Shopper Marketing Roadmap

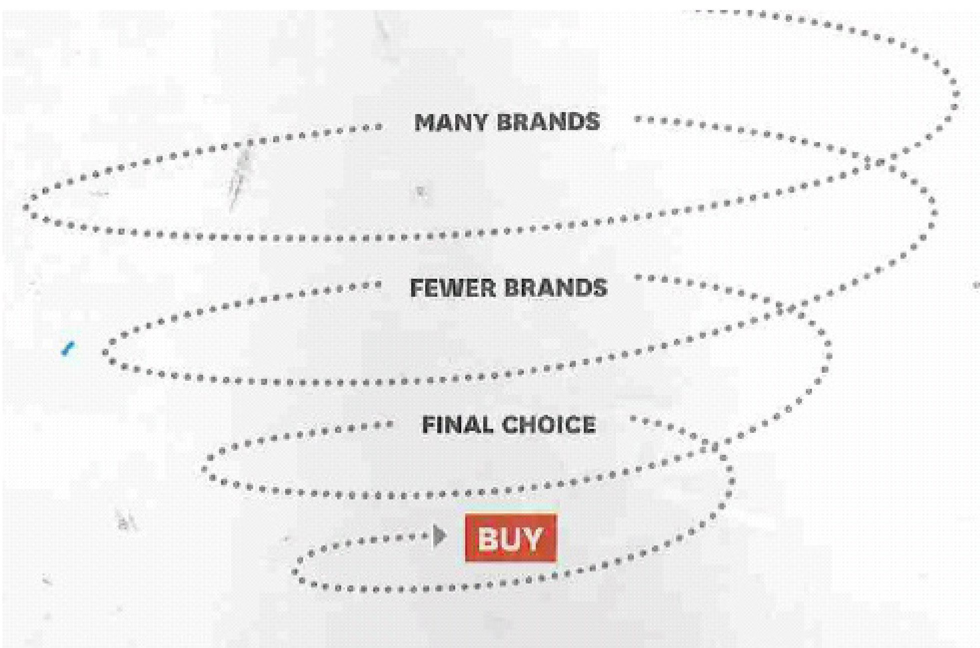
Why should your business implement Shopper Marketing?

Shopper Marketing is being referred to as a “new discipline” in various reports and studies published over the last four years. However if you asked average industry participants what Shopper Marketing looks like to them, most respondents would describe various roles and activities currently existing such as customer marketing, activation, trade marketing and category management (POPAI/Shopability 2010). In fact over fourteen different activities normally associated with those disciplines were nominated as being included under the Shopper Marketing umbrella by 60% of 2010 survey respondents.

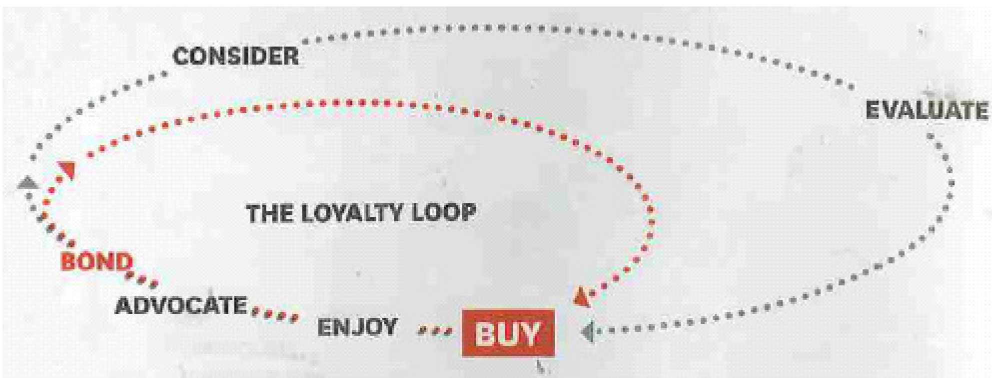
So if companies are already engaged in Shopper Marketing, in one form or another based on their current understanding of what it involves, what actually distinguishes it from these other functional disciplines? Another perspective is that shopper marketing is not “an industry revolution, but rather a natural progression” (Retail Commission). The critical difference is that the paradigm of marketing out of store as being distinctly different, separate and more important to marketing that occurs within a store has changed. The POPAI 2010 survey indeed highlighted this when its participants responded with the view that “Shopper” is a mindset that’s commences pre store. 52% indicated that shopper touch points can be anywhere between home, work and the store, 26% also thought it extended to activities immediately out of the store while only 22% believed it only related to what occurred within a store.

