What's that sound?

"There's something happening here...
What it is ain't exactly clear.
It's time we stop, hey, what's that sound?
Everybody look what's goin' down."

Shopper Marketing is what's goin' down.

BY CHRIS HOYT
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When Buffalo Springfield released *For What It's Worth* 40 years ago this year, they were referring to the great divisiveness in this country and the lack of clarity among our leadership about how to address it. If one pulls together a mosaic of what is happening in our industry today, it is not difficult to argue that most CPG manufacturers now face a similar situation.

While the benefits of shopper marketing are becoming clear—improved sales, improved customer relationships, better meeting shopper needs and significantly improved ROI vs. traditional trade spending—only a handful of manufacturers are viewing shopper-centricity as a fundamental, go-to-market strategy. Most manufacturers are groping for a clear definition, much less viewing it as a strategic imperative.

A wealth of retailer-specific shopper data has made the *average consumer* obsolete. What if you took your child to the pediatrician and he/she began talking about *all* children as opposed to just *your* child? What suppliers need to understand is that the Kroger shopper responds differently to their brands than the mythical *average* consumer.

Instead of promoting an assistant store manager to head Marketing, retailers are now actually investing in hiring experienced marketing professionals from—guess who?—their *partners* (*e.g.*, Pepsico, P&G, Clorox & Nabisco, *et al*) and giving these people previously unheard of latitude and authority to make decisions that will affect *your* brands.

For the first time that we can recall, leading retailers seem to understand that leaving the management of their shelves and merchandising programs up to supplier category management experts untrained in shopper segmentation disciplines isn't working in an environment where non-price differentiation is the key to survival.

Companies like Wal-Mart, Sam's, CVS, Safeway and Best Buy have already announced plans to take these responsibilities in-house—going as far as doing their own shopper segmentation studies and advising suppliers how they expect them to tie in.

On the other hand, it is clear from the surveys that *Reveries.com* has conducted on shopper marketing over the past 12 months that most (not all) manufacturers fail to see what's coming or the implications of this for all facets of their organizations—Marketing, Sales, Marketing Services and Manufacturing.

It is our belief that the CPG and consumer products manufacturing communities are about to be faced with a virtual tsunami of new and different retailer demands and protocols which most have not foreseen and are presently not well equipped to handle.

Why? Because although 70 percent of respondents to the most recent *Reveries.com* survey note that shopper marketing is perceived to be one of their top five priorities for 2007, most of these companies have addressed this subject by creating shopper marketing as a bolt-on function to their sales efforts—much as they did with category management 20 years ago.

The fact is that shopper marketing, done effectively, cannot be positioned as a bolt-on or implemented without continuous, proactive marketing department participation. To put this in perspective, consider what Safeway is doing and the implications for its suppliers.

Safeway has been conducting a massive and sophisticated store-by-store shopper behavioral study for the past 18 months to two years toward the objectives of engaging and retaining its most important customers and increasing profitability.

Following on this, Safeway will soon announce

Retailer-Developed Shopper Segmentation Classifications

Wal-Mart	Safeway*	Sam's	CVS	Best Buy
Brand Aspirationals	Value-Seeking	Office Administrator	Sophie *Older shopper/empty nester*	Jill *Soccer Mom*
Price Value Shoppers	Variety-Seeking	Business Reseller	Caroline *Young, single working woman*	Barry *Affluent Professional*
Trendy Quality Seekers	Brand-Seeking	Institutional Buyer	Vanessa *Married with children*	Ray *Family Man*
Price Sensitive Affluents	Simplicity-Seeking	Foodservice Entrepreneur		Buzz *Younger Male*
One Stop Shoppers	Discovery-Seeking	Traditional Club Shopper		BB4B *Small Business*
Conscientious Objectors	Quality-Seeking	Demanding/ Experiential Shopper		
Social Shoppers		Mom/Family CEO		
		Active Boomer		

Note: **Category Segmentation. Consumer segments TBA April '07. Source: Hoyt & Company*

the clustering of its stores into nine different taste and preference segments. Within each segment, categories, brands and SKUs will be assorted and merchandised based on their relevancy to its target shoppers. To this end, all SKUs will be classified in one of four categories: *Blue Chip, Opportunity, Core* and *Basic*.

All categories will be defined on a proprietary price sensitivity/brand affinity matrix—*e.g., Value-Seeking, Variety-Seeking, Brand-Seeking, Simplicity-Seeking, etc.* The net for suppliers is that Safeway no longer plans to stock all SKUs in all stores nor merchandise the same programs across the board. Safeway will *suggest* that promotion programs be tailored to individual clusters and be targeted specifically to the key shopper segments that comprise each cluster.

If the prospect of dealing with a rejuvenated and determined Safeway under these conditions is not sufficiently overwhelming, let's move on to Wal-Mart.

Last June, Wal-Mart undertook its own shopper segmentation study among a nationally representative pool of approximately 4,600 male and female shoppers. Out of this, Wal-Mart classified all of its shoppers into seven different major segments based on need states and shopping occasions.

Initially, Wal-Mart plans to focus on three of these segments— *Brand Aspirationals, Price Sensitive Affluents,* and *Price-Value Shoppers*—as having the highest potential for more profitable incremental sales. Given all of this, here's the question: How conversant is your sales force with the nuances of segmentation?

