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Shopper Marketing:

Capturing a Shopper's Mind, Heart and Wallet

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Key Insights:

- **The Store Is Compelling and an Ideal Marketing Canvas** – With 70 percent of purchase decisions being made in-store¹ and 68 percent of in-store purchases being impulse², marketers have a tremendous opportunity to reach consumers, build brand equity and stimulate consumption through effective shopper marketing.
- **Many Definitions Exist, However Only One Matters** – Despite industry debates and differing opinions, shopper marketing should be consistently defined from the shopper's point-of-view. It should include ***all marketing stimuli, developed based on a deep understanding of shopper behavior, designed to build brand equity, engage the shopper (i.e., a consumer in 'shopping mode'), and lead him/her to make a purchase.***
- **The Industry Is a Believer** – With respect to shopper marketing, companies are making real change happen in their organization – backing it up with projected increases in funding (21 percent and 26 percent CAGR 2004-2010 estimate for manufacturers and retailers, respectively) and considering shopper marketing a competitive differentiator well into the future.
- **Transformational Change Is Required, and It's Quite Complex** – Building shopper marketing capabilities will require a significant transformation of the status quo in marketing and sales organizations. This transformation will include, but is not limited to, how insights are generated, how much is spent on insight generation, how segmentation is performed, how budgets are developed, how teams are structured, what skills are required, and how execution happens in-store.
- **Retailers Are Increasingly Defining the Agenda** – Retailers are becoming more sophisticated and demanding marketers. Leading manufacturers are succeeding by becoming expert advisors to their retail customers. Compelling insights and effective collaboration will drive competitive advantage for consumer product manufacturers well into the future.
- **Five Things Differentiate Manufacturers in the Eyes of Retailers** – Retailers view leading manufacturers as those:
 - Who are best aligned with their marketing plans and strategies;
 - With whom they have highly productive and cohesive relationships;
 - Who possess advanced shopper marketing competence;
 - Who develop unique and exclusive programs; and
 - Who can deliver powerful insights on the consumer and the shopper.
- **It Doesn't Need to Be the Cadillac Version** – Shopper marketing is not an all or nothing proposition. Brand strategies and positioning should define the most appropriate role of shopper marketing and the specific in-store and out-of-store tactics that yield the most effective results.

¹Consumer Buying Habits Study, Point-of-Purchase Advertising Institute and Meyers Research Center, 1995

²Point-of-Purchase Advertising Institute (POPPI)

Study Overview and Report Structure

Objectives and Methodology

To better understand the emergence of shopper marketing and its impact on consumer products manufacturers and retailers, the Grocery Manufacturers Association (GMA) Sales Committee engaged Deloitte Consulting LLP to research and identify:

- The industry definition of shopper marketing;
- The state of shopper marketing in the consumer products industry;
- Leading practices employed by retailers and manufacturers; and
- Go-to-market strategies for shopper marketing.

In-depth surveys and interviews with leading consumer products manufacturers, retailers and service providers³ were conducted from June through September 2007. In addition, this report draws upon publicly reported company data and other published materials.

Report Structure

This report is organized into the following three sections:

Section 1: The Call for Shopper Marketing. This section focuses on today's marketing complexities and the emerging opportunity of the store as an effective marketing medium.

Section 2: State of Shopper Marketing. This section outlines the findings of the study. It describes the definitions of shopper marketing, the extent of industry adoption, and the transformational efforts and essential tactics necessary to succeed.

Section 3: View of the Future. This section discusses our predictions for the future of shopper marketing in the consumer products industry.

Acknowledgements

Deloitte Consulting would like to thank the GMA Sales Committee for providing us with the opportunity to assist in developing this in-depth report on such a strategic and important topic for the industry as shopper marketing. Thanks to Grant LaMontagne, Vice President, Sales, The Clorox Company, and GMA Sales Committee Chair, and the entire GMA Sales Committee for supporting our efforts.

We would also like to recognize the GMA Shopper Marketing Steering Committee. Specifically, the following individuals provided significant insights, guidance and support throughout the project. Their input played a major role in the depth and quality of insights contained in the report.

Skip Aldridge	Executive Vice President, Chief Customer Officer GMA Sales Committee Vice Chair	Pharmavite, LLC
Tim Cole	Executive Vice President, Sales	Del Monte Foods
Joe Crafton	President, Strategic Alliances	CROSSMARK
Don Hurrle	Vice President, Sales, Grocery Market	The J. M. Smucker Company
Jack Laurendeau	Vice Chairman	Acosta Sales & Marketing Company
Tracy VanBibber	Senior Vice President, Sales GMA Shopper Marketing Steering Committee Chair	The Dial Corporation

Deloitte Consulting and GMA would also like to thank the many individuals from consumer products manufacturers, retailers and service providers who supported our research by providing interviews and/or completing the extensive survey.

Finally, we extend our special thanks to the GMA, specifically Stephen Sibert, Brian Lynch and Troy Beeler who provided project oversight and facilitated the study for the past several months.

³Given the confidentiality assurances made with survey and interview participants, their names and the names of their companies will not be disclosed in this report.

The Call for Shopper Marketing

Where There Are Challenges, There Are Opportunities

Connecting with consumers and shoppers and creating loyalty is as challenging as it has ever been for consumer products manufacturers and retailers. Consider the following profile of today's consumers and shoppers:

- 68 percent are brand switchers⁴
- Only 5 percent are loyal to one brand⁵
- 73 percent shop in five or more channels⁶
- Only 26 percent are loyal to an average retailer⁷

These statistics are alarming, given the fact that marketers are making every effort to create the exact opposite effect. Consider for a moment, the impressive depth of marketing penetration, convenience, choice, and innovation created by savvy manufacturer and retailer marketers:

- *Reach*: 3,000 marketing messages a day reach the average consumer⁸,
- *Convenience*: The number of retail channels have more than doubled in just 50 years,
- *Choice*: Over 45,000 SKUs await the consumer in the average supermarket⁹, and
- *Innovation*: 32,624 new products were introduced in 2006 alone¹⁰.

Given this substantial marketing effort, one would think the aforementioned loyalty statistics would be altogether different. Unfortunately, they are not. This has caused the industry to question and re-think whether the right marketing messages are delivered to the right consumer, at the right time, in the right place, and with an impact that creates incremental consumption and loyalty.

Indeed, marketers are abuzz with re-focusing their efforts on marketing to the consumer in a holistic and integrated manner, sometimes referred to as 360-degree marketing. However, in doing so, they are quickly concluding that there are many "blind spots" across the 360-degree view of the consumer. One such blind spot is perhaps one of the most compelling marketing mediums – the retail store.

The Store as a Marketing Medium

The store is a critical and highly attractive touch point to reach and influence consumers. 70 percent of all purchase decisions are made in-store¹¹, and 68 percent of in-store purchases are impulse driven¹². The potential of the store to create impressions and build brand equity is tremendous, and it should be thought

⁴Nielsen Media Research: http://www.mediabuyerplanner.com/2006/08/29/nielsen_instore_ads_sway_68/

⁵POPAI Consumer Buying Habits Study: <http://www.ogilvyaction.com/Pages/ShopperMarketing.aspx> accessed 7/2/07.

⁶IRI Time and Trends: Channel Migration 2007

⁷General Mills "Best-In-Class Shopper Loyalty"

⁸Maritz Loyalty Marketing: http://www.maritzloyalty.com/consumer_loyalty_programs.html

⁹http://www.fmi.org/facts_figs/superfact.htm

¹⁰IRI Research: CPG New Product Trends 2004

¹¹Consumer Buying Habits Study, Point-of-Purchase Advertising Institute and Meyers Research Center, 1995

¹²POPAI

Section 1:

The Call for Shopper Marketing

of like any other marketing media. Each week, 127 million customers visit Wal-Mart alone¹³ compared to 68 million people who watch ABC, CBS or NBC evening news on average¹⁴. The store is filled with engaged consumers in “shopping mode,” already thinking about and pre-disposed to making purchases – a marketer’s dream come true.

The store as a venue to convert consumers into buyers is not a new concept. Sales organizations have been utilizing the store for quite some time through rather substantial trade promotion programs and investments. Brand marketers have only been targeting consumers outside of the store, leading them to the store but leaving them at the front door. They have been neglecting an important moment in the consumer’s decision making process, “The First Moment of Truth.”¹⁵ In order to execute holistic 360-degree marketing, marketers can no longer overlook the store or the consumer-turned-shopper.

The Shopper Is Not Necessarily the Consumer

Along with the store, the consumer as a “shopper” has been an evolving concept. Marketers, who traditionally focus on consumers, are realizing the opportunity to address consumer needs in-store, in other words, “shopper” needs. When planning or engaging in a purchase, a consumer-turned-shopper may have different needs and different behaviors. Consider the following examples of two different shopping occasions:

- **Pantry Restocking:** A woman restocking her pantry for her family may purchase large product sizes on sale, making package size and value pricing important considerations in influencing her purchase decision.
- **Grab-and-Go:** The same woman, rushing to grab a bite before a meeting, may purchase a pricey sandwich and drink from the prepared foods department, making convenient store layout, fast service and product assortment the most critical marketing variables.

In addition to shopping occasions, the industry has come to realize that the consumer who uses the product may not be the one purchasing it (e.g., a mother buys the cereal that her children consume). Some companies refer to this as the “chooser” (shopper) and the “user” (end consumer). In some instances these are different human beings, in other instances they are the same person. Understanding this differentiation enables marketers to develop appropriate strategies with the most effective mix of media and messaging to target the right segments of consumers and shoppers.

Shopper Marketing Is Born

Retailers and manufacturers realize the store’s potential as a strong marketing medium, and are now targeting shoppers in an effort called shopper marketing.

The next sections of this report will focus on defining shopper marketing, investigating its penetration within the industry, understanding retailers’ and manufacturers’ perspectives, analyzing the barriers to implementation, and highlighting successful go-to-market strategies.

¹³<http://www.walmartfacts.com/articles/5274.aspx>

¹⁴<http://www.stateofthedia.org/2007/index.asp>

¹⁵The Hub, May/June 2007

State of Shopper Marketing

Key Takeaways:

1. Confusion Trumps Clarity

2. The Train Has Definitely Left the Station
3. The Status Quo Won't Do
4. Learning The New Tricks of the Trade
5. You Don't Need to Do Everything, Just Something

1. Confusion Trumps Clarity

Industry Definitions Vary Widely

One would think defining shopper marketing would be fairly straightforward. There is a shopper, you market to the shopper and therefore, marketing to a shopper is shopper marketing – if only things were so logical and simple.