The factors driving the shift in thinking are characterized by the trends and advancements of modern world we inhabit. Examples include the ability for shoppers to better control their environment and therefore what advertising exposure received, continued diversification of mass media, potential for large scale retail chains to generate higher customer reach than traditional media vehicles and developments in technology and the internet (Retail Commission).

A correlated effect of the changes in media described here is that the decision journey for shoppers has fundamentally changed. The model in the past was that of a funnel concept, whereby many brands were initially considered and subsequently narrowed down until a purchase was made. A consequence was that a majority of investment support funds were focused on creating awareness and point of purchase activation (HBR Dec 2010). This is represented here.



What this has now evolved to is an understanding that rather than a narrowing process occurring, consumers actually continue to review the consideration set over a longer period of time. This means that the opportunities to engage them have expanded as has their receptiveness to influence. The study found that “70% to 90% of spend goes to advertising and retail promotions”, yet the evaluation and advocate stages are increasingly important to focus on as that can be where shoppers are best influenced. The ramifications for how and where it is now optimal to reach shoppers along their path are profound. The need to develop shopper focused insights and plans to navigate this new landscape has become essential.



For the businesses that have pioneered the way forward in establishing Shopper Marketing within their operations, substantial outcomes and benefits have been derived. Identification of these leads to a concrete understanding of the opportunity Shopper Marketing presents and the reasons as to why it is has become a necessary way of doing business.

Key reasons are summarised as follows:

1. Companies that have implemented Shopper Marketing are growing between fifty percent and on hundred percent faster than the categories they play in. This depends on the level of sophistication, with the more advanced companies benefiting the most. (Delivering the Promise)

2. Higher returns on investment are possible. This is as a result of better allocation of funds across the commercial functions and alignment to specific Shopper focused objectives. (Heart, Mind & Wallet)
3. Strategic competitive advantage can be achieved in so far as there exists the opportunity to develop into the area ahead of the competition but also through the ability to more effectively target and talk to Shoppers when they are in purchasing mode. (Heart, Mind & Wallet)
4. Retailer expectations of manufacturer capabilities in the Shopper Marketing field are increasing. Its becoming a critical platform for successful retailer engagement and a lack of ability to deliver insight based plans is a major impediment to success.
5. Alignment of activity plans and executions through Brand Marketing, Trade Promotion and Shopper Marketing. It's possible to deliver a truly 360 degree approach where integrated components of the plan work cohesively together.

The last word on why development of shopper marketing in your organization, is simply so it does not get left behind in the rush. The telling statistic from the POPAI 2010 survey was that that, if resources were available, over 50% of would invest more people and resources into shopper insights and 39% into shopper marketing. What's clear is that it's a growing industry trend that can no longer be ignored.

How should your business approach the key challenges and barriers to implementing shopper marketing?

A successful SM program will not be successful if developed in a vacuum. To fully realise the potential of SM, retailers and manufacturers must establish working relationships that are more open, productive and results focused. Both must ensure they have the capabilities within their individual organisations to work together to achieve this goal. Several stumbling blocks have limited the widespread integration of shopper marketing programs to date, however for retailers and manufacturers who are able to overcome many of these barriers, the financial rewards are there to be realised for both parties. These barriers include but are not limited to:

1. Collaborations between retailers and manufacturers
2. Shifting from manufacturers buying into retailers programs to helping shape them
3. Ensuring SM has a critical place in the organisation and is not just a ‘fly-by-night’ catchphrase
4. Confidentiality and relationship confidence
5. Retailers understanding the tangible benefits of insights driven SM

