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## GMDC Study: Brands, Retailers Need to Shift Focus to Top Line for Growth

Progressive Grocer

AUGUST 12, 2005-- WESTPORT, Conn. -- After focusing for the last decade on cost-cutting, productivity enhancements, and mergers and acquisitions to help spur growth, retailers and marketers now agree they need to make top-line sales growth the top priority in order to build profits, according to a recent study from the GMDC Educational Foundation.

The study was sponsored by Meridian Consulting Group and Premier Greetings, which published the study.

"While generating top-line/unit growth has always been a priority for organizations, many retailers and manufacturers during the 1980s and 1990s were more consumed with building scale and maximizing efficiencies, often through mergers and acquisitions or cost-cutting programs," said Roy White, v.p. of education at the GMDC Educational Foundation. "While some of these initiatives paid off, many did not in the long term, and there has been a recognition that building new business is necessary to developing higher profits and greater productivity."

White noted that many manufacturers and retailers are "beginning to understand that in order to deliver top-line growth, they need to take a broader view of their go-to-market approach, basic capability needs, and the marketplace as a whole."

The study, entitled "Jump Starting Top-Line Growth," was undertaken to better understand the views of manufacturers and retailers on driving sustained unit growth and help provide a holistic approach to realizing growth. Senior management and mid-level executives from 180 organizations within CPG and related industries were polled.

When asked to identify the primary business strategies for realizing profits three years from now versus today, unit growth outpaced cutting costs among both retailers/wholesalers (67 percent) and manufacturers (62 percent). Cutting costs were cited by 56 percent of manufacturers and just 41 percent of retailers.

Underscoring this shift, 62 percent of retailers said they expect to find business solutions over the next three years from new categories, nearly double (34 percent) those who expect to find them from current categories. Further, 72 percent of retailers who were polled believe that business reinvention will be critical to their success.



The Dollar Store Consumer

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"The fact that such a high percentage of retailers are envisioning growth by developing new categories and transforming their organizations is significant in and of itself," said Mike Shinall, c.e.o. of Meridian Consulting Group. "Many organizations are taking a broader view of their go-to-market approach, encompassing their strategies, structure, capabilities and resources."

In a related vein, when asked to identify the business insights needed to drive growth, 83 percent of retailers cited the need for "understanding consumer and retail dynamics within an aisle or department," followed by "insights across the total store" at 78 percent.

"Relying on the industry-accepted practices of category management is no longer sufficient, as retailers manage hundreds of categories and are eager for a broader understanding of the overall business and their shoppers," Shinall noted. "This expressed need for aisle and department intelligence reflects a growing desire among retailers to sell against consumer need states, which might be specific meal purposes, occasions or shopping objectives, say for grooming, beauty or snack products."

GMDC is a trade association for retailers, wholesalers, and suppliers in the general merchandise, CPG, and health & beauty care categories. Meridian Consulting Group is a leading management consulting firm.

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