Wide ranging debate exists across the industry on what comprises shopper marketing. Most industry participants agree that the dimensions of shopper marketing – reach, activities/tactics and program initiator – should include the following components:

- *Reach*: In-store marketing (e.g., point-of-sale marketing materials)
- *Activities/Tactics*: Brand-building promotions (e.g., promotions advertising product brand for manufacturers)
- *Program Initiator*: Both manufacturer and retailer (i.e., programs developed through manufacturer/retailer collaboration)

However, many argue whether the scope of shopper marketing also includes the following marketing activities:

- *Reach*: Out-of-store marketing (e.g., direct mail, radio campaigns, Internet campaigns)
- *Activities/Tactics*:
 - Trade promotions (e.g., a 'buy 2 get 1 free' on-shelf promotion)
 - Product modifications (e.g., modification of a product or packaging to satisfy shopper needs)
- *Program Initiator*:
 - Retailer (e.g., private label marketing, store banner promotions)
 - Manufacturer (e.g., product packaging innovation)

Companies, industry thought leaders and associations calibrate within these dimensions to create their own definitions of shopper marketing. Upon examination, we found six prevalent definitions of shopper marketing.

Section 2:
State of Shopper Marketing

For example, the Marketing Leadership Council defines shopper marketing as:

- 1. Shopper Marketing** – “In-store advertising, promotion and design initiatives that align with and extend supplier equity-building objectives while simultaneously creating a source of differentiation for participating retailers through tailored executions that address specific shopper need-states and activate purchase at the point-of-sale.”¹⁶

Oftentimes, shopper marketing is being used synonymously with other marketing concepts. For example, retailers use the term ‘customer marketing’ interchangeably with shopper marketing.

- 2. Customer Marketing** – In retail terms, shoppers are retailers’ customers. Therefore, shopper marketing is what retailers have always been doing, but at a more sophisticated level. Nowadays, they are investing in gathering more information and generating deeper insights (e.g., behavioral studies) to develop programs targeted at specific customer segments. They are redesigning their stores and developing innovative in-store events to create a unique customer experience that leads to differentiation. Safeway is one notable example of this growing level of sophistication:

Safeway – Customer Marketing

- In 2005, Safeway introduced its Lifestyle Store in more than 400 locations
- The stores featured warmer lighting and more readable product labels centered around the concept that there is high importance in the way merchandise on the shelf touches the customer
- Sprinkling its tagline, “Ingredients for Life,” liberally throughout the store and its products, Safeway has focused on engaging the customer’s purchase interest by delivering a consistent brand message through every available communications channel

Source: Grocery Headquarters – Trade Journal

Manufacturers also use the term shopper marketing interchangeably with other marketing concepts. To complicate things further, manufacturers add another dimension to their definition – focus. Some companies are more focused on retailer satisfaction, others on shopper satisfaction. The terms they use interchangeably with shopper marketing are:

- 3. Account/Retailer/Customer Specific Marketing** – customized marketing programs for key retail customers.
- 4. Retail Marketing** – all marketing activities contained in a retail environment or specifically at the moment of contact. For some companies this includes trade promotions.
- 5. Shopper-Centric Marketing** – satisfying shoppers’ need-states (i.e., marketing to consumers when they are in the shopping mindset to satisfy the need that drove them to the store).
- 6. Commercial Innovation** – any innovation developed based on shopper insights that does not require a significant packaging or product change.¹⁷

¹⁶MLC, “Assessing Shopper Marketing”, July 2005

¹⁷The HUB: May/June 2007

The following illustration summarizes the six above-mentioned shopper marketing definitions, realizing there could be more.



Shopper Marketing Definitions	Reach		Activities / Tactics			Program Initiator		Focus	
	In-Store	Out-of-Store	Brand Activities	Trade Promotion	Product Modification	Both Manufacturer and Retailer (through collaboration)	Manufacturer ONLY or Retailer ONLY	Shopper Satisfaction	Account Satisfaction
1. Shopper marketing (Marketing Leadership Council)	✓		✓			✓		✓	✓
2. Customer marketing (Retailers)	✓	✓*	✓			✓	✓	✓	NA
3. Account/retailer/customer specific marketing (Manufacturers)	✓	✓*	✓			✓			✓
4. Retail marketing (Manufacturers)	✓		✓	✓*		✓		✓	✓
5. Shopper-centric marketing (Manufacturers)	✓	✓	✓	✓*		✓		✓	
6. Commercial innovation (Manufacturers)	✓		✓		✓	✓	✓	✓	

* May or may not include
Source: GMA/Deloitte Consulting LLP 2007 Shopper Marketing Study Results

We have considered the merits of the six definitions of shopper marketing and have concluded that none truly captures the complete essence of shopper marketing.

One Definition – Shopper-Centric

The term shopper marketing is based on the underlying assumption that the consumer and the shopper are the center of the universe. Dina Howell, Procter & Gamble's shopper marketing chief, puts it best, "It doesn't really matter what we think; it only matters what the shopper/consumer thinks."¹⁸

Shoppers do not care whether the marketing stimulus they are receiving is an advertisement, consumer promotion, trade promotion, product package, or store placement. They do not categorize these stimuli, they do not care what the industry calls them and they certainly do not care who funds them. They just want relevant information, a pleasant store experience and an easy purchase.

Shoppers may be pre-disposed to make a purchase not just within a store environment, but on the way to the store and from the store – at any point they are thinking about the purchase. Therefore, they are receptive to messages about the product outside the store.

¹⁸The HUB: May/June 2007

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After positioning the shopper at the center of the universe and identifying what marketers need to target the shopper holistically, we significantly broaden the aperture of the lens through which we think the industry needs to view shopper marketing. We define effective shopper marketing as:

**All marketing stimuli,
developed based on a deep understanding of shopper behavior,
designed to build brand equity,
engage the shopper (i.e., consumer in 'shopping mode'), and
lead him/her to make a purchase**

Shopper Marketing Stimuli – Any marketing effort that builds brand equity and has the potential to engage or influence an individual to shop or make a purchase. Some examples of shopper marketing stimuli include:

- **Product** stimuli, such as the size, shape, color, material and packaging of the product, and the messages, graphics and language conveyed on the packaging
- **Price** stimuli, such as price promotions conveyed in circulars, shelf signs, coupon dispensers, and personalized check-out coupons
- **Place** stimuli, such as store design, layout, lighting, music, scents, and aisle, shelf, and display locations
- **Promotion** stimuli, such as sampling, demonstrations, displays, floor advertisements, kiosks, in-store visual or audio, intelligent shopping carts, and digital signage

PRODUCT	PRICE	PLACE	PROMOTION
<ul style="list-style-type: none"> • Packaging • Size • Language 	<ul style="list-style-type: none"> • Personal Check-out Coupons • Circular • Coupon Dispenser 	<ul style="list-style-type: none"> • Personal Check-out Coupons • Circular • Music • Lighting • Display 	<ul style="list-style-type: none"> • Sampling Demo • In-Store TVs • Floor Ads • Intelligent Cart • Shelf Signs • Display

Not everyone agrees that all of these stimuli should be considered shopper marketing. However, from the eyes of a shopper, price discounts, store design and product packaging is marketing to the shopper.

Shopping Mode – A person is in shopping mode when he/she is contemplating buying a product or service whether the person is in-store or outside the store. For example, a person is in shopping mode when he/she is making a shopping list, driving to a store, researching information online, or browsing the aisle in a store. A typical thought process of an individual in shopping mode may include: Do I need this? Where should I buy? How much should I pay? What are the choices?

Note: The definition of effective shopper marketing stated above was formulated as a conclusion of this study. This definition was not used in the shopper marketing survey conducted for the GMA/Deloitte Consulting LLP 2007 Shopper Marketing Study. Survey participants' responses were based purely on their companies' own definition and understanding of the concept of shopper marketing.

Source: GMA/Deloitte Consulting LLP 2007 Shopper Marketing Study Results

Key Takeaways:

1. Confusion Trumps Clarity
- 2. The Train Has Definitely Left the Station**
3. The Status Quo Won't Do
4. Learning The New Tricks of the Trade
5. You Don't Need to Do Everything, Just Something

2. The Train Has Definitely Left the Station

So far, we made the argument that shopper marketing is a compelling concept. However, the question remains if the industry has embraced this concept and is making it a reality. The answer, based on our research, is a resounding yes.

Irrespective of the confusion or interpretation of shopper marketing, companies are investing in it and making change happen¹⁹. Companies consider shopper marketing a competitive advantage and market leaders have started mobilizing their shopper marketing efforts by allocating more funds, restructuring their organizations, investing in technology and resources, and re-evaluating their collaboration efforts with partners and service providers.

Shopper Marketing Drives Competitive Advantage

Both manufacturers and retailers believe that by executing shopper marketing properly, they can gain a significant competitive advantage in the next 3 to 5 years.

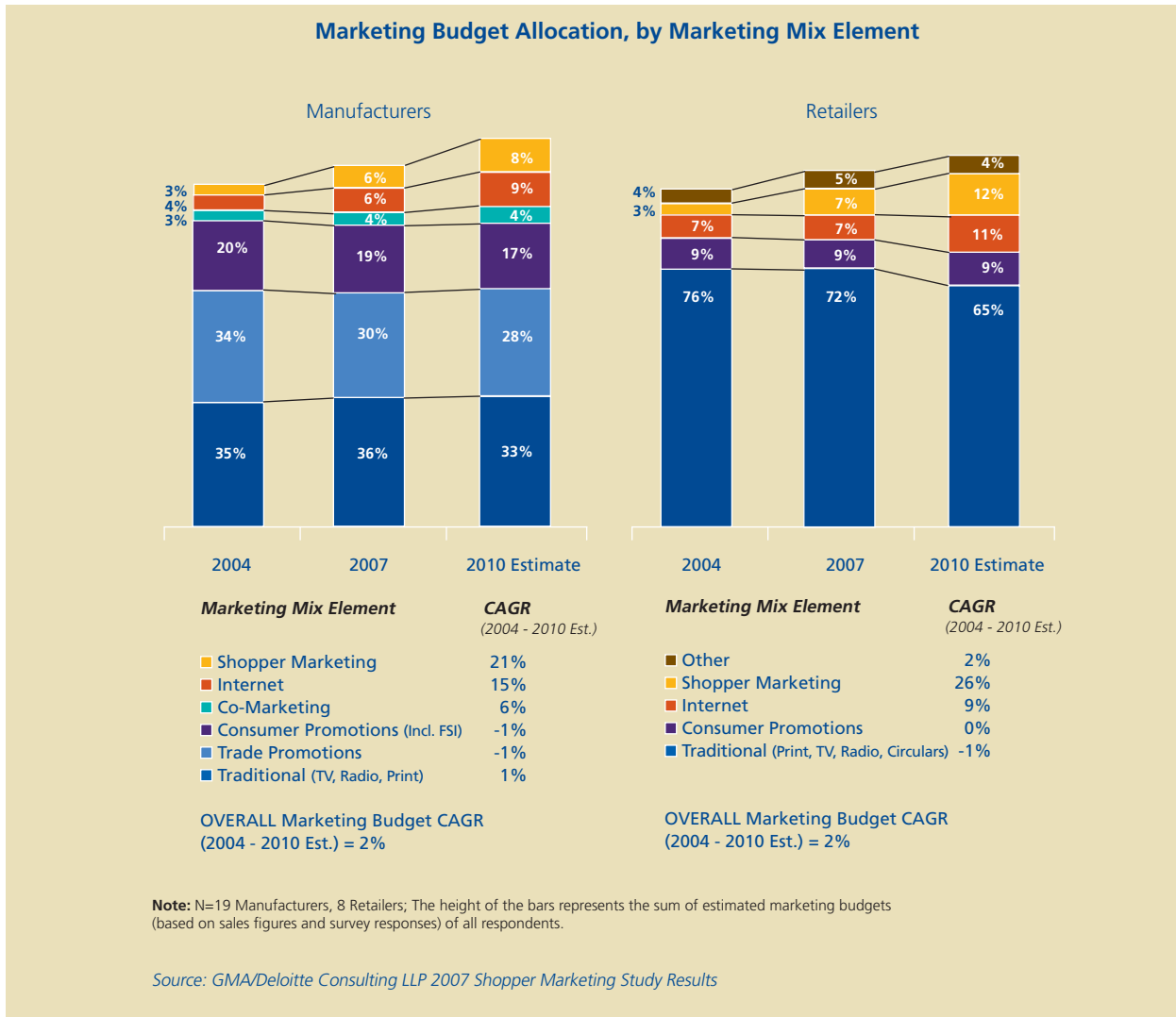


Follow the Money – It Tells the Story!