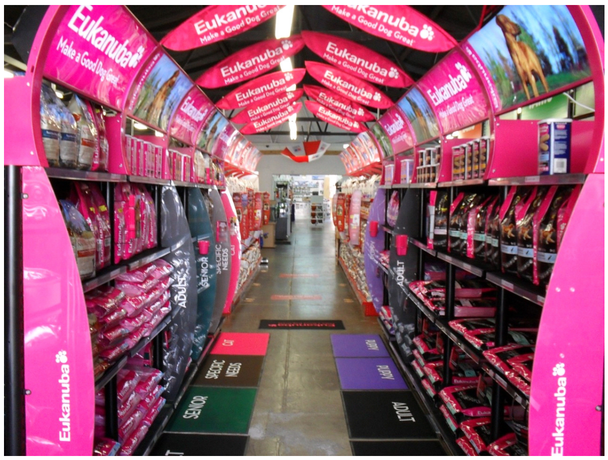
Key Challenge One

Collaborations between retailers and manufacturers

It’s implicit in executing successful SM initiatives that high levels of collaboration with retailers, is a must. Retailers have a rich understanding of their own shoppers’ preferences, purchase habits and behaviours and manufacturers bring to the table a greater understanding of the consumer pertaining to their product category within the greater competitive retail landscape. Working together enables them to bring more resources together to ensure that shopper value is the ultimate goal.

POPAI
THE GLOBAL ASSOCIATION FOR MARKETING AT RETAIL
AUSTRALIA & NEW ZEALAND
SHOPPER MARKETING INDUSTRY COUNCIL

Case Study Example: Eukanuba Australian Aisle Activation



The premium pet food category is a very complex and often confusing category for the shopper. The multitude of 'breed-specific', 'special needs' formulas as well as food for puppy, adult and senior dogs can make selecting a dog food very challenging. The 5P Group were commissioned to manufacture a shopper navigation solution for existing in-store racking systems (also designed and manufactured by the 5P Group):

The key objectives of the solution were to:

- *Engage the shopper visually and promote strong brand equity*
- *Aid shopper decision making by facilitating the location of the correct product*
- *Improve the shoppers experience*
- *Increase the share and presence of Eukanuba in-store*

The navigation solution was based on Procter & Gamble Pet Care's extensive consumer understanding to help make shopping easier. Branding was reinforced at multiple touch points from the end of aisle to the shelves and strong imagery of healthy vibrant pets to engage the pet owners. A combination of category navigation in the form of aisle flags, wings and floor mats plus provision for informative brochures worked to lessen confusion at the shelf and improve shopper product selection. It also aided in increased trial and trade up of the brand. The tools were extremely well received by retailers and aided in securing increased space in accounts previously reluctant to do so. The project ultimately *grew the Eukanuba share in store and has been recognised by P&G Pet Care globally as best in class*.

Key Challenge Two

Shifting from manufacturers buying into retailers programs to helping shape them

Insights about what shoppers want and why they behave are the currency of SM. They provide the basis for bringing retailer and manufacturers strategies together. It is essential that shopper marketers apply insights available to them in order to engage in more effective communication with retailers. Creating a deeper more meaningful dialogue with retailers beyond building sales relationships with category managers has the potential to transform an 'old school' relationship to one where both win from a higher level of intimacy.

Manufacturers both here and overseas have had great success working with retailers to bring to life SM initiatives. In the US for example Unilever has had success approaching retailers on a platform basis, so as not to overwhelm with inconsistent ideas or ad hoc programs. They have developed tactical usage of instore marketing (eg product assortment) to make the retail environment a solution to shoppers' specific needs. Many companies in Australia have begun to adopt similar strategies as illustrated below:

Case Study Example: Australian Liquor Company

We've used consumer research to assist retailers with traffic flow. An example of this is determining where consumers expect to find cider at their local. Should it be with beer or with Ready to Drink? Knowing where a consumer is instinctively thinking a category should be is important for ease of shop. Cider, being a "whole Drink" like beer, (and not a mixed spirit like RTD) a consumer's natural instinct is *to look for cider in the beer fridge. This type of consumer insight helps a retailer build a store layout that doesn't confuse and frustrate their shoppers.*

Talking to retailers about the "next big thing". What innovation in liquor has captured the consumers' eye and taste buds? Ready to Serve is certainly a new wave that retailers would be foolish to ignore. It ticks all the boxes for young drinkers. Classic cocktails, already mixed, in convenient take anywhere packaging with a session able alcohol content. It all adds up to a happy drinking experience for the punters. Retailers want to know where it should sit, what price and who's buying RTS. Having the consumer research and behavioural information to back up the sales numbers is key to adding value to the retailers. Acting more like a consultant is the way forward in liquor retailing today.

Category Manager-Retail

Key Challenge Three

Ensuring Shopper Marketing has a critical place in the organisation and is not just a 'fly-by-night' catchphrase

Although SM is widely agreed to be a key business strategy for the new millennium, there are still more than a few businesses that are yet to embrace the concept. In order for full collaboration to occur and both retailers and manufacturers are to realise the full financial benefits of SM, it's importance needs to be understood and supported at the highest levels of management within the organisation as well as ensuring suitable resources are committed.

