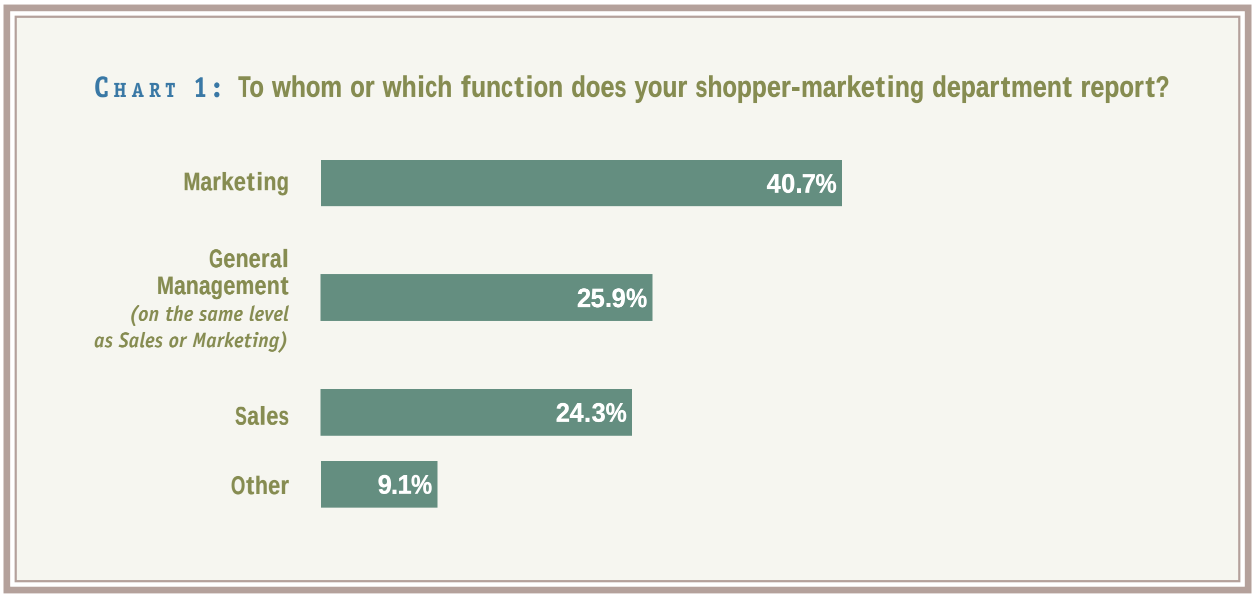


is surprising, however, is that three or more years later, 33 percent still have staffs of five people or fewer.

At the other end of the spectrum, 21 percent of respondents report shopper-marketing departments of 20 or more people. Contrary to what one might expect, only 36 percent of these companies are more than $10B in size. Apparently there is not much correlation between size of company and size of one's shopper-marketing department.

Budgeting. Sixty-five percent of respondents report that they now fund their shopper-marketing initiatives with established budgets which shopper-marketing department personnel (and others) can count on to develop long-term, account-specific shopper strategies and initiatives (the balance continues to fund opportunistically). In addition, as opposed to the caution exercised three years ago—when almost all shopper-marketing start-ups funded opportunistically—approximately 52 percent of those starting up within the past two years report starting with established budgets.

Predictably, those who fund opportunistically are at the bottom of the scale in terms of satisfaction with results. Unable to utilize the potential of shopper marketing because of a lack of predictable funding, almost 60 percent report "average," "not so good" or "nothing different than before" in terms of success with shopper marketing. In contrast, more than 53 percent of those who can rely on established budgets report either "very good" or "excellent" results.