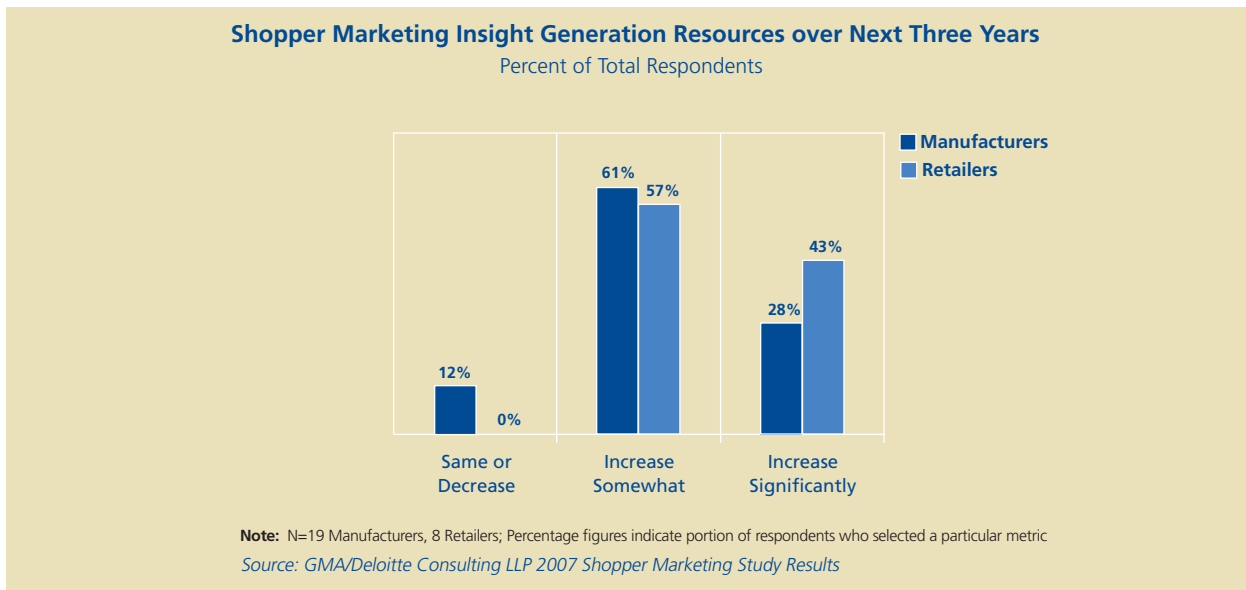
Recognizing the opportunity to gain a competitive advantage through shopper marketing, manufacturers and retailers are increasing their shopper marketing budgets. While overall marketing budgets are growing at 2 percent CAGR, shopper marketing budgets are growing at 21 percent and 26 percent CAGR for manufacturers and retailers respectively. Note that the 1 percent CAGR decrease in trade promotion spending is not directly related to the increase in investments in the online or shopper marketing budgets. According to manufacturers, they are critically evaluating the effectiveness of trade promotion spending and are optimizing investment effectiveness. Retailers, on the other hand, are investing more in redesigning their stores and improving their customer experience as part of their shopper marketing initiatives.

¹⁹The findings in this and subsequent sections are based on each company's own definition of shopper marketing.

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State of Shopper Marketing



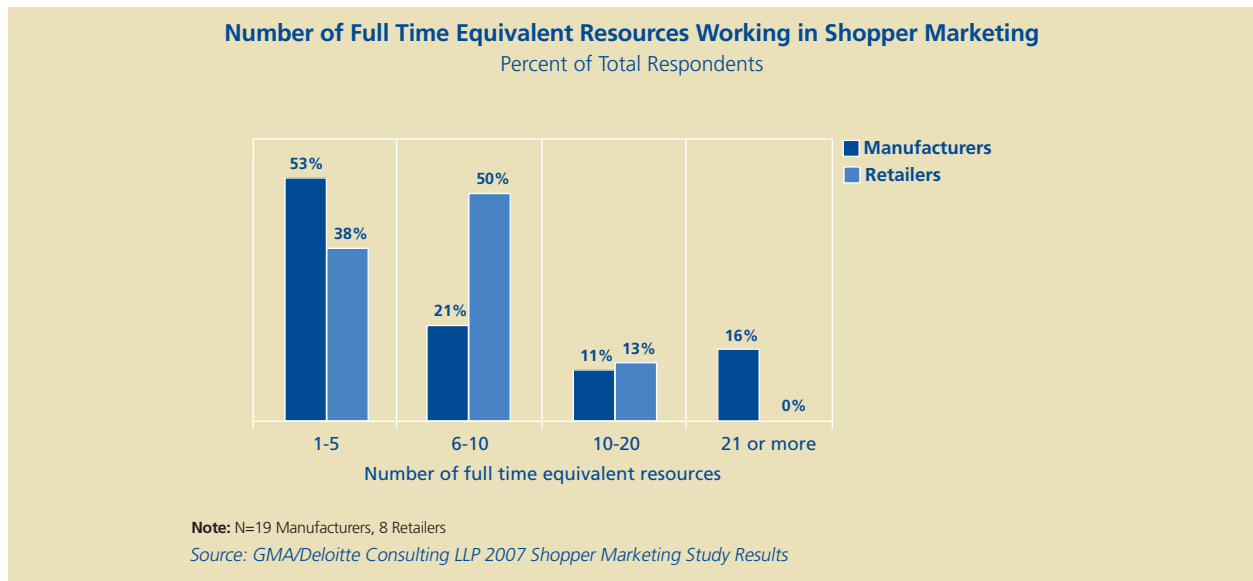
Both manufacturers and retailers are also planning to increase their resources devoted to insights generation over the next three years.



Make Way for Shopper-Centricity

Companies are also changing their organizational structure to support shopper marketing. In addition to allocating dedicated resources, companies are creating specific groups or departments within the sales or marketing organizations to focus on research, program development, relationship management and the execution of shopper marketing initiatives.

The majority of shopper marketing departments contain one to five full-time-equivalents. However, leading manufacturers are creating more prominent shopper marketing functions that are fully responsible for shopper marketing processes, from insight generation to shopper interaction at point-of-sale.



Jump on the Bandwagon

In addition to manufacturers and retailers, other industry players are rushing to assist companies with their shopper marketing efforts. Marketing agencies and other service providers are creating new shopper marketing methodologies and approaches to help manufacturer and retail clients develop their presence in the field. In order to stay relevant and competitive, advertising and media agencies are creating dedicated teams with required skills to support shopper marketing. Examples include:

“At Saatchi & Saatchi X, we understand the difference between consumers and shoppers and how best to create effective communications in the retail space. We believe that talking to shoppers in the right way will have the single biggest impact on a client’s business.”

Source: Saatchi & Saatchi

Ogilvy Shopper Marketing division believes there are several moments of truth leading up to the purchase decision, or what Ogilvy has termed the “Last Mile.” Ogilvy Shopper marketing will therefore start the process off with a “Last Mile Workshop” where sales people, brand marketers and Ogilvy Shopper marketing work together to analyze the shopper situation. For “winning at the Last Mile is critical to a brand’s success... where we move people from attitude to action,” say Couzyn.

Source: Spotlights on the shopper, Marketing WEB

“Arc Worldwide has announced that Comcast Corporation, the nation’s leading provider of cable, entertainment and communications products and services, has selected the company as a marketing partner in its efforts to expand its presence at key retail outlets.”

Source: Marketwire

“CBS said it would buy SignStorey, a US company that broadcasts advertising-supported television in retail outlets, for \$71.5m. The acquisition is evidence of the burgeoning popularity of in-store advertising, which allows companies to target shoppers just as they are about to make purchases.”

Source: MSNBC

Shopper Marketing Pays Off

Companies that have invested in shopper marketing are seeing the benefits. Leading manufacturers and retailers who are pursuing effective shopper marketing strategies and tactics have witnessed increased sales, shopper loyalty and ROI. For example, Kroger's 'Customer First' focus increased its sales by 6.8 percent.

Kroger – 'Customer First' Focus

Kroger's 'Customer First' focus increased its sales by 6.8 percent versus the 3.4 percent (non fuel) for its competitors using the following tactics:

- Partnered with Dunnhumby, a data analysis firm to refine its marketing strategy
- Harnessed data, integrating rich transaction data with customer reference data
- Conducted analysis and segmentation of data, identifying and segmenting best customers
- Developed and executed loyalty marketing strategy and delivered specific offers to target segmented customers
- Developed coalition loyalty offer by partnering with MasterCard to create a loyalty card that has multiple uses



Source: Forrester Research, Inc.

Best Buy's sales gained 8.4 percent after expanding its customer-centric program to 110 US stores from 32 pilot stores. Though consumer electronics is an adjacent industry, its retail environment utilizes innovative shopper marketing practices and further illustrates that shopper marketing is real and beneficial.

Best-Buy – Customer-Centricity

Best Buy expanded its customer-centric program to 110 US stores after 32 pilot stores showed a sales gain of 8.4 percent compared to the 2.3 percent for the non-pilot stores.