Now add five or six more major retailers to these examples—*e.g.,* Sam's has just created its own eight member segments—and one can easily see that the game is changing both significantly and rapidly. Message to suppliers:

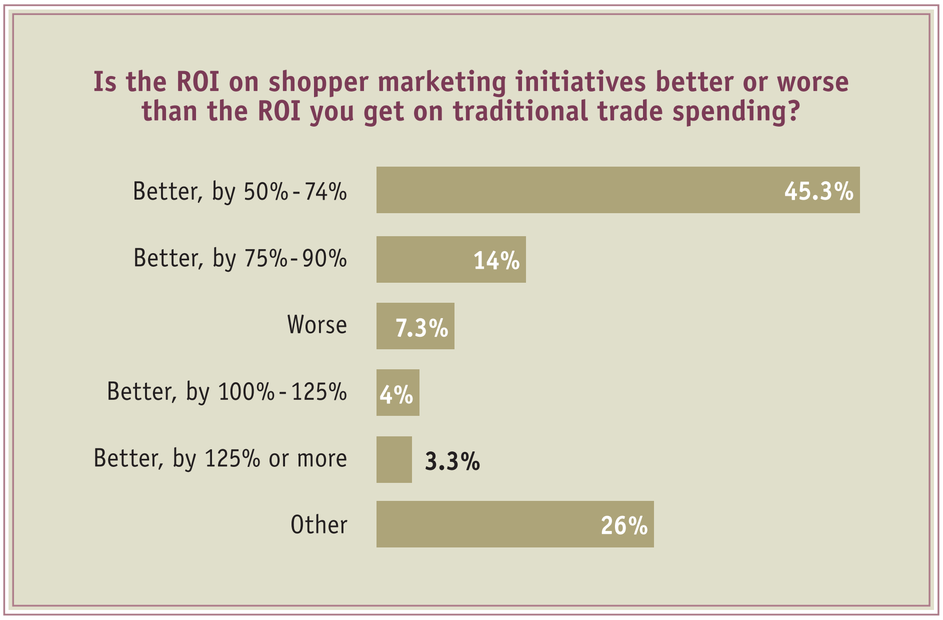
- These changes are permanent. The sooner one accepts this, the better off one will be.
- The effectiveness of traditional sales and merchandising approaches will inevitably erode and eventually be made obsolete.
- Retailers will get better at this and demand even more specificity as their aim approves.
- You will be affected whether large or small. With retailers now finally determined to focus on satisfying their shoppers, it will no longer be possible to buy one's way onto the shelf.
- Marketing effectively to these retailers will require a total corporate effort that must include clarity and collaboration across all departments.
- Under-resourced, stand-alone, shopper marketing departments will not cut it.
- Suppliers who wait will soon feel great pain.

The good news is that all of these potential issues are addressable—but not without some disruption. Having recently worked our way through these types of situations with a variety of different CPG companies, we know it is possible to take the lead and head off or minimize the most serious potential problems before they arise.

Here are some tips for doing this and the key pressure points of which you should be most aware:

1. Ensure top management fully understands the scope and importance of what's happening. This will enable top management to properly evaluate the magnitude of the opportunity versus other corporate priorities. Often, this is most effectively accomplished by inviting an objective, third-party expert on the subject to make the presentation. This eliminates any hint of political overtones or departmental vested interest.

2. Do your homework. Conduct a benchmarking



SOURCE: Reveries.com

study to determine how your leading competitors are approaching this issue and how, therefore, you should structure to gain a meaningful competitive advantage. The *net* of this should be a clearly articulated plan and roadmap that defines the roles and responsibilities of all departments and stakeholders in making this plan happen the way you envisage.

3. Make a big deal of introducing this to your organization. Do this not as an email but as an initial, eye-opening event that lets people know it is not *business as usual*. It is crucial in this meeting that you accomplish four things:

1) Define for your organization what shopper marketing is and is not and how this differs from traditional approaches; 2) Ensure that everyone leaves with a clear understanding of why understanding one's target consumers as *shoppers*—as opposed to just *consumers*—is important; 3) Outline how this approach will affect different departmental roles and responsibilities—give examples; and 4) Ensure that all attendees understand that top management and all department heads are consolidated on this subject and speak with one voice.

4. Follow up immediately with a detailed plan to help stakeholders overcome initial confusion and resistance. Key elements should answer the following questions tailored to each department and job function: What's in it for me?; How does this change what I'm doing now?; What support will I get?; How am I going to be measured?; How will this affect my bonus?

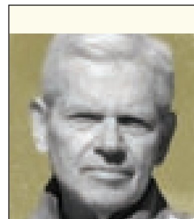
Our experience is that the department that is most affected by this is Marketing. Not only must marketing department personnel learn to think like shoppers in individual retailers, they must now work closely with both Sales and their agencies to develop portfolio-based programs that meet the needs of not one but three constituencies—brands, retailers and shoppers.

In addition, retailer segmentation will completely change the game on forecasting and new item introductions, *etc*. Obviously, anticipating the resistance and questions that will arise from these changes is essential.

5. Pave the way for the success of this initiative by getting the core building blocks in place beforehand. Establish measurement systems, communications process flow expectations, reporting systems and align incentives with new objectives. While these may sound obvious, it is precisely because they are so obvious that they are so frequently overlooked.

Our final message is this: If you are not already in shopper marketing (and we know many companies that aren't even yet in account-specific marketing!)—or if the reasons for getting into shopper marketing ain't exactly clear, then *stop, listen, and take a look at what's goin' down*.

If you *are* in shopper marketing but are doing it as a bolt-on, the breadth, depth and complexity of *what's goin' down* suggests that maybe it's time you re-evaluate this approach. Either way, based on the results reported by *Reveries.com* survey respondents last November (see chart above), the indications are you can't lose. ■



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