



ERIK POEL,
MANAGER CHANNEL MARKETING AT MICROSOFT:
**‘WITH FMS FROM ODS2 WE HAVE INCREASED
THE MARKET SHARE OF THE XBOX’**

Microsoft®

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The dutch gaming market has been growing steadily for the past years at an average rate of 8,3% and by now the profit of the sales from games is larger than all other segments of the entertainment industry. In holland alone there are 134 companies dedicated to the production and sales of video games. Microsoft, together with nintendo and sony, is one of the largest producers dominating the market. They do so with the xbox 360. It is the only game computer in the us that sold more this year than last year in the same period. To maintain this enviable position microsoft gathers as much data as possible about the way retailers offer the xbox and related products in their shops. In order to gather this information and translate it to relevant management information microsoft employs ods2's field marketing software (fms).

channel marketing (also known as trade marketing or field marketing) aims to improve product presentation, promotion and positioning in the sales area. The objective is stimulating the willingness to sell the product amongst retailers and the willingness to buy the product amongst consumers. "About 70% of the decisions to buy a product are made on the sales floor. Concerning game computers and games this percentage is somewhat lower because preferences of brand are considered very important. Without a doubt it is still very important how our products are displayed in the sales area as well as the knowledge and opinions of the product amongst staff". According to erik poel channel marketing manager at microsoft.

A THOUSAND SHOP VISITS A YEAR

Poel is with the Entertainment & Devices (E&D) department and is in charge of the channel marketing team, consisting of channel marketers and field merchandisers. E&D, also consisting of the teams Sales and Marketing, exclusively focuses on the consumer market. For Microsoft the most important consumer product is the Xbox as well as the Xbox games and accessories. Furthermore E&D focuses on products such as mice, keyboards and Windows and Office software packages. Poel: "Despite the fact that Microsoft realizes the largest part of its profit through the business to business market, the consumer market is nonetheless of vital importance to us. Through the consumer market we build a large volume and we create a certain image that reflects on the business to business market."

In the consumer market Microsoft sells about 90% of its product through retail channels, the remaining 10% is sold through web stores. Within the gaming market in Europe the most important retailers of Microsoft are Media Markt, Bart Smit, Intertoys, Free Record Shop and Dixons. The channel marketing team, which Poel is in charge of, visits 70 to 80 percent of the more than 1200 shops where Microsoft products are sold, in order to gather data about the positioning and availability of the products as well as the knowledge and motivation of staff. In total about 1000 shops will be visited.

OBJECTIVE OF WINDOW SHOPPING

With 'shop visits' we refer to two cases where Microsoft uses ODS2's Field Marketing Software; classifying the shops and planning the shop visits.

"We have started with classifying all 1200 shops. Based on this classification we have created a division with 'red', 'orange' and 'green' shops in ODS2's FMS. A 'green' shop means an Xbox minded shop and we only have 'to do maintenance' in this shop. The 'orange' shops need more attention; with this extra attention these shops should do better. At the 'red' shops we can still improve profit. Next we have added a ranking of which shops we would visit and in which order with the help of ODS2. Alongside the 'colour of the shop', the profit, location and strength of the shop are important factors. By adding weight to the factors mentioned above it is possible to create a selection. For some shops the efforts do not outweigh the potential results. At other shop chains you simply do not have the freedom to make the necessary improvements. We choose not to visit these shops".

After deciding which shops will be visited, we decide on the frequency of visits and we plan the visits. This is done also with Field Marketing Software from ODS2. We are dealing with an essential tool, taking into account all the factors that influence the decisions and the dynamics of the gaming sector. For example, per year over 200 new games for the Xbox are launched and a game has a life cycle of only six weeks. Microsoft therefore has to arrange and check that the new game is available in the shops on the day it is launched, otherwise they could miss out on a great part of profit.