Best Buy has changed its "one-size-fits-all" approach to adopt principles of customer experience based retailing through:

- Development of a unique customer segmentation strategy enabling the customization of stores around specific segments
- Analysis of "latent" customer data that identifies their most profitable customers and enables the customization of store locations
- Use of analysis in program development to increase the effectiveness of pricing and promotions

Source: Forrester Research, Inc. and www.money.CNN.com

Shopper marketing has arrived and is driving significant change in the industry. Rather than being just another great idea, shopper marketing is also demonstrating impressive tangible results. A new world of challenges and opportunities awaits those companies that can successfully deploy their resources against this new strategic imperative.

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3. The Status Quo Won't Do

To say that it is challenging for consumer products companies to implement shopper marketing is a massive understatement. Building shopper marketing capabilities and competence into the organization is a major disruption to traditional marketing and sales organizational constructs, budgets, funding structures, processes, metrics and incentives, and many other foundational areas within consumer products companies.

Our survey data confirm that on their way to effective shopper marketing, manufacturers face considerable barriers that, if not addressed correctly, can hinder overall shopper marketing success. These barriers are:

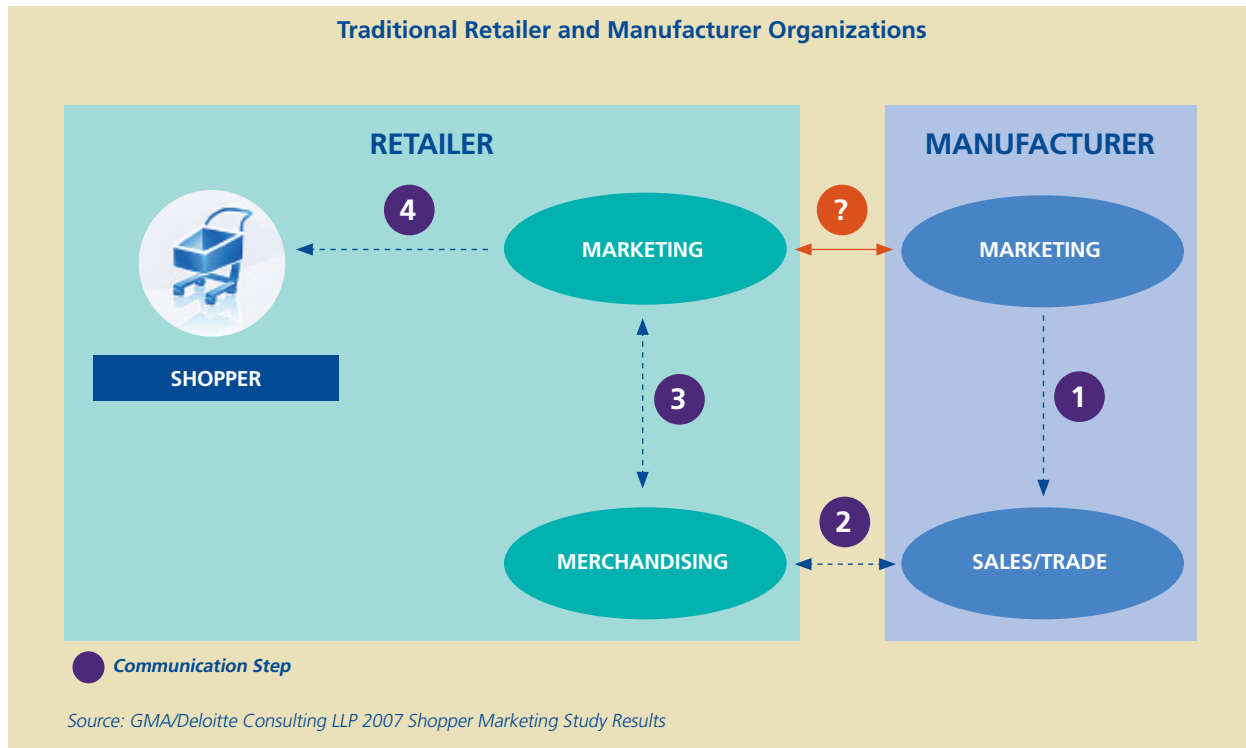
1. Inconsistent understanding of shopper marketing programs in the organization;
2. Lack of shopper marketing capabilities and skill sets;
3. Lack of alignment and support by necessary functions;
4. Lack of funding for programs and infrastructure;
5. Lack of performance metrics and/or measurements;
6. Inability to consistently execute programs in store; and
7. Lack of ability to generate specific consumer insights.

The good news is that manufacturers consistently say that leadership understands the importance of embracing shopper marketing (42 percent of respondents strongly agreed). However, leadership buy-in is necessary but insufficient to perform such a massive transformation. Day-to-day execution excellence in setting up new organization structures, new roles, new processes, and new capabilities is necessary to achieve success.



Why Is This So Complex?

Through shopper marketing programs, manufacturers want to achieve a purely marketing objective – reach shoppers and win their share of wallet. However, historically, retailers’ and manufacturers’ marketing departments have not been connected. The manufacturers’ sales organization and retailers’ merchandising function have controlled the store domain, while the retailers’ marketing department has owned the connection with the shopper. Thus, it would take four communication links (i.e., manufacturer marketing to manufacturer sales/trade to retailer merchandising to retailer marketing) to reach the shopper. The most important link in this picture is missing – manufacturer and retailer marketing departments need to collaborate to convert the shopper to a loyal buyer.



Nevertheless, numerous barriers exist to getting marketing organizations to talk, including:

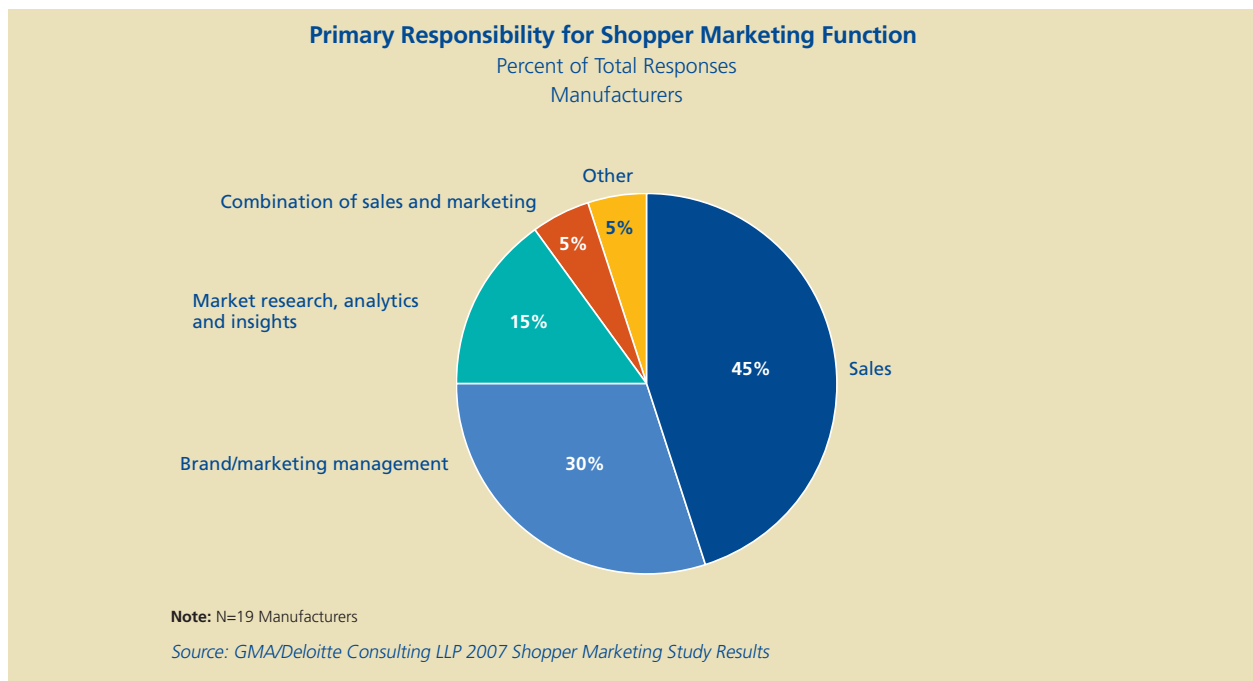
- Sales and merchandising have a relationship that they have been cultivating for years;
- Since marketing managers have traditionally been involved in national marketing, it is challenging for them to also take on the intricacies of the retail store;
- Market research has traditionally been about collecting information on consumer segments. With shopper marketing, they have to develop capabilities to perform shopper segmentation and analyze shopper data by store, cluster of stores and account – an exponential increase in the complexity and granularity of insights required;
- Retailers’ marketing departments have traditionally had a closed door policy for manufacturers; and
- Retailers’ processes (e.g., new product introductions, trade promotions, and in-store marketing activities) are not aligned, partially because responsibilities for these activities reside within different functions and departments.

Leading manufacturers have mitigated these challenges by developing cross-functional customer business teams for their key retail customers. These cross-functional customer business teams consist of experts within such areas as merchandising, marketing, sales, supply chain, IT, and finance. They work with customers to address issues within each of their respective functions. However, even those teams may at times lack the expertise and knowledge required to address shopper marketing.

A New Approach – Marketing and Sales Integrate

Shopper marketing calls for a structurally different approach that requires the tight integration of marketing and sales.

To achieve this integration, manufacturers have been nesting the shopper marketing function somewhere between marketing and sales, depending on what works most effectively for their organizations.



We found that manufacturers that define shopper marketing as account specific marketing tend to include their shopper marketing function within sales (45 percent of survey respondents). The other 30 percent include shopper marketing within marketing/brand management, and 15 percent within market research, analytics and insights. All these companies admit that even though shopper marketing personnel report to one organization, they meet with the other on a regular basis to align objectives. The majority wish such interactions were more seamless and better defined. Only 5 percent of manufacturers have a shopper marketing function led by both marketing and sales.

Lack of Shopper Marketing Skill Sets

All companies interviewed concur that shopper marketing resources require both marketing and sales experience and skills. About 54 percent of survey respondents reported that a lack of shopper marketing skills and experience is still a barrier to shopper marketing adoption. Shopper marketers need to be able to communicate using retailer and manufacturer terminologies (e.g., metrics, segmentation, objectives) interchangeably. Thus, this would require speaking two languages (i.e., sales/merchandising and marketing) and two dialects (i.e., retailer and manufacturer).

Lack of Strategic Alignment – Brand Marketing, Trade Promotion and Shopper Marketing

To successfully perform holistic 360-degree marketing, companies should include shopper marketing into the overall spectrum of marketing activities. However, our surveys confirmed that shopper marketing activities are not aligned with other national/consumer marketing activities. In fact, survey respondents indicated that their shopper marketing activities are not well coordinated with traditional marketing programs (i.e., received an average score of 2.3 on a scale of 1 to 5, with 1 being not coordinated at all and 5 being extensively coordinated). Alignment of shopper marketing activities to national marketing activities can be a cumbersome process due to a difference in approaches – national marketing uses one calendar, one plan, one segmentation model, whereas shopper marketing utilizes many account calendars and plans, and many segmentation models employed by different retailers. It is also extremely difficult to coordinate the timing of national marketing programs with shopper marketing programs since retailer planning processes and calendars differ.