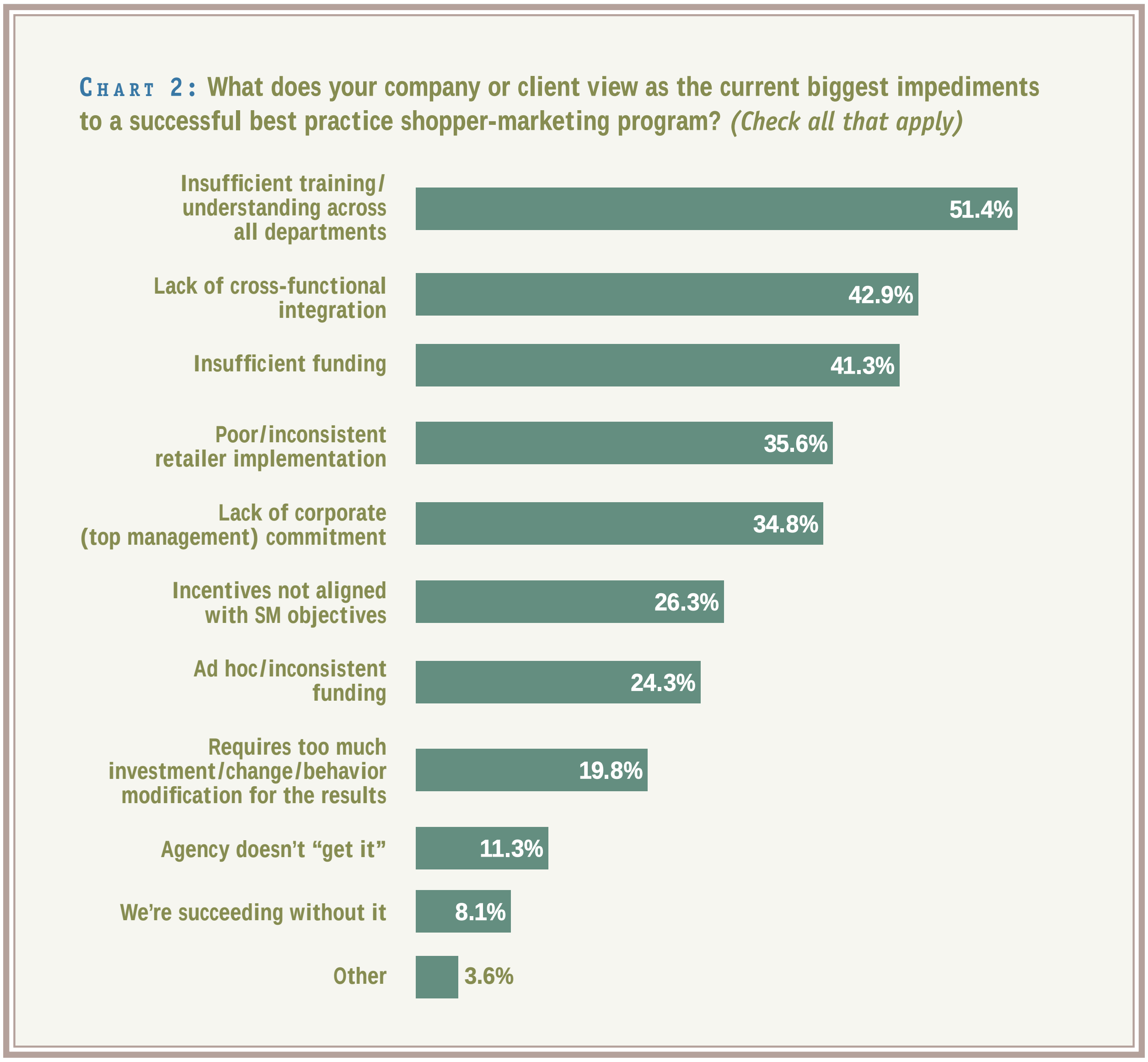
Only 38 percent who do fund shopper-marketing initiatives via established budgets fund at three percent or less of their total marketing budgets. The majority of the balance currently fund at between four and six percent while a surprisingly high number (20 percent) have developed the confidence to fund at over 10 percent. Typically, this latter group has been involved in shopper marketing for five years or longer (58 percent) and, again, do not necessarily represent the largest companies.