"Due to the high dynamics of the market and the high turnover rate we visit some shops every week. Media Markt is a good example of this. For Media Markt the Xbox draws many customers. The Xbox in this case can be found in the back of the shop, because this enhances the chance of impulse purchases. However a shop of a lesser-known chain that is located on the Kalverstraat (main shopping street in Amsterdam) we also visit weekly. This type of shop has an important window shopping objective and establishes product awareness for Microsoft".

After classifying the shops and deciding on visit frequency, Microsoft turns to ODS2's FMS for constructing a well planned route for the visits, taking into account the availability of a staff member as provided by the retailers. "With help of the software we schedule which shops we visit and when we visit and afterwards we monitor if the visits are indeed done.

MANAGEMENT INFORMATION

All those shop visits provide a large amount of data about what is happening in the shops. The field marketers check, amongst other things, whether the Xbox and games are present, how the products are presented, how much the shelf portion is (amount of meters and number of facings) compared with the competition and in comparison with the market share of the Xbox and of course they test the knowledge and motivation of the staff regarding the Xbox. They also check if there is sufficient Point of Sale (POS) material present in the shop and keep an eye on what the competition is doing.

Gathering the data is done through direct observation by a field marketer and through questionnaires filled out by the staff. All this information is uploaded and saved immediately with the Windows Mobile computer into ODS2's Field Marketing Software. The management thus has detailed and accurate data at any time and anywhere at their disposal.

"The large amount of data is translated in FMS to relevant information shaped as clear charts, tables and monthly reports. We don't only get a good insight of the performance of each shop, but we can also compare shops and shop chains. Trends in shelf size are exposed and can be analysed as well".

"A big advantage of ODS2's FMS is that through authorisations (parts of) questionnaires, information and reports can be denied according the duties of different users. Only information relevant to the provider, chain, department or staff member is shown".

Poel also indicates that ODS2's FMS is a real management device within Microsoft E&D. The department measures based on the information in FMS whether objectives have been met and operational actions and sales and marketing strategies are rooted in the system as well.

DIRECT ACTION

The information saved at ODS2 has to be translated into concrete actions with the objective to enlarge the market share of the Xbox. This happens in various ways. There are actions that can be taken due to a shop visit. "Through the auto mailer tool from ODS2's FMS field merchandisers can simply mention that they are out of POS materials or that a demo unit has broken. In this sense ODS2's FMS is a communication and action orientated tool. This is very helpful as information is not lost, but translated directly into action".

"It is important that we enlarge the shelf portion and the positioning of our products. Large amounts of shelf space translate into larger profits and logically kids games sell better if they are positioned on a lower shelf. We try to influence this directly through the staff present in the shop at the time of the visit. If we do not succeed we leave a note, if necessary with photos, in FMS. Marketing and Sales can use this information later by contacting the main office of the chain and review the possibilities".

Microsoft tries to influence the mind share of the staff firstly by intending to improve the knowledge on Xbox products and secondly by giving personal attention in the form of birthday cards and privileges such as being the first to play new games. Poel: "We don't expect them to recommend us for a full hundred percent, but they do have to understand what they are offering to the clients and communicate us as an equal brand."

Microsoft tries to assist the shops by providing recommendations. "These recommendations have a better effect if we include the competition's products. We recommend for example to group the games in genres or to organize the shelves according to price. This is called category management. However the recommendations can also effect the whole lay-out of the shop, for example the register should be on the left side of the shop, as research has shown that customers spend on average, eight percent more if they shop counter clockwise."

RESULT

"A big advantage of ODS2's FMS is that the system is built modularly which makes the system very flexible. If we want to add a new product in our questionnaires, it can be uploaded on the same day. This means we can act fast and acting fast is crucial in this turbulent market." Poel regarding the results that Microsoft obtains with ODS2's FMS: "The information we gather is very relevant, accurate and detailed. You know what is happening at any moment and the system manages to capture the dynamics of the market very well. It is our ears and eyes in the shop. I dare to say that ODS2 has increased the market share of Xbox!"
