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Building a Brand for the Community

A new branded store concept by the community, for the community.

By Pannapachr Itthiopassagul

In 2011, Bangkok, and most of Thailand, witnessed one of the worst floods in over 60 years. Heavy rainfall in the last quarter of the year caused much damage to property and left millions of Thais homeless or displaced. Against this dismal backdrop, the head of business development for general trade at Unilever, Thailand, came up with an idea of assisting a flood-stricken owner of a local mom-and-pop shop. What started out as a wish to help a single shop owner soon spawned into a branded store concept under the Unilever Sustainable Living Plan (USLP), which sought to benefit the local community and Thailand's general trade.

A tug-of-war between modern and general trade

Since the initiation of the trade liberalisation regime in 1996, general trade in Thailand—comprising wet markets and small-scale, independent mom-and-pop shops—had been squeezed out by modern convenience store chains. Multinational retailers like Carrefour made their foray into Thailand in 1996, followed by Auchan in 1997. A year later, Lotus, which was part of the CP

Group, launched into the hypermarket format in partnership with Tesco. And in 1998, Groupe Casino entered into a partnership with Big C and also took over Auchan's stores after the latter decided to exit the Thai market.¹

As these players expanded into Bangkok and beyond, Thailand witnessed a phenomenal increase in the number of hypermarkets, supermarkets and convenience stores. Within a decade (1997 to 2007), the balance shifted in favour of modern trade. Specifically in the food retailing sector, its share rose from 5 percent to over 50 percent, causing a dramatic change in the market dynamics for both general trade and the suppliers. The number of mom-and-pop shops declined from 400,000 to roughly 280,000 during this period.² The suppliers too were up in arms as they needed to adjust their operations in the face of the retail giants.

In 2006, a military coup took place in Thailand, and the caretaker military government endorsed a new retail law allowing local governments the right to assess and approve the entry of new supermarkets and hypermarkets. There were also attempts to enforce zoning laws, whereby hypermarkets had to be located in the outskirts of the city.

The announcement of the new regulations resulted in yet another spurt of new stores being opened, as international retailers hastily expanded their presence. Some also looked to morph into smaller store formats, a strategy that soon caught on.

Smaller store formats, such as convenience stores, minimarts and discount convenience stores, required less investment, shorter time to build and circumvented the regulations imposed on supermarkets and hypermarkets. Tesco launched Tesco Express, Big C added on the Mini Big C format, and CP launched CP Fresh Mart. Between 2002 and 2007, the number of convenience stores in Thailand more than doubled to 5,550 and the number of discount convenience stores grew from hardly any at all to over 700.³

The 'convenience' of convenience stores

The evolution of international retailers into smaller store formats brought them head-to-head in competition with general trade. The mom-and-pop shops were traditional convenience stores typically run as small and independent family businesses that stocked daily use products such as packaged (non-perishable) food and drink, along with household, health and beauty products. Typically located in prime residential areas of urban Thailand and in the heart of rural communities, the mom-and-pop shops were known for their familiarity with the local community and flexibility of service.

In the remote rural areas, these shops were often the one and only village shop where the community went for all its non-perishable purchases. In urban areas, while competing with a variety of retail formats, the mom-and-pop shops found their niche as being the

retail outlets closest to residential neighbourhoods that catered to the needs of top-up and emergency/distress shopping, food-on-the-go (drinks, snacks, ready-to-eat meals, etc) and newsagent services (newspapers, magazines and cigarettes).

In 2012, there were over 302,000 open trade stores (including mom-and-pop shops and local minimarts) spread across Thailand. In 70 percent of cases, the 'mom' of the family owned and managed the shop single-handedly, with limited or no help from her children who, once well educated, did not find the family business attractive in terms of its income stream or status. A typical mom-and-pop shop averaged gross sales between THB 3,000 and THB 9,000 per day (US\$97 and US\$291 respectively) in 2012. In a country with an average per capita income of THB 162,225 (US\$5,250) in 2012, these families typically came out at the lower end of the economic spectrum.⁴

The mom-and-pop shops varied in size, though most were smaller than the average modern trade convenience store. But while smaller, these shops were normally well stocked. However, being independent retailers (as opposed to retail chains), these shops sourced on a small scale and lacked proper warehousing facilities. Consequently, they were unable to exercise power over the supply chain, which often left them at the mercy of distributors.

A typical customer experience would involve walking through the dimly lit, cramped, unmarked isle of the shop, stocked floor to ceiling with hundreds of goods, many in unlabelled packaging. Often they would find the product they wanted to purchase on the highest shelf, which could only be accessed using a stepladder. If for some reason the product was not in stock at that

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time, the shop owner would have it delivered to the customer's home by the end of the day.

