

Focus on mass market. Auchan's successful strategy is to maximize footfall and encourage consumers to shop as frequently as possible.

Being different and known for something is still as important as ever.

Inspiration for retailer brands:

Do not be afraid to break the rules. Maintaining a strict price policy and setting lower profit margins than its competitors pays off for Auchan.

Allowing too much point of sale advertising could reduce the store's brand identity. By severely limiting supplier marketing activity in store, Auchan enjoys the clearest image profile of all retailers in Russia. This strong branding combined with healthy category growth enables Auchan to remain ahead of its competitors.

The 'all in one' concept is becoming increasingly important. One of Auchan's key strengths is offering a wide range of products which makes shopping quicker and easier for consumers.

Above the line advertising is not always the key to success in retail. Absence of support on TV and other typical above-the-line channels has not hindered Auchan's growth.

This report was compiled using 2005-2009 BrandZ data for Grocery Stores category data (400 consumers interviewed annually in Moscow) and Kantar Retail data.

For more information about the study, please contact:

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