



## Bulmers

Attack is the best  
form of defence

4.1 Packaging: Branded – Food and Drink

Scottish & Newcastle

© **jones knowles ritchie** 2009

30.05.09



## Executive summary

### Attack is the best form of defence

It is just 5 years since Cantrell & Cochrane (C&C) launched Magners Irish cider in London and Scotland. Featuring a novel over-ice serve, the brand was enthusiastically adopted by a new generation of drinkers over the hot World Cup summer of 2004.

Recognising the threat to their traditional cider brands, Scottish & Newcastle (S&N) gave battle by launching Bulmers in a head-on attack in May 2005.

History has taught us that for enduring success, the on-trade is the key channel in which to establish alcohol brands. Outspent on advertising<sup>1</sup>, Bulmers went on the offensive with a higher discount to publicans. Gaining from supply problems at C&C, by early 2008 Bulmers had captured 16%<sup>2</sup> of packaged on-trade cider sales.

Magners, however, held 61% share, with twice the distribution of Bulmers and a 25% higher rate of sale<sup>2</sup>.

In March 2008, Bulmers responded with a fresh label design. Rate of sale rose 28% against all cider r.o.s growth of 12%<sup>1,2</sup>. In a recessionary year, the figures tell their own story. On-trade sales growth for cider slowed to +2.4% and while Magners fell -31%, Bulmers grew +27%<sup>2</sup>. Results mirrored in the off-trade, Bulmers sales up +9.9%, Magners down -2.3%<sup>3</sup>.

### The results of the 2008 redesign

#### On-trade

- Moving Annual Total sales up by £24.8m, to £112.3m +27%<sup>2</sup>.

#### Off-trade

- Total sales value increased to £33.6m, +9.9%<sup>3</sup>.
- Bulmers' value share gap with Magners narrowed from 25.4 to 16.7%<sup>3</sup>.

#### Overall brand performance

- Sales up £28m, a 90-fold ROI.





## The Brief

'Move Bulmers out of Magners' shadow. Get the trade to stock. Get consumers to purchase.'

## Description

Bulmers is a premium priced bottled cider sold in all licensed retail channels.

## Overview of the market

In the last five years, cider sales grew by 74%<sup>4</sup>, with consumers switching from beer and alcopops. In 2008, the market was worth £565m in the off-trade and £1,121m in the on-trade<sup>1,2</sup>.

During this period, Magners invested £40m in advertising, more than all the other brands in the cider category combined<sup>4</sup>

In May 2005, Scottish & Newcastle, the cider market leader, responded to Magners by launching Bulmers as a direct rival, in a replica pint bottle.

In the period covered by this paper, activity has intensified with pint bottles from Gaymers, Koppaberg and Westons providing further competition for shelf space.

## Outline of design solution

The original Bulmers design was a close match to Magners and lacked individuality. Analysis revealed this to be a fundamental weakness – lack of distinction in colour, typography or shape raised questions over authenticity in the mind of the consumer. This would constrain rate of sale and hinder trade stocking. A wholesale re-expression was called for, one which need pay little deference to the previous look.

Cost and time constraints precluded the use of any structural change: the traditional brown glass pint beer bottle, with a 3-label set applied at high speed must be retained. This was to be a quick, economical graphic solution.

The new design confidently appropriates a product generic in an individual style. By reversing the logo out of an apple silhouette, the design aims to avoid any confusion with bottled beers and to deliver high visibility on shelf.

**Project launch date:** March 2008

**Size of design budget:** £80,000

## Summary of Results

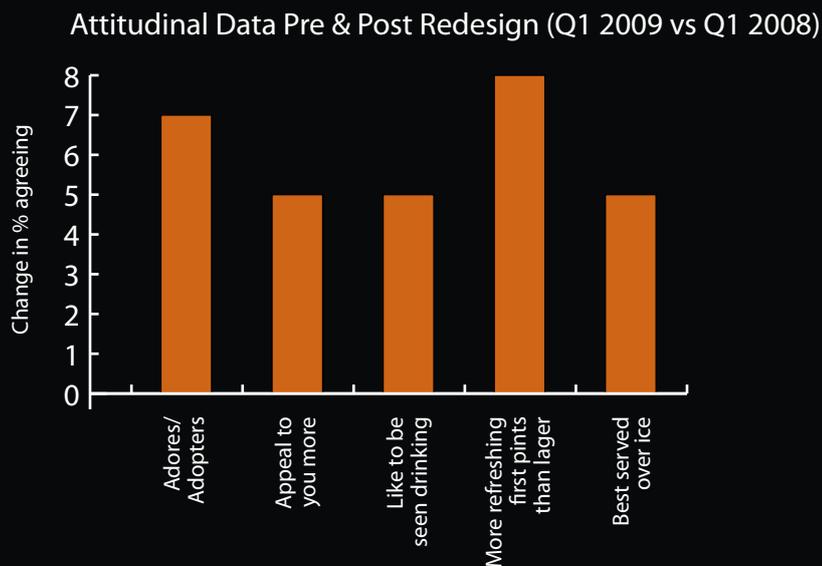
With economic decline, cider's growth has slowed to +5.7% on a moving annual total basis<sup>1,2</sup>. On a comparable basis, Bulmers has significantly outperformed with sales up **+£28m, +24%**.