Although the mom-and-pop shops were lacking in sophisticated merchandising, category management, loyalty schemes, and what was propagated in modern trade as customer-friendly environment (air-conditioning, shelf labelling, store planning for ease of mobility, automated check-out counters), each was unique and unparalleled in its relationships with customers. These family stores were a part of the community; they provided on-the-spot package sizing, extended credit, local knowledge and, often, a ear to listen.

According to Rob Rijnders, vice president of customer development, Unilever, Thailand, "Unless general trade re-invents and re-brands itself, it will be extremely difficult to survive in the market."

Flooding in 2011: An opportunity unfolds in the midst of despair

When floods hit Thailand in 2011, almost 900 people were killed and millions of residents were either left homeless or displaced following significant flooding. That year, many mom-and-pop shops were destroyed, and their owners lost their only source

of livelihood. It was at that time that Unilever, one of the world's leading fast-moving consumer goods companies, came up with an innovative idea to restore, modernise and re-brand such a convenience store.

It started with the idea to help just one mom-and-pop store that had been severely impacted by the floods. The shop owner had opened the store just over two years ago with money borrowed from relatives. Heavy rains had caused water to seep into the shop late one night, destroying all his goods. The floods had left the shop owner penniless and in heavy debt.

Despite its destruction, this mom-and-pop shop had an excellent location—it was at the corner of a busy street in a residential area with high customer foot traffic. Unilever's head of business development for general trade, Ratchtar Karasuddhi ('Jack'), saw this as an opportunity—he believed that with a bit of remodelling and better visibility, the shop could not only be revived, but

become a serious alternative to the modern trade convenience stores down the road.

When Jack approached the shop owner with the idea to renovate his shop, he was initially hesitant to accept the offer. After the flooding, the distraught shop owner had made up his mind to sell the store to pay off his debts. He was also not convinced that the renovation would actually help revive his business, as the 7-Eleven and CP Minimart located just a few blocks down the road posed a continued threat. But Jack persevered and explained that customers preferred the softer conveniences of the familiar surroundings, personal service and informal ambience of a mom-and-pop shop to that of the more 'clinical' conveniences offered by modern trade convenience stores.

Finally, the shop owner agreed, and the Unilever team got to work. The company bore all the costs of the renovation and remodelling, and also decided to create a branding for the shop. Jack's team came up with the name 'Ran-Ti-Dow', which in Thai meant 'Star Store'.⁵ The team worked on some designs that could help improve the visibility of the local store. The colours of the star logo were in line with its original blue and yellow banner (colours that had been tested to catch the eye). The shop was re-painted with new signage, and some additional lighting was installed to attract attention.

The fresh branding was an immediate success—within the first six months, sales grew by 400 percent.