It is also important to integrate marketing and trade promotion activities. Trade promotion is just another marketing lever that influences the consumer in the store. Marketing and sales should be aligned with trade promotion's purpose, plans and tactics. Therefore, when marketing to shoppers, companies need to blend trade marketing with shopper marketing, or at least be very involved in what the trade marketing organization does with trade promotions. Sales owns the trade marketing function, which oversees trade promotion budgets and controls what happens in store. They typically do not seek input from marketing. According to one respondent, "I have worked in five companies, and marketing never had a say in sales." Blending trade promotion with other in-store marketing activities and aligning strategy and tactics can be a very painful process. However, it has to be done to achieve a consistent shopper experience that characterizes successful shopper marketing.

Leading companies such as Procter & Gamble are already transforming their organizations:

Procter & Gamble – Alignment of Trade Marketing with Brand Marketing

Objective:

- Align Trade Marketing activities with advertising and consumer promotion activities to create "a more genuinely discipline-agnostic Procter & Gamble"

Current Situation:

- Trade dollars and in-store dollars are managed by the sales department
- Trade marketing is often overlooked by marketers who set brand strategy

Approach:

- Move retail-marketing strategy group to the brand group from the sales function
- Move retail-marketing to the same budgeting, oversight and return-on-investment criteria as the rest of the marketing mix
- Align decision making process

"It represents Procter & Gamble, and to a lesser extent the industry, coming full circle back to days when brand marketers controlled the whole marketing budget."

Source: Advertising Age

Lack of Funding

Shopper marketing does not typically have an established, dedicated funding structure. Over 67 percent of respondents reported that funding is a significant barrier to the adoption of shopper marketing. In some cases, shopper marketing reports to sales but is funded by marketing. At some emerging organizations, funds come from both marketing and sales. Since the funding structure is not clearly defined, shopper marketing resources typically have to beg for additional funds. Without a clear funding structure, two problems arise:

- **How is the shopper marketing budget allocated and controlled**, given the multitude of funding channels?
- **How to align the trade marketing spend** with shopper marketing objectives?

Inconsistent Execution

According to manufacturers' survey responses, execution is considered to be one of the key barriers to shopper marketing adoption – 58 percent of respondents consider it a significant barrier. As opposed to traditional media, which is being closely monitored to ensure accountability, retail execution has very few, if any, ways to verify performance other than small, sample audits. Ironically, this is an area where retailers believe collaboration between them and manufacturers will grow the least. They acknowledge this is a problem, but unfortunately:

- They often lack resources on the ground to ensure compliance; and
- The resources responsible for planning shopper marketing activities are different from the ones responsible for executing.

Today's data suggest that the simplest of displays funded through trade promotion only gain a 60 percent compliance rate across retailer stores. You can appreciate how challenging it will be for more complex shopper marketing programs to be executed flawlessly.

Lack of Performance Metrics

Traditionally, manufacturers' marketing managers have been using such metrics as frequency, reach, impressions, and gross rating points (GRP) to measure their national programs. The standard measurements for the sales department have been revenue, volume, distribution, return on investment (ROI), and incremental sales generated by trade promotions.

Today, since shopper marketing involves both organizations, there is little clarity on how to measure the effectiveness of in-store marketing programs. An industry-wide metric is yet to be established to measure impressions, the purpose of the P.R.I.S.M. initiative (see below). Most companies we interviewed primarily use sales-related metrics to measure shopper marketing performance. In fact, 59 percent of respondents reported that lack of performance metrics and/or measurement is a barrier to shopper marketing success. As one survey respondent puts it, "Sales performance metrics are relatively straightforward to measure. Brand equity metrics are much more difficult to measure for shopper marketing programs."

Moreover, manufacturers now need to embrace and use retailers' performance metrics (e.g., conversion impact) to ensure that the program also satisfies retailers' objectives.

The P.R.I.S.M. Initiative – Pioneering Research for an In-Store Metric

Background:

- Objective: To reach a standardized, syndicated measurement model to evaluate in-store consumer reach
- Leaders: In-Store Marketing Institute, Nielsen In-Store and a consortium of manufacturers, retailers, media and promotion agencies
- Concept Launch: Data is expected to be available in 2008

Objectives:

- Confirm that in-store consumer reach can be measured and predicted
- Assist marketers in understanding which consumers are exposed to their in-store messages and promotions, and how often
- Support retailers in understanding how effectively their in-store media can convert shoppers to buyers, by category
- Allow manufacturers and retailers to effectively improve the shopping experience for consumers
- Provide the advertising, media and retail industries with the means to increase the efficiency of the media buying and selling process

Source: Nielsen In-Store

Inability to Generate Specific Shopper Insights

Historically, consumer products manufacturers have been investing their time and budgets in consumer research – understanding consumer behavior, likes and dislikes, usage patterns, and consumption patterns. Unfortunately, such information is not sufficient to understand the shopper – a consumer in “shopping mode” (i.e., consumer thinking about the purchase, making the purchase or evaluating the choice after the purchase). Specific information on shopper behavior in-store, shopper need-states, shopping occasions, and reaction patterns to particular in-store stimuli can help companies be effective shopper marketers.

While leading companies have started to focus on this area, the majority still have a long way to go before it becomes their competitive advantage. For example, data collection for “shopping occasions”, one of the critical components of generating shopper insights, is trailing that of “general consumer trends”: only 36 percent of manufacturers collect shopper insights data on a regular basis compared to 75 percent who collect general consumer trends research.



The key reasons cited for such low adoption of shopper insights data are their granularity and complexity, the difficulty of turning data into insights and, of course, cost.

- **Granularity and Complexity:** If companies think that dealing with consumer research (e.g., focus groups, surveys, intercepts) is difficult, then dealing with shopper insights can be a nightmare! Due to the increased granularity of shopper data, which can be available by shopper segment, by shopping occasion, by region, by store cluster, and by dimension (e.g., shopping in store, price sensitivity, occasions, needs), it is extremely complex to structure and analyze such data. As one participant puts it, “The number of permutations is overwhelming.”

In addition to the level of granularity of the data, there is little alignment across retailers and manufacturers as to the appropriate shopper segmentation models. Manufacturers have to collect shopper data separately for each retailer. Each retailer has its own segmentation model and expects manufacturers to be knowledgeable and insightful about its segments. This requires significant investment from the manufacturer’s side and a clear understanding and prioritization of how many shopper insight generation resources should be allocated to each account. In some cases, the data do not exist to probe the insights at the level the retailer desires.

Moreover, integrating shopper marketing data with other marketing information is a complex process. Many manufacturers admitted that they do not make any connections between their consumer data and shopper behavior data. The next level of complexity comes when shopper segment data needs to be combined with forecasting, new product pipeline and sales planning.

- **Difficulty of Turning Data into Insights:** Raw data does not guarantee insight. The Nielsen Company says, “Data only gets you part of the way there, as you still need to have the knowledge and skill sets to find and cull the most important factors from the information and make decisions on what to do from a strategic and tactical standpoint.” Since data involves many components, it is extremely difficult to analyze and turn into credible insights. Oftentimes, behavioral data is being collected in a qualitative form. It is extremely difficult to connect and compare qualitative insights with the quantitative data to get to credible conclusions.

Most ethnographers estimate that analyzing the data consumes 70% to 80% of their time. After all, a single trip may yield several thousand photos and hundreds of pages of notes, says Jan Chipchase, an ethnographic specialist with the communications firm Nokia.

Source: Executive Secrets, Redefining Research – HEM, Spheremagazine.com

- **Insights Are Expensive!** Due to the number of specific dimensions and permutations, data becomes increasingly expensive to collect, manage, analyze, and translate into insights. Most companies hire third party data-providers, such as Nielsen or IRI, to collect and analyze data for them. The cost increases with the number of customers/segments/store groups and the analytical services provided. In addition, leading companies have their own employees conduct some ethnographic studies to get a feel of their shopper – which is a significant investment of time and resources.

Clearly, shopper marketing is not easy to implement. While each of these barriers can impede successful shopper marketing execution, it is important for companies to keep their eyes on the prize. As shopper marketing continues to evolve, leading companies will master the proper techniques to overcome these challenges, and become successful.

Key Takeaways:

1. Confusion Trumps Clarity
2. The Train Has Definitely Left the Station
3. The Status Quo Won't Do
- 4. Learning The New Tricks of the Trade**
5. You Don't Need to Do Everything, Just Something

4. Learning The New Tricks of the Trade

Retailers Are Becoming Highly Effective Marketers – Collaboration is Key

Retailers are turning into more sophisticated marketers, thereby increasing their already high levels of influence and power with consumer products manufacturers. They are becoming much more knowledgeable, demanding and selective.

Compared to only a decade ago, retailers have raised the bar in terms of both understanding and satisfying their shoppers and leveraging their suppliers to achieve their goals. As a result, significant changes have occurred in the following areas of marketing:

- **Investments in Shopper Insights.** According to the survey, 89 percent of retailers collect shopper occasion and need-state data, loyalty data and customer experience data on a regular basis. Retailers acknowledge that shopper insights give them an advantage in stealing market share and customers from their competitors and other channels. According to The Nielsen Company, "Retailers recognize that there is much spending that occurs outside of a particular retailer that represents the opportunity to close the gap with competition." Shopper insights also enable retailers to develop targeted programs that delight customers in-store, increase shopper's basket size and cross-sell and up-sell to shoppers.

Retailer Benefits from Understanding Shopper

- Gain a complete picture of the whole perimeter of a store
- Measure what their shoppers spend in the most critical differentiating retail sectors
- Understand what CPG items can be leveraged to increase a basket size
- Optimize adjacencies for perimeter departments such as prepared meats, Rx or film processing

— The Nielsen Company

- **Application of Shopper Insights to Strategy.** Retailers address shopper marketing opportunities by focusing on developing comprehensive segmentation models and applying segmentation insights to their strategies. In fact, all leading retailers (e.g., Safeway, Wal-Mart, Kroger, Sam's, CVS, Best-Buy) use segmentation models to understand the different types of customers that they are targeting, and develop strategies to appeal to them.

Use of Segmentation by Leading Retailers

"A multi-layered segmentation approach provides new views or lenses to understand households. These lenses add insight into customer thinking, current purchasing habits, spending levels, household dynamics or motivation to respond to promotions.

Within retailers that have already adopted this approach, their teams speak in terms of real people every day because their segmentations describe customer groups in sufficient detail to change faceless data into a dynamic view of customer behavior.

Retailers even label their segments either by name or by shopping activity to reflect idealized customers. They report on customer segment measures on a regular basis to show where they are over and underperforming – at a store, category, and product level. The knowledge gained drives remedial or opportunistic marketing activities targeted effectively at the most appropriate customers as opposed to costly mass marketing channels."