In addition, once this commitment exists at the executive level, it must be filtered down to the relevant business units within the organisation to ensure unprejudiced alignment. Both retailers and manufacturers have a history of business functions operating within silos and far from working together are often at odds in terms of overall business goals and objectives. In order for organisations to obtain optimum benefit from SM it is imperative that it is seen as a critical piece within the organisation and not just paid lip-service.

Key Challenge Four
Confidentiality and relationship confidence

Truly collaborative SM will require manufacturers and retailers to share potentially sensitive information about their businesses and go-to market strategies. Its imperative confidentiality agreements are established and maintained in order to facilitate the exchange of information that historically some organisations have been reticent to share with outside organisations.

A transparent approach on the part of both organisations and a willingness and ability to share information and resources required to implement the collaboration is key to realising a strong return for all.

Case Study Example: Smith's Snacking Station

Front of store location is a highly impulse area because it is the last shopping touch point in the store. Retailers know this location drives incremental basket sizes of full revenue products. By combining the right products that have good margins retailers can dramatically increase their revenue in this location. With the rise of express shopping areas at front of store, shopper insights identified a new *type of shopper that only goes to the express area/front of store in grocery and the data shows that this percentage is growing. The key objectives of the Snacking Station were:*

- Front of Store location – Obtain display space immediately in front of the register – prime location in the express check out or in an area close to this location

- Drive relevance to the retail environment and the shopper driving high margin impulse sales and basket size

- Promotional Flexibility – As the retailer's promotional program changes every 4 weeks the display material needed to be easy to rotate. Additional to this the unit needed to be simple to alter shelves heights to allow for multiple product offers from the same unit.

***Results**:*

Front of Store location

The two main locations the snack station tends to be placed in is the area beside the express check out or directly opposite the express check out. In some stores it is being used to block aisle that are not in use. The prime location attracts incremental sales from aisle avoiders or the express check out purchasers. Results are showing huge growth with outstanding results tracked as a result of the unit's placement. The retailers indicated similar lift for associated products.

Drive relevance to the retail environment and the shopper driving high margin impulse sales and basket size.

The three key concepts were developed around different call to actions which means engaged the shopper in a different way to how they would traditionally shop in the main home. To communicate these offers 5 point of sale sets was designed that stimulated the different need occasions to drive impulse sales.

Promotional Flexibility – As the retailer's promotional program changes every 4 weeks the display material needed to be easy to rotate and adjust. .The simple modular design allowed shelf height flexibility. This allowed for multiple product offers to be displayed on the same unit.

Key Challenge Five

Retailers understanding the tangible benefits of insights driven SM

Many retailers have to date struggled with the tangible benefits associated with overlaying a SM lens to their Business Plan. However the benefits to be gained from doing so provide an opportunity to connect with their customers along the path to purchase within their retail environments and provide the products their customers want to purchase.

Case Study Example: Australian Food Retailer

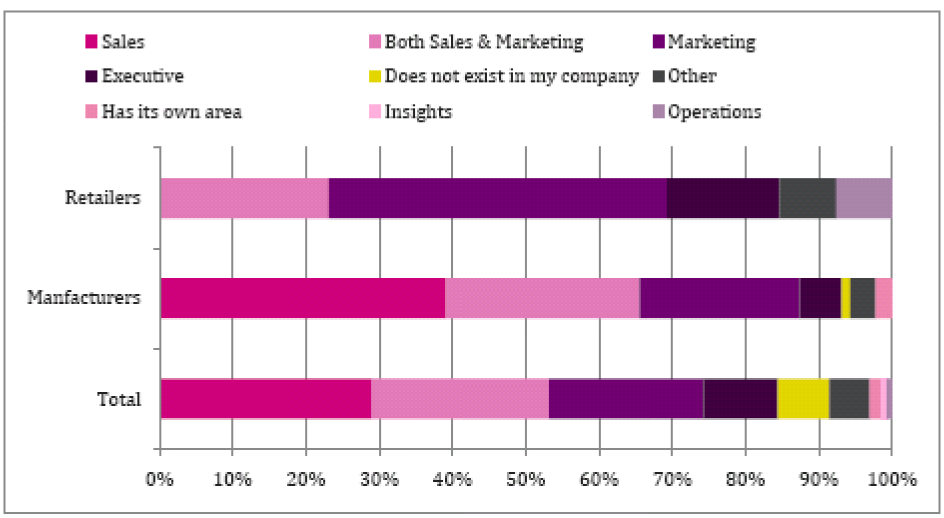
A retailer in Australia who has had recent success applying this strategy required a significant change of focus within their business plan but the financial results have been forthcoming. Their way of providing products to their customers was driven not by what the consumer wanted, rather by what could be produced within the retail space. Once they started to at their business through the eyes of their customers they realised so many opportunities to get their customers to purchase more within each transaction. This required the full commitment of all departments within the business to be solely customer driven in everything that they did and the results were a business that had been in decline for 7 years is now enjoying double-digit sales growth year on year.