Rate of sale grew **28%** vs category rate of sale growth of 12%<sup>1,2</sup>. Bulmers now sells at a higher rate of sale in pubs than Magners<sup>2</sup>.

**"Overnight, the pack made Bulmers more noticeable and contemporary than its competition. Shelf-standout was applauded by our retailers and their customers certainly noticed it! Bulmers is a brand that publicans are happier to stock because consumers call for it."**

Customer Marketing Controller, Scottish & Newcastle

This growth wasn't driven by shelf impact alone. Consumer attitudes to the brand improved with the more original design<sup>5</sup>.



## ROI: £90 return for each £1 invested

In the year since the redesign, across both channels of trade, Bulmers' sales have grown £28m or +24%, against the market +5.7%<sup>1,2</sup>. But what drove the difference in performance? This question may only be confidently answered by careful examination of all other possible factors which might have produced the extra sales growth.

**1) Advertising:** There has been national TV advertising support for Bulmers in the year since the redesign, at the same modest £4m level as in the previous year. A considerably lower level than the £7m invested by Magners, which nevertheless suffered a 26% fall in sales during the year<sup>1</sup>. Furthermore, Bulmers' advertising tracking shows a 2% decline in TV advertising awareness for the brand from the quarter prior to design and the corresponding quarter 1 year later<sup>5</sup>. We therefore conclude that advertising was not a significant influence in Bulmers success.



**2) Price:** The pub price of Bulmers increased by 3.8% during the year, slightly below an average market increase of 4.4%, slightly ahead of the 3.4% increase in retail price of Magners. Both brands are sold at parity, at just over £3 per pint<sup>1</sup>. In supermarkets, Bulmers is currently sold at a 3.5% discount to Magners<sup>2</sup>. However, the relative discount has not increased since the redesign.

**3) Distribution:** Availability of Bulmers rose, from 27 to 30% of on-trade outlets<sup>1</sup> and from 77 to 92%<sup>2</sup> of off-trade. This will, of course, have been aided by the improved rate of sale performance.

**4) Price promotion:** Bulmers is rarely price promoted in the pub trade. In grocery, however, discounts and BOGOFs are commonplace. Following the redesign, the proportion of Bulmers volume sold on deal has reduced from 79% to 66%<sup>6</sup>. This could support the contention that the new design has reduced price sensitivity for Bulmers.

**5) Rate of sale:** To eliminate seasonal effects, it is necessary to compare rate of sale the quarter immediately before the redesign hit the shelf with the same quarter this year. On this basis, average ROS for all cider is 12% up, Bulmers' average rate of sale has improved by 28%<sup>1,2</sup>. A 16% incremental increase.

Although the statistical and anecdotal evidence suggests that the design has been of significant benefit in achieving new stockists and in the reduction of volume sold on deal, we contend that rate of sale is the driver most closely linked with the redesign.

As a premium priced proposition in a slowing economy and in the absence of any detectable improvement in advertising saliency, we conclude that the design has directly elevated the incremental rate of sale gain, over and above the market growth. On this basis, 16% of the 24% top-line sales growth (i.e. £18.7m) can be attributed to the design.

If this figure is reduced by 50%, to account for VAT and the retail margin, we arrive at an incremental nett wholesale contribution of £14.35m.

Applying a Long Alcoholic Drink industry normative gross profit figure of 50% to allow for duty and raw materials, we arrive at a nett gross profit gain of £7.2m, for an investment of £80,000 in the redesign.

This equates to a 90 x return on investment in the first year.

## Research sources

1. Mintel, Cider UK Nov 2008
2. CGA on-trade datapack Feb 09
3. IRI off-trade data 21 03 2009
4. Euromonitor 2009
5. Millward Brown 2008 Vs 2009
6. IRI Bulmers Vs Magners off trade report Q1 2009