— The Nielsen Company

- **Stricter Requirements for Manufacturers.** Focusing on improving shopper experience, banner loyalty, brand consistency, and overall look and feel, retailers started to introduce new requirements for manufacturers – enforcing clean store policies, banning promotion tactics and placing restrictions on certain types of advertising. For example, the number of displays in grocery stores continues to decline. At mid-year 2007, displays were down 4.4 percent versus 2006 and 9.1 percent versus 2005.²⁰ To make matters worse, retailers allow a maximum of two to three shopper marketing programs per category at any given time (see exhibit).



Retailers have become very selective and extend the most valuable offers to their “diamond” vendors (e.g., certain favored manufacturers are able to place their displays, end caps, and banners in-store in spite of clean store policies). Some manufacturers will likely be excluded or “crowded out.”

“Unless CPG marketers find new ways to re-establish relevance in stores where fresh, prepared foods reign supreme, they will find their products shunted to the least desirable section of the store, doomed to minimal in-store exposure and lethargic turnover.”

— *In-Store Marketing Institute*

So what can manufacturers do to join the coveted inner circle? What can differentiate them from competitors?

Game Plan for Manufacturers

There are a number of factors that can help manufacturers effectively work with retailers. According to retailers, the top five items that differentiate manufacturers from their competitors in relation to shopper marketing are:

1. Alignment with retailer’s overall marketing plan
2. Relationship depth and quality
3. Shopper marketing capabilities and skills
4. Customized and innovative shopper marketing programs
5. Quality of consumer and shopper insights

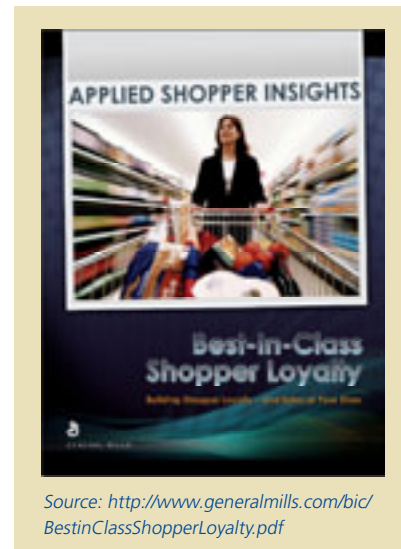
²⁰IRI, Times & Trends, CPG Merchandising Trends 2007

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Given these factors, the implications for manufacturers are far reaching. To effectively collaborate with their retail customers, manufacturers should:

- **Know Your Retailer.** It would do no good for a manufacturer to approach a retailer with a proposal focused on meeting the manufacturer's objectives alone. Any program, calendar or promotion proposal has to be relevant to the retailer's overall marketing plan and shopper base, and be aligned with the retailer's corporate objectives. Retailers value manufacturers' ability to understand the issues from the retailers' point of view and find ways to solve them. This is not a new idea – leading sales executives have been doing this all along with how they showcase trade promotion impact on growing the overall category and not just optimizing their own brands. Now it is time to do the same with shopper marketing.
- **Build Relationships.** No matter how much a manufacturer understands its retail customer's strategy, it is difficult to get a seat at the table without strong relationships. Lately, shopper marketing/segmentation experts tend to reside within the retailer's marketing department, access to which historically has been closed to suppliers. It is extremely important to develop relationships with retailer's marketers as some merchandisers still lack the skills to make effective decisions on shopper marketing programs.

To build these relationships, manufacturers have to think beyond their own brands. They should bring insights and programs that will increase store traffic, lift entire category sales and increase banner loyalty. Manufacturers in effect should become expert advisors to retailers. An innovative example of such an advisory approach is General Mills' strategy in helping retailers build store banner loyalty (see the cover of the brochure developed for a retailer by General Mills). Retailers are welcoming such advisory services – according to the survey, 100 percent of manufacturers expect collaboration in the area of strategy development to increase over the next three years.



Source: <http://www.generalmills.com/bic/BestinClassShopperLoyalty.pdf>

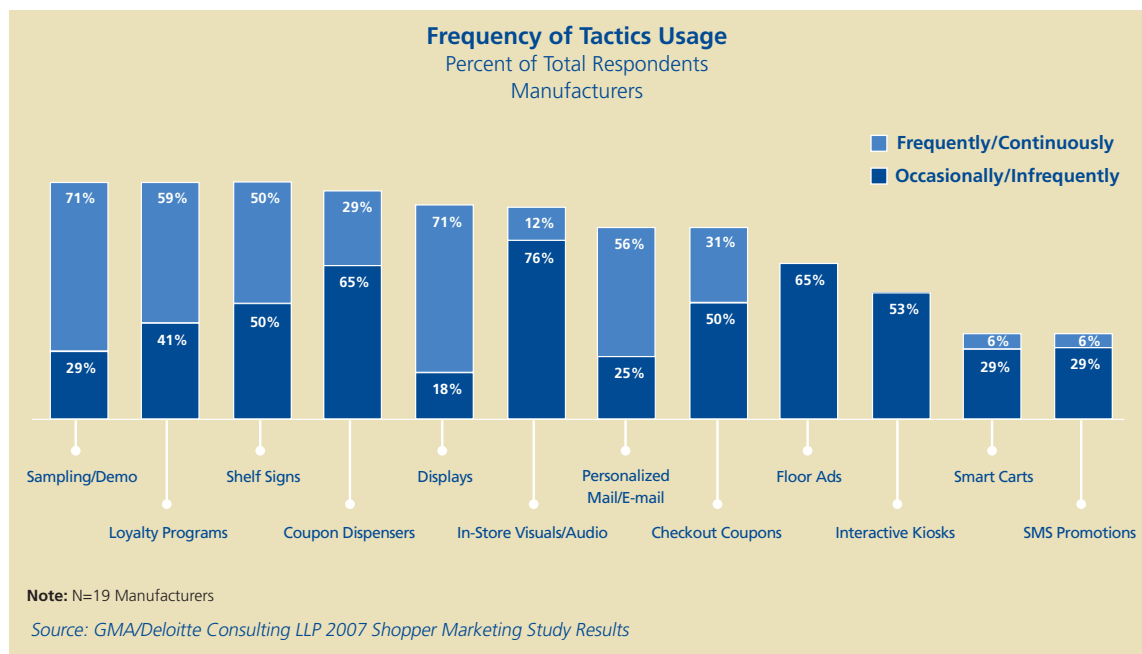
- **Be an Expert.** Leading retailers are becoming extremely adept in segmentation, targeted marketing and customer experience strategies. They want to talk to manufacturers who have the same level of expertise and understanding. Other retailers, for whom shopper marketing is still in the embryonic phase, need to be educated by manufacturers on how to better target their shoppers. In fact, 100 percent of retailer respondents agreed that having shopper marketing capabilities and skill sets will differentiate manufacturers from others. Hence, the skills of the shopper marketing account manager are extremely important. They should be able to:
 - **Speak Two Languages and Two Dialects.** They should be able to communicate using marketing and sales terms, and retailer and manufacturer terminologies (e.g., metrics, segmentation, objectives) interchangeably.
 - **Think Strategically.** A retailer-manufacturer meeting is not an average vendor sales meeting and it is no longer just about pushing products, getting shelf space and tracking merchandising. Account managers should be adept at strategic discussions about how to achieve retailer objectives.
- **Create Customized Solutions.** Retailers value shopper marketing programs that are specifically tailored to their business objectives and improve their competitiveness. A common complaint from retailers is that manufacturers bring generic programs to the table. The one-size-fits-all approach does not work. Retailers are under intense competitive pressure and they aim to outrun competition by increasing shopper conversion, improving the store's banner marketing and maintaining a consistent store strategy (e.g., fresh and healthy foods, best value and clean store). Thus, each retailer needs a unique shopper marketing program customized to fit its needs.

More retailers tend to develop strategies specific to a cluster of stores or to store formats. According to the survey, on average, 33 percent of all retailer programs are customized for specific store formats and 32 percent are customized for regional clusters of stores. Currently, all manufacturers do customize

at least part of their programs for specific retailers. However, only 50 percent of manufacturers customize programs for clusters of stores and they customize, on average, only 21 percent of programs. Customization to the store cluster level requires additional time, resources and investment. Manufacturers need to think carefully about the upside benefits from delivering against such a detailed and exclusive level of programs.

In order to create customized solutions for specific stores or clusters of stores, manufacturers should have access to store level POS data. Store level POS data is critical to understanding the shopper and the effect of shopper marketing programs on specific stores or cluster of stores. Companies can use store level POS data to calculate return on marketing investment and develop scenario testing models to analyze performance of different promotional tactics. This issue is a recognized opportunity; in fact, leading sales agencies such as CROSSMARK have been investing quite significantly in acquiring and making available store level POS data for their customers.

- **Innovate, Innovate, Innovate.** Innovations in programs, products, experience and services will not only help manufacturers differentiate themselves, but also help retailers become relevant to their shoppers. However, according to the survey, traditional tactics (e.g., demonstrations, sampling, loyalty, shelf signs, coupons) seem to be the norm.



More innovative tactics such as floor advertising, interactive kiosks and smart carts are still rarely used. The risk and cost seem too high – only a handful of manufacturers venture into new tactics that they believe garner both relationship and shopper premiums. Most companies fall into the “I am doing well enough, why change?” trap. Unfortunately for them, the industry is evolving rapidly. Retailers are embracing new digital media and innovative methods of in-store advertising (e.g., Wal-Mart in-store network).

- **Offer Sound Shopper Insights.** Retailers control the store domain and, therefore, own the data on their shoppers. Leading retailers have started collecting and utilizing shopper insight data. Many manufacturers would consider this a threat – retailers owning the data puts them at a disadvantage at the strategic negotiation table. However, our study found examples of manufacturers who have conducted their own independent sophisticated research on the retailer shoppers. This helped them shift the power at the negotiation table and differentiated them from competitors. Manufacturers should remember that although retailers have access to the data, two problems exist: shopper data is expensive, and conversion of data into insights is even more expensive.

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Therefore, retailers seek manufacturers who can add to the knowledge base of shopper in-store behavior and share experiences on successful shopper programs and products. Quality shopper insights should differ by region, by store cluster, and sometimes even by store; they should also outline a compelling business case on the retailer's benefits and costs. Leading manufacturers have been using insights to transform their categories and improve category sales. Procter & Gamble, for example, significantly improved shopper experience by redesigning shelf layout within the pet food category:

Procter & Gamble – Using Shopper Insights to Improve Shopper Experience

Insights:

- Buying food for pets is as important in the minds of their owners as buying food for children
- The category is confusing – dry/wet, type size and age of pet, additives, package size

Solution:

- Arranged the aisle according to how the shopper thinks about shopping – type of pet, wet/dry, age of pet, package size
- Provided information at the shelf on product performance and usage

Results:

- Retailers implementing this approach have increased category sales by 15 percent


Source: Da Marketing Code Conference, Philippine Marketing Association, May 2007

Since it is very costly for manufacturers to generate unique shopper insights for each specific retailer, manufacturers should segment their customer base and develop their respective investment strategies by tier of retailer. They should strive to be included as part of the retailer annual planning process to be aligned with the retailer's shopper segmentation strategy and understand which insights they should collect to help retailers better meet their goals.


