Alive *on Arrival*

In its October 1st edition, *Advertising Age* — that bastion of thinkers that has long held that retail is "tactical" and therefore awfully pedestrian — actually published an article on shopper marketing *on the front page.*

The article acknowledged — in so many words — that retail may now be emerging as a new, legitimate battleground for building share, extending equity and increasing loyalty. This breakthrough, if we interpret this article correctly, may be attributed to three things.

First, the P.R.I.S.M initiative promises a standardized, syndicated measurement model to evaluate in-store consumer reach, thereby enabling advertisers to benchmark these results against more traditional forms of advertising and communications investments.

Retail arrives as a brand-building medium. Do you have a plan?

Second, the line-up of companies supporting the P.R.I.S.M initiative virtually guarantees industry-wide acceptance (assuming the results are verifiable). These not only include many of the top players in the CPG industry today (Nielsen, P&G, ConAgra, Campbell's, etc.) but — significantly — no fewer than six top *advertising* agencies.

As Renatta McCann, CEO of Starcom Mediavest Group North America, declared: "Shopper marketing is a new medium as important as the internet, mobile or gaming." That's quite a statement from a segment of the industry that formerly viewed retail as virtually invisible.

Finally, the leadership of Procter & Gamble — the company that started it all — and the company that is in so many product categories, is forcing its competitors to get good at shopper marketing just to stay even.

To satisfy Wall Street analysts who thought P&G was gradually whittling down its traditional advertising expenditures, the company announced in September that it would now treat in-store *marketing* expenditures as traditional advertising expenditures and, to that end, restated 11 years of advertising investments.

Based on this, the indications are that P&G is currently spending approximately $500MM per year on its shopper marketing initiatives — an investment *we know* the ROI-based company would not make unless the results were better than traditional alternatives.

The bottom line, as *Advertising Age* points out, is that shopper marketing is now growing faster than internet advertising, doubling since 2004 and on a pace for a compound annual growth rate of a whopping 21 percent through 2010.

This simply confirms a *Reveries.com* finding in one of the surveys it did on this subject last spring, in which 84 percent of 167 responding companies reported that they expected their shopper marketing budgets to increase over the next three years — a remarkably high and unusual number.

Stakeholders Align

For once, all key stakeholders have a vested interest in making it successful *for each other*. Retailers view shopper marketing as the means by which they can increase customer loyalty through relevancy and therefore the mechanism by which they can differentiate in meaningful ways on a non-price basis. This is clearly working for companies like Safeway, Kroger and Best Buy.

Manufacturers view shopper marketing as a clear way to establish a meaningful competitive edge — more specifically, as an opportunity for significantly better targeting of the shopper in an environment where they know they will be able to reach (or "touch") 100 percent of their target consumers at least 2-3 times per month (or more!) every month of the year.

In addition, shopper marketing offers suppliers the basis for true collaboration with retailers on levels previously unheard of, as both work together to identify, segment and activate the shopper.

With the advent of P.R.I.S.M, advertising agencies can no longer afford to turn up their noses at retail as manufacturers begin to use P.R.I.S.M results to reallocate marketing spending into those media that deliver the highest ROI — and now this will include retail. Those in the forefront of this, like Starcom Mediavest, will clearly prosper as manufacturers start to seek out agencies that have made it a priority to become “best practitioners” with respect to retail advertising and communications.

Rocky Road Ahead

While the future of shopper marketing may look exceedingly rosy, the road to getting good at it is unquestionably going to be rocky. How rocky?

For the answer to this, we would encourage you to read the recent *Deloitte/GMA Interim Report on Shopper Marketing*. This fast-read, 29-page report effectively outlines the benefits of shopper marketing for both manufacturers and retailers and then zeroes-in on the issues facing manufacturers in becoming proficient at it.

The report leaves no doubt that the shopper marketing train “has definitely left the station” and that what remains for many CPG suppliers is not whether to jump on board but how to reconfigure as fast as possible to become a player and take advantage of its opportunities.

What most can expect, notes Deloitte, “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.”

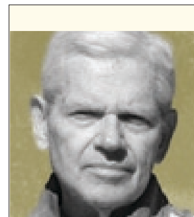
In other words, concludes Deloitte, “to say that it is challenging for consumer products companies to implement shopper marketing is a massive understatement.” So where does one start? Or, if you have already started but are still not clear and need focal points around which you can pull it together, what would these be?

Five Objectives

We have been working with both large and small companies on various aspects of shopper marketing for about five years. To configure one’s organization, establish a collaborative construct and vector one’s energies to become truly excellent at shopper marketing, we would boil our learning down to the following five objectives.

- **Make it easy for shoppers to find and buy your brands.** Sounds simple but doing this effectively can involve a multitude of different disciplines including (but not limited to) market research, shopper insights, category management, packaging, environmental design, in-store merchandising, your promotion agency and, of course, sales.
- **Extend the equity of your brands through the door of the store straight up to the point-of-sale.** This includes marketing, advertising agency, promotion agency, in-store merchandising and sales, etc. Key question: What equity are you trying to convey or extend?
- **Provide a source of differentiation for both your brands and participating retailers.** The initiative must be tailored to the target retailer and grounded in a fundamental understanding of your target consumers as they morph into shoppers and how they behave in that particular retailer’s stores (or —more likely—clusters of stores). Not shoppers in general but *your target retailers’ shoppers* in *their* stores!
- **Activate purchase at the point-of-sale by delighting, engaging and motivating the shopper.** Pamper, surprise, reward and give the shopper an emotional reason to return. Ensure the event ties into overall brand strategy and positioning and will achieve the stated objectives for both parties—brands and retailers.
- **Tailor the above to align with the opportunities (ROI), limitations and customer segmentation profiles of different channels, formats and retailers.** In other words, how many accounts does one do all this customization for before the returns are no longer worth the investment? Keep in mind when assessing this that in most cases, matching brand segmentations with retailer segmentations is typically a one-time exercise. Once it’s done, it’s done.

No matter where you are on the shopper marketing continuum, it’s not too late either to start or to make adjustments. As Deloitte says, “Shopper marketing is not just for the big guys—it’s for everyone.” ■



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