What does this mean for Organisational Structures?

If we reflect on the confusion that currently surrounds Shopper Marketing, as to what it does and doesn't include or how it differs from existing commercial departments, a logical consequence is to consider how reevaluating organizational structures could provide a solution to the confusion. The potential for reengineering businesses around establishing Shopper Marketing's role and function within the enterprise has the effect of starting to change mindsets and cultural barriers that can otherwise persist. The broad theme that needs to be addressed is the requirement for higher levels of integration between sales and marketing departments, in order to properly support the development of Shopper

Marketing as a function in its own right and to culturally embed it into the organisation.

The Shopper related areas of Trade Marketing, Category Management, Customer Marketing and Activations do vary in scope however there are major overlaps in the ground covered between them, for example the use of POS within the store. These departments and roles have traditionally been nested between the Marketing and Sales functions as a way of balancing priorities and resources, ensuring both differentiation and consistency across the trade, development of aligned strategies and tactics and ensuring a two way loop exists between retailer and brand requirements. In the vast majority of cases, what we currently see with these departments is they are housed within the Sales function. This is primarily driven by the fact that the sales account teams are the gatekeepers of the relationship with the retailers. Any tailoring of initiatives requires retailer specific knowledge and this is where the customer expertise from the account teams has been valuable. POPAI page 11/12



By contrast, if we look at what occurs in a majority of retailers, the Shopper Marketing department reports into the Marketing function. A potential implication of respective retailer and manufacturer scenarios is that it gives rise to the possibility of disconnects regarding shopper marketing initiatives. The standard interface of buyer and account manager could therefore be opened up to include having the counterpart shopper marketing experts being directly connected with each other (Heart, Mind, and Wallet). The concept is not a new one, for years the "diamond" versus "bow tie" model of retailer engagement has been proposed as a better methodology. However it does appear that within an Australian context, the ability for manufacturers to gain access to retailers marketing functions has been limited to date with the buying teams remaining as key point of contact.

From a manufacturer perspective, the question that remains to be answered is whether Shopper Marketing teams should sit within Sales, Marketing or whether it should even be placed in a completely stand alone area? The pro's and con's of each option are many, ranging from centralized control over research budgets to capability development. The idea that's worth exploring further is the notion of the stand alone unit, similar to how category management teams have previously elbowed their space at the table. Ultimately, the answer will largely depend on each businesses focus and the political terrain that has to be negotiated. One approach may be to institute cross-functional teams that have shared accountability across the business to support and deliver on key programs. This can also have the effect of seeding Shopper thinking throughout the organization.

Case Study Example: Australian Liquor Company

At the moment our SM component sits within our Insights department, which is a separate unit to either sales or marketing. The Insights department has its own Director who sits on the Executive board and has 4 people under him. 2 x Consumer Insights and 1 x Shopper Marketing or Channel Insights with a further Executive role being recruited in our new financial year. In terms of the 'why' we have gone down this route, I can offer up that in the early stages when setting up – we were very conscious of being impartial and consultative in our SM efforts –

we were going to be in it for the long term!. At this point there didn't seem to be a healthy amount of trust and mutuality in relationships so we wanted to demonstrate the importance of this area in a way to help favourable perceptions. From the amount of awards we have been collecting with regards to being 'supplier of the year' etc... This area goes a long way to add credibility in this area and we have had very positive feedback from the retailers with regards to this. We have now accomplished what we had hoped for and can only see with the amount of data that is available that the headcount in these roles would only increase. We are now embarking on a project to better resource this area further