- **Think Corporate Priorities.** Retailers have a number of corporate priorities that may have a significant impact on the future of marketing. Based on Deloitte's study "Sustainability: Balancing Opportunity and Risk in the Consumer Products Industry," retailers are increasingly becoming environmentally responsible. Also, according to the survey, sustainability comes as the third priority to retailers after private label development and supply chain management. Therefore, manufacturers need to be prepared to offer, for example, environmentally sustainable displays to address retailers' priorities.

Environmentally Sustainable Display


- Bold 4-sided advertising grabs consumer's attention
- Brandlifter four art graphic panels use less than 3% of average display material at a total weight of 1.65 lbs
 - Pre-built displays can use in excess of 100 lbs. of corrugate
 - The average pre-built module uses 33 lbs. of excess corrugate
- Reduces between 1 to 3 tons of net corrugate waste per store per year
- Eliminates the look of a sold down pre-built pallet module at retail




Shoppers see high impact advertising on all four sides




Weight of product suppresses the pallet table to 14" above the floor



Consumers shop from top layers causing table to lift



Layers are fed to top by hydraulic spring lift system



Pallet table stops as last layer is exposed

Source: Brandlifter LLP (www.dotsink.com)

There are also a number of other considerations that may not necessarily be at the top of the retailers' agenda, but that create residual effect – improve program efficiencies and shopper satisfaction.

- **Ensure Execution.** One of the major challenges manufacturers experience in the shopper marketing field is inconsistent execution. Even though it is impossible to completely eliminate this barrier, in-store execution is an area where manufacturers can improve the situation. For example, they can collaborate with retailers to include merchandisers in upfront strategy meetings to make them understand the real implications (financial and strategic) for retailer's business resulting from non-compliance on shopper marketing programs and overall in-store execution.
- **Follow One Strategy.** Manufacturers should not put strict boundaries between trade promotions and shopper marketing programs. Both are stimuli that influence shoppers in the store. First, manufacturers should start aligning trade promotion with shopper marketing programs. Then, they should approach retailers with one plan/calendar that has all the programs that influence a specific shopper segment.
- **Evaluate Performance.** Even though industry-wide shopper marketing metrics have not been finalized, manufacturers should strive to evaluate every program based on the available metrics and share results with retailers.

Leaders in Shopper Marketing

Since shopper marketing is an emerging field, there are a handful of manufacturers and retailers that are considered industry leaders. Retailers identified the following manufacturers as industry leaders in developing effective shopper marketing programs:

Manufacturers Identified by Retailers as Leaders in Developing Effective Shopper Marketing Programs*						
Overall	Fresh Foods	Packaged and Processed Foods (incl. Pet)	Beverages	Healthcare	Personal Care	Household
Kraft Foods	Hormel Foods	Kraft Foods	PepsiCo	P&G	P&G	P&G
P&G	Fresh Express	P&G	Coca-Cola	McKesson	Neutrogena (J&J)	Unilever
PepsiCo	Dole	Campbell's	Anheuser-Busch	Johnson & Johnson (J&J)	Unilever	SC Johnson
Unilever	Tyson	JM Smucker	Cadbury	Pharmavite	Kimberly-Clark	Clorox
Coca-Cola		General Mills		Leiner		Dial

*N = 7 retailers; companies are listed in decreasing order of cited frequency
Source: GMA/Deloitte Consulting LLP 2007 Shopper Marketing Study Results

These manufacturers have utilized shopper marketing to differentiate themselves from their competitors. Some examples of leading practices include:

- **Retailer-Specific Strategies.** Developing retailer-specific strategies and collateral that explain to retailers how to grow their businesses using manufacturer's products.
- **Demonstrating Impact.** Presenting program results and demonstrating credible effects on retailer's business.
- **Innovation.** Constantly identifying new ideas to delight consumers and shoppers and, at the same time, differentiate their companies in the market.

For example, partnering with Ahold's Stop and Shop, Unilever developed highly innovative shopper marketing programs to increase shopper trips, category purchases and sales – yet, another example of tangible results stemming from effective shopper marketing.

Unilever – The 2007 CPG Award for Innovation and Creativity

- Unilever was awarded the 2007 CPG Award for Innovation and Creativity by the Grocery Manufacturers Association (GMA) in conjunction with its Associate Member Council (AMC)
- After partnering with Ahold’s Stop & Shop, Unilever drove center store sales by increasing conversion from food to health and beauty care
- It executed its program with a three-pronged approach that used:
 1. Co-marketing promotions to incent consumers to make larger shopping trips
 2. In-store “programming” to increase purchases by shoppers across categories
 3. Simplified and enhanced low-traffic aisles to ease the shopping experience
- Unilever reported outstanding results: shopper trips to the store up by 90 percent, multiple category purchases up by 80 percent, sales per trip increasing by 25 percent, and total store sales up by 138 percent

Source: Grocery Manufacturers Association

- **Shopper Insights.** Continuously learning about shopper behavior, shopper needs and shopper likes and dislikes. This knowledge is being actively used not only in the marketing organization, but also by other functions (e.g., new product development, supply chain, forecasting).
- **Business Model Flexibility.** Re-assessing the business model and program results on an on-going basis and developing plans to close the gap.

In turn, manufacturers identified the following retailers as industry leaders in successfully playing in the shopper marketing arena:

Retailers Identified by Manufactures as Leaders in Developing Effective Shopper Marketing Programs*						
Overall	Grocery	Drug	Mass	Club	Convenience	Dollar
Wal-Mart	Kroger	CVS	Target	Costco	7-Eleven	Dollar General
Kroger	Safeway	Walgreens	Wal-Mart	Sam’s Club	Circle K	Family Dollar
Target	Publix	Rite Aid	Kmart	BJ’s	Exxon	Dollar Tree
Publix	Meijer	Eckerd	Meijer		Sheetz	
Wegmans	Food Lion	Longs Drug	WinCo		Hess	

**N = 14 manufacturers; companies are listed in decreasing order of cited frequency*
Source: GMA/Deloitte Consulting LLP 2007 Shopper Marketing Study Results

According to manufacturers surveyed, the following factors significantly differentiate these retailers from others:

- Ability to consistently execute in store;
- Recognition of shopper marketing as a strategic priority;
- Clearly defined and formalized shopper marketing objectives;
- Availability of data; and
- Quality of consumer/shopper segmentation (see the Food Lion example below).

Food Lion – Meeting Shopper Needs

Insights:

Through its segmentation analysis, Food Lion found that 30% of customers were retired customers on fixed income.

Solution:

In order to cater to this segment, the company made changes to meet customers’ needs: Changed the product assortment and variety; Added in-store senior seating area with free coffee and health information; Introduced smaller grocery carts.

Results:

Sales increased by 8.8 percent; Transactions increased by 6.2 percent; Items increased by 10.7 percent.

Source: ECR Europe Forum & Marketplace, Stockholm, 2006

Key Takeaways:

1. Confusion Trumps Clarity
2. The Train Has Definitely Left the Station
3. The Status Quo Won't Do
4. Learning The New Tricks of the Trade
5. **You Don't Need to Do Everything, Just Something**

5. You Don't Need to Do Everything, Just Something

Shopper Marketing Is Not Just for the Big Guys – It's for Everyone

If you conclude from this report that only conglomerates like Procter & Gamble and Unilever are tackling shopper marketing, you would be wrong. Our survey data have proven otherwise. The maturity of shopper marketing²¹ efforts has almost no correlation with the size of the company. Therefore, given that shopper marketing is moving ahead with full speed, all companies, regardless of size, should start thinking about how they can play in the shopper marketing field.



One Size Does Not Fit All

Although the need for and benefits of shopper marketing are very apparent, manufacturers should not fall into the trap of “shopper marketing as panacea” syndrome. They have to carefully calibrate their shopper marketing strategy across multiple dimensions.

Successfully implementing shopper marketing may or may not mean that companies have to utilize the most advanced in-store programs and tactics. A company's strategy for a particular category of products, region, consumer/shopper segment, and market should define the appropriate shopper marketing approach.

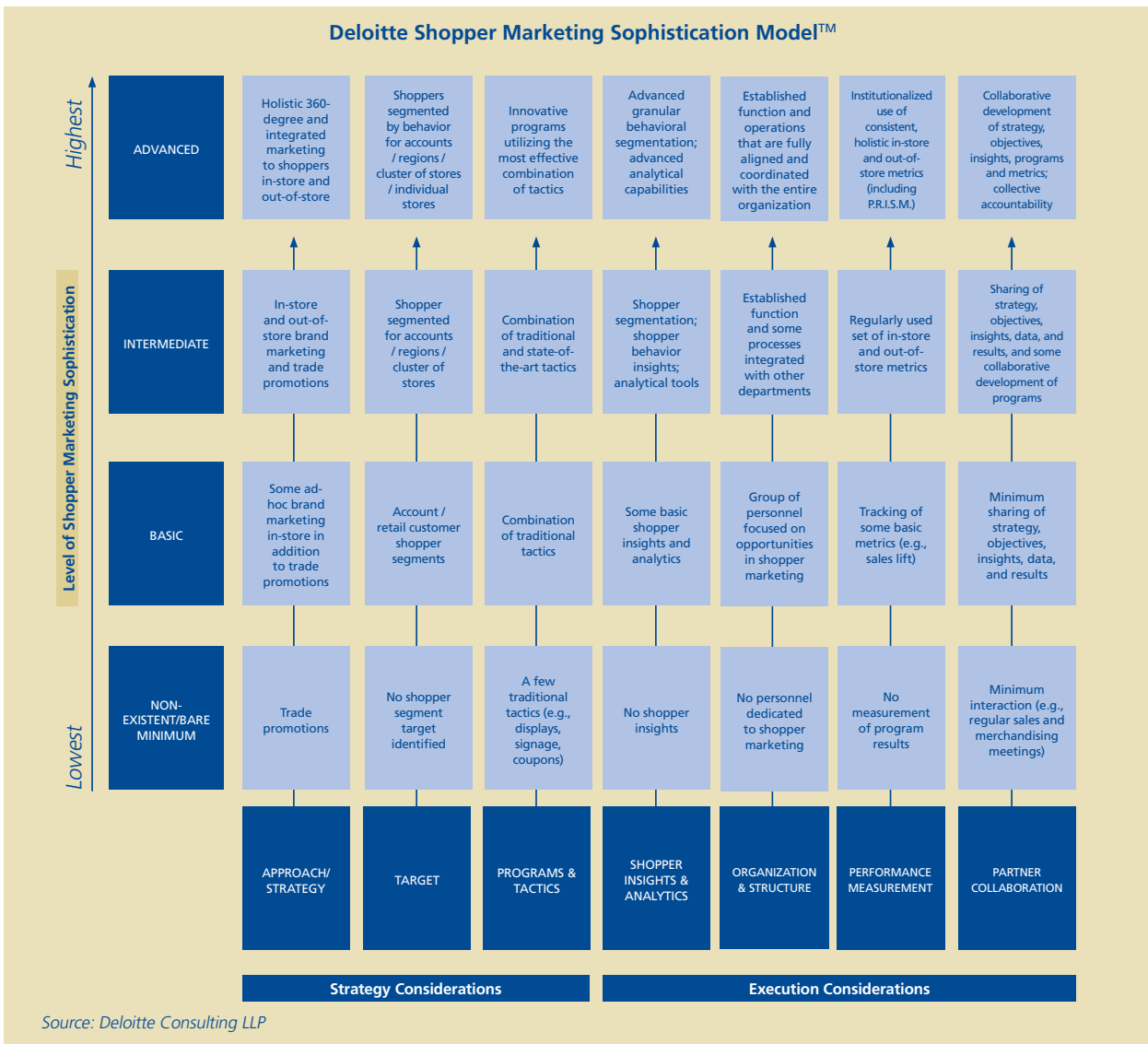
²¹To define maturity of shopper marketing efforts, Deloitte developed the Shopper Marketing Composite Score based on responses to survey questions in six key areas: Self-Assessment Compared to the Industry, Strategy, Organizational Structure, Shopper Insights, Program Evaluation, Partner Collaboration