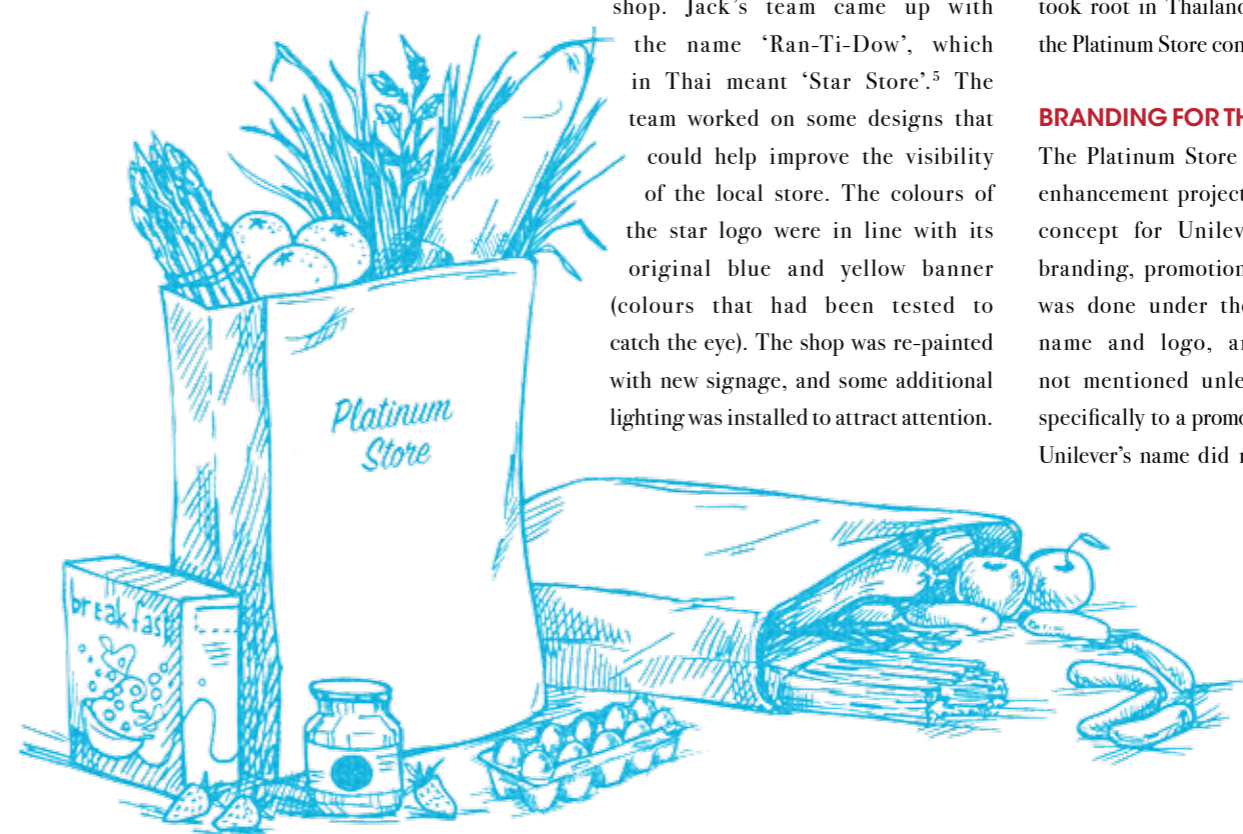
In March 2012, the first Star Store opened its doors to customers. The fresh branding was an immediate success—within the first six months, sales grew by 400 percent.⁶ The good news caught on, and within four months, another four shops in the same neighbourhood were converted into Platinum Stores, as the Star Stores came to be known within the company.

The Platinum Store concept takes roots

Jack sought the support of Unilever Thailand's leadership to expand the scope of the programme, and it was fully supported. Under the USLP, the seeds of developing sustainable business practices took root in Thailand. Key elements of the Platinum Store concept were:

BRANDING FOR THE COMMUNITY

The Platinum Store was a community enhancement project, not a new retail concept for Unilever. As such, all branding, promotions and advertising was done under the Platinum Store name and logo, and Unilever was not mentioned unless it was related specifically to a promotion of its products. Unilever's name did not appear on the



"We wanted the Star Store to be the place where the local community can not only do their shopping in a convenient manner, but also 'hang out'. It could, for instance, be the ice cream shop for the village, so we added a table and some chairs. We also created a breakfast counter where customers could educate themselves on how to prepare a healthy but quick morning meal."

— Rob Rijnders, Vice President of Customer Development, Unilever, Thailand

shop signage—the original name of the mom-and-pop shop was retained and the Star Store logo was added to it. Advertisements promoting Platinum Stores also did not mention Unilever. The standard external facade of the shop, consisting of the signage, bunting, sunblind and light box, created a consistent look and helped send a strong signal to customers about the Star Store brand.

ENLISTING THE MOM-AND-POP SHOPS

The eligibility criteria to join the Platinum Store programme were simple—Unilever targeted those mom-and-pop shops that were in a good location with high customer traffic, and also willing to convert to a Platinum Store. Despite the locational advantages, many were not running their businesses to their full potential. The aim was to help the neediest mom-and-pop shops improve their income and competitiveness.

In fact, what proved to be a challenge was to convince some of the families

of the benefits of revamping their businesses. Unilever worked closely with individual shop owners to explain the benefits of the programme. After some initial hesitation, most shop owners bought into the concept, which had begun to show results amongst peers.

LEVERAGING NETWORK BENEFITS

A major drive to expand the reach of Platinum Stores was done with the help of distributor-owners. Unilever operated through a network of 70 concession-based distributor-owners, seen as 'ambassadors' of all Platinum Stores in their respective territories. Their responsibilities went beyond making timely deliveries, and their regular store visits now included surveying the store, assisting with shelving and signage, engaging in a dialogue with the shop owner and customers, and providing feedback to Unilever on areas of progress or concern.

As Rijnders explained, "Even our distributors have an opportunity to make a difference in the community. Many

have embraced the ethos behind Platinum Stores and are inspired by their empowered role and engagement with the community."

EMPOWERING THE COMMUNITY

In remodelling the stores, the Unilever teams were at all times conscious that the conversion was a cooperative effort between the shop owner and the company, and care was taken to ensure that the shop owner was involved in all decision making. The aim was to make the mom-and-pop shop more akin to the modern trade convenience stores, without losing the family elements of local trade.

The end game was all about empowering the shop owners and building their capabilities. Unilever not only sold its products to these shops, but also trained shop owners on store planning, category management, promotions and assortments.

Store design and layout: Same, but different

Unlike a 7-Eleven or a CP Minimart, where each outlet was almost exactly the same in terms of size and layout, the mom-and-pop shops varied greatly in size and had very distinctive characteristics. So, when planning the store layout, instead of developing a handful of prototypes that could be replicated, each Platinum Store had to be planned individually. As Jack explained, "Creating a consistent external facade was straightforward, but developing a standard planogram for Platinum Stores proved to be quite a challenge. We could not use a cookie-cutter approach."

Each Platinum Store was designed keeping in mind five essential elements that were mandatory in every store: health and home care zone, beauty zone,

breakfast corner, super tray (promotions of the month) and wall cabinets (the happy corner). There was also a range of other products and service counters which were discretionary and differed depending on the location (rural or urban), size and customer traffic.

In addition to the five essential elements, most Platinum Stores also had a food corner where customers could prepare a ready-to-eat meal or soup; a coffee machine furnished with cups, hot water, milk and sugar; a Lipton ice tea kiosk; an ice cream corner; and a stamp redemption counter. The Platinum Store owners could also opt to provide an additional range of services for their customers, including mobile top-up facilities, washing machines, weighing machines, and automated teller machines. Pointing to market development as being one of the goals of the Platinum stores, Rijnders stated, "We wanted the Star Store to be the place where the local community can not only do their shopping in a convenient manner, but also 'hang out'. It could, for instance, be the ice cream shop for the village, so we added a table and some chairs. We also created a breakfast counter where customers could educate themselves on how to prepare a healthy but quick morning meal."

The variety of products and services offered by the Platinum Stores aimed to increase foot traffic into the shop, thereby enhancing the possibilities of a higher sale per purchase and a better chance of customers engaging in impulse shopping. A typical Star Store carried about 90 Unilever SKUs (stock keeping units), and on average, Unilever products had more than a 50 percent share of assortment in the store. The company's products were stocked on the top two or three shelves in the store for competing categories,

and enjoyed enhanced visibility with the help of banners, placards and signage for promotions.

Defining success: A win-win formula

What started out as a simple wish to help a single distressed shop owner, soon turned into a mammoth project for uplifting general trade in Thailand. A total of 7,800 Platinum Stores were inaugurated between March 2012 and July 2014. Sales of the converted stores on average grew by 14 percent. Working with the community, Unilever was able to create a new distribution channel that helped enhance the livelihood of the shop owners, develop a sustainable solution for their fledgling businesses, and create a community ecosystem under a common brand. It had also enhanced Unilever sales. It was evident that through the Platinum Stores, Unilever had achieved the twin goals of 'doing good and doing well'.

The principles of consistency, availability, assurance and value are at the heart of every brand. And while building a brand for others, i.e. owners of Star Stores, is certainly not easier than building it with all resources under the company's control, empowering a community to build such a brand can have a powerful impact.

For Unilever, the Platinum Stores were much more than just a good business proposition. It was meant to be an initiative of the community, by the community and for the community. The success of the project exemplified the fact that one can gain by giving. Looking ahead, what would determine the success of the Platinum Stores? According to Rijnders, "We must ensure 'star' quality service in our Star Stores. Standardisation and good

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service quality are the key ingredients in establishing a strong retail brand, and they are also our greatest challenges. When the Star becomes a surrogate for quality, I think we would have achieved our goal."

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- ¹ Randall Shannon, "The transformation of food retailing in Thailand 1997–2007", *Asia Pacific Business Review*, Vol. 15, No. 1, January 2009, 79–92.
- ² Ibid.
- ³ Ibid.
- ⁴ Per capita income refers to per capita Gross National Income in current US\$ using the Atlas method, as defined by the World Bank. The World Bank Database. US\$1 = THB 30.9, as at September 2014.
- ⁵ In Thai, 'Ran' means 'Store', 'Ti' means 'Affixed', 'Dow' means 'Star'.
- ⁶ The growth rate refers to the revenue of the first pilot store and included the pipeline build-up of the store after floods. US\$1 = THB 30.9, as at September 2014.