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For example:

- A price player should not waste its resources on improving the shopper experience or on tactics like in-store kiosks. However, it could benefit from shopper analytics and insights to better understand the price points and price promotions that are most effective with shoppers. They can also engage in shopper marketing by utilizing relevant “smart value” propositions in all messaging.
- A premium brand can improve its image by using the most state of the art tactics, such as in-store TVs, narrowcasting displays and smart shopping carts. This brand can also significantly benefit from shopper analytics in order to understand the behavior of their shoppers in-store and how to influence them in a certain need-state.

In order to aid companies in thinking through how their product and brand strategy can define their shopper marketing approach, the following “Shopper Marketing Sophistication Model” highlights key decision points. The key is to calibrate within the dimensions of the model to find the right set of strategy and execution levers that create a differentiating competitive advantage for an individual manufacturer.



The following steps outline the thought process marketers should go through when deciding on their shopper marketing approach.

Step 1. Strategy Considerations

Marketers should assess their product and brand strategy based on the following attributes:

- Product category
- Type of product – commodity vs. differentiator
- Brand proliferation and strength – eponym (e.g. Band Aid, Xerox) or a regular brand
- Premium brand vs. average brand
- Market share / position within category

Additional considerations include:

- Relevancy of retailer shopper base to product/brand portfolio
- Retailer value proposition
- Corporate priorities

These attributes, along with others, define how a company plays in the overall marketing space.

The brand/product may be a price player (i.e., mostly competing on price) or a brand differentiator (i.e., competing on a certain differentiating factor). Therefore, in order to define shopper marketing, the company should decide on the following strategic considerations:

- **Strategy:** Is the brand or product a price player or brand differentiator?
- **Target:** How granular should I approach segmenting my shopper/consumer?
- **Programs & Tactics:** Which tactics should my company use to support the strategy? Which tactics would better communicate the brand strategy and convert shopper into buyer? Would my activities include out-of-store tactics or just in-store?

Step 2. Execution Considerations

Once the company has decided on these three strategic considerations for the overall product portfolio, it should develop infrastructure to support these strategic considerations. That infrastructure should include:

- **Shopper Insights & Analytics:** In order to support the target, which types of data does my company have to collect?
- **Organizational Structure:** How many resources should my company commit to support this function?
- **Performance Measurement:** Which performance metrics should be utilized?
- **Partner Collaboration:** Which retail partnerships should be leveraged to play in the chosen shopper marketing strategy?

For each of the seven dimensions of the sophistication model, companies need to find their ideal position to support the strategy they pursue and execution tactics they choose. There is no one answer that fits for all companies. Companies must thoughtfully consider what strategies will work best for them to fully capitalize on the opportunities shopper marketing presents. Given the complexity of adopting shopper marketing, manufacturers should follow a step-by-step approach. They should take small steps to slowly embrace change and capitalize on short-term opportunities, but at the same time have a longer-term vision for where they would like to be in the future.

View of the Future

Bigger, Better and More

Shopper marketing is a phenomenon that is quickly penetrating the consumer products industry. We predict that in five years shopper marketing will become “bigger, better and more.”

Bigger within the Industry and Marketing

Shopper marketing is going to penetrate the industry and the marketing world.

- **Bigger within the Industry:** Shopper marketing will spread its roots throughout the consumer products industry. It will be a password to join the game. Retailers will define more and more of the parameters for the strategy and execution of shopper marketing programs. Manufacturers need to aggressively invest to prepare themselves and earn a seat at the table.
- **Bigger within Marketing:** Shopper marketing will become a much more prominent part of the marketing mix, a new marketing medium, joining the arsenal of traditional vehicles that are now used to holistically target the consumer and shopper. It will be as significant as mass-marketing used to be and as online marketing has become.

Better Infrastructure

We forecast that companies will employ better collaboration, insights, targeting tactics, measurements, and technology as shopper marketing grows.

- **Better Collaboration:** It's a win-win game for manufacturers and retailers. As opposed to traditional transactional relationships such as “you pay more, I will provide more shelf space,” manufacturers and retailers will depend on each other to effectively reach their shoppers. Due to growing costs and complexity in understanding the shopper, partners will need to share insights and ideas, and develop synergies to more effectively target the shopper – from insight generation to program performance evaluation. Manufacturer-retailer relationships will become more streamlined and organized in the way they interact. They will create easier processes to share insights and program evaluation results.
- **Better Insights:** The industry will develop and refine methods of collecting primary information on shoppers, resulting in higher quality insights. Companies will be offered a rich variety of information and will even become selective. Retailers will be able to gather more data themselves given better technology. Prioritization and scoping of research and analytics are going to be key.
- **Better Targeting:** Targeted marketing will evolve. Companies will keep finding new ways to target individuals in-store based on comprehensive shopper data. New ways of using these data will emerge (e.g., automatic customization of screen messages based on the shopper profile). Store, product and media solutions will advance. Companies will constantly be looking for innovative solutions to delight the consumer (e.g., scan product for a recipe recommendation) and to satisfy the retailer (e.g., sustainable displays).
- **Better Planning:** Manufacturers and retailers will find ways to fine-tune the planning process of all programs (including trade promotions, in-store advertising, national marketing, consumer and shopper promotions) to create holistic, 360-degree, integrated marketing. They will create promotional calendars that are consistent, coherent and aligned with their consumer-centric strategy.

- **Better Measurements:** Store-measured media will develop. The impact of store advertising and marketing will be possible to measure, just like the TV and radio impacts have been measured over the past 50 years. The P.R.I.S.M. methodology will become widely used and accepted as the industry standard. A common language will be adopted by the industry and allow companies to really understand what works for each customer and each shopper (e.g., what is most profitable, what increases volume, what maximizes sales).
- **Better Technologies:** Improved technology will smooth out the process. Technology will improve significantly and allow collection and analysis of real-time data. Retailers will be able to automatically collect better data on their shoppers and shopper behavior (e.g., utilizing RFID), and share the information with their partners, enabling retailers, manufacturers and service providers to create better insights.

And More...

We forecast that shopper marketers will become more knowledgeable, which will result in more benefits to shoppers and consumers.

- **More Power to Retailers:** Retailer's marketing programs will transition from consumer product manufacturer-initiated offers to retailer-initiated ones (asking participation from CPG companies). One example of the emergence of this trend is the Meijer mass marketing program. Meijer is now defining consumer targets, offering strategies and soliciting vendor participation.

Meijer – New Mass Marketing Program

Background:

Meijer introduced a new program to offer manufacturers an opportunity to advertise in its stores and outside of the stores with the Meijer brand.

It offers:

- A wide variety of opportunities to fit almost any budget and marketing needs
- Packages available for bigger promotions
- New item introduction packages designed to reach millions of customers for "super" launches
- In-store advertising opportunities, such as floor graphics, way finders, demonstrations and much more
- Multimedia advertising, including in-store radio and video displays
- Web site promotions on meijer.com web site

Conclusion:

Meijer is moving away from manufacturer offered deals to structured solicitation of vendor participation.

—Meijer

- **More Internal Expertise:** Retailers and manufacturers will build their knowledge base. Retailers will become even more sophisticated marketers. Manufacturers will become shopper marketing expert advisors. Both will seek new innovative ideas on how to grow their respective businesses and categories.
- **More Third-Party Support:** The service industry will mature and step in to help. Data providers, service providers, market research agencies, and advertising agencies – all will become more proficient in shopper marketing. Competition will foster further pursuit of knowledge and insights, higher quality of data, better usability of data and insights, and stronger consumer and shopper focus.
- **More Complexity:** With more types of consumers/shoppers included in the picture, more manufacturers and retailers joining the game, more data being collected, and more insights generated by all industry participants, it will become an increasingly complex environment. Companies will need to prioritize and filter the flood of information in order to focus on their business goals.

Section 3:

View of the Future

- **More Investments:** Better technology, better insights and the need to be in step with the growing demand for new innovative products, will require significant financial and resource commitment from all industry players.

And...

- **More Benefits to the Consumer and Shopper:** The consumer will receive relevant customized messages and will enjoy a better shopping experience. Shoppers will be delighted.

Conclusion

Today's marketing world is as complex as it's ever been. With 68 percent of consumers being "switchers"²² and only 5 percent remaining loyal to one brand²³, marketers must aim to deliver a clear and consistent message throughout every consumer touch point. The focus on in-store marketing has begun to increase as companies have realized that shopper marketing can generate a competitive advantage. Learning about intricate details of shopper behavior is helping companies send focused and targeted messages to shoppers and consumers. More importantly, companies are leveraging these insights to improve their existing relationships with retailers/manufacturers. Market leaders have started mobilizing their shopper marketing efforts by restructuring their organizations, investing in technology and resources, and re-evaluating their collaboration efforts with partners and service providers – and they are achieving results! Whether you're ready or not, shopper marketing is here to stay.

The race is on – can you afford to stand on the side lines?

²²Point-of-Purchase Advertising Institute (POPAI)

²³POPAI Consumer Buying Habits Study: <http://www.ogilvyaction.com/Pages/ShopperMarketing.aspx> accessed 7/2/07.

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Grocery Manufacturers Association

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