The dominant criterion for measuring results for all respondents is R.O.I. (43 percent), followed by retailer category growth (34 percent), share gains (33 percent) and marketing mix analysis (26 percent). Many, however, use a combination of the above to gain a balanced perspective. Only 10 percent confessed that they still do not do post-event analysis.

Scope of Activities. Almost 64 percent of respondents collaborate with up to six retailers in planning their shopper strategies and initiatives (the most frequently mentioned number is between four and six retailers). Another 24 percent collaborate with 10 or more retailers, but this group is largely confined to those companies with five-plus years' experience in shopper marketing or those whose budgets exceed 10 percent of their total marketing budgets.

More important is the number of retailers for whom manufacturers do account- or shopper-specific research. This is because it is only on this basis that manufacturers can offer proprietary programs that help both parties differentiate in ways that are uniquely relevant to sponsoring brands and different shopper segments.

Overall, 35 percent of respondents report doing customized research for up to three retailers, while another 32 percent report doing so for between four and six retailers, and another 20 percent for 10 or more retailers. These tend to be companies with relatively large and established budgets (35 percent) or companies with five or more years experience in shopper marketing (38 percent).



Impediments to Progress. Only 45 percent of respondents report that their companies have an integrated process in place for planning and executing shopper-marketing initiatives. Another 33 percent are currently developing a process, while 24 percent have no process in place whatsoever. As might be expected, 50 percent of this last group consists of companies that have decided to support their shopper-marketing initiatives with *ad hoc* funding.

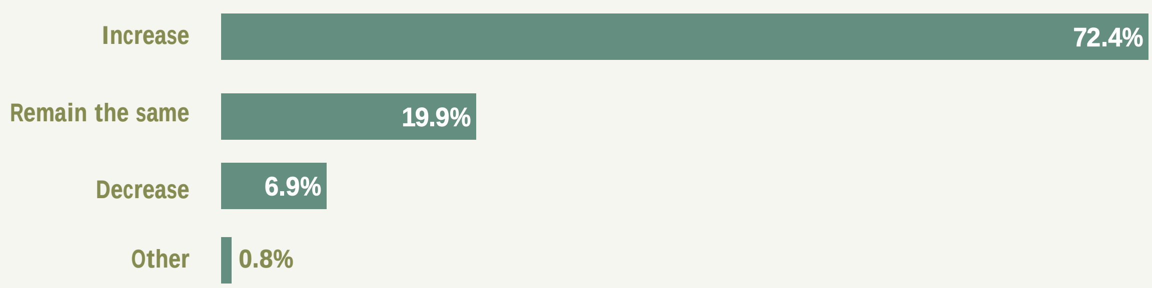
Fifty-three percent of companies whose shopper-marketing departments report to Sales cite "sales not trained or incented to focus on equity-building pursuits" as the number-one impediment to success, followed by "no cross-functional integration with marketing" (40 percent) and "difficult to develop shopper insights that are meaningfully different from category-management insights" (38 percent) as number-three impediment.

In companies where shopper-marketing departments report to Marketing, the number-one impediment is "difficulty in long-range retailer strategic planning" (45 percent), followed by "limited access to retail decision makers" (38 percent) and "lack of integration with customer business planning" (36 percent).

Clearly, companies that have structured their shopper-marketing departments to report to either Sales or Marketing face a conundrum: As illustrated in *chart two,* "insufficient training/understanding across all departments" is now cited as the number-one impediment to the success of shopper marketing in more than 50 percent of companies, followed by "lack of cross-functional integration" (43 percent).

Apparently, companies that want to become truly great at shopper marketing may wish to put more emphasis on training their sales people to better understand the fundamentals of brand marketing and, conversely, training their marketing people to better understand how to approach and strategize with retailers.

CHART 3: Based on current trends with your company or client, do you expect your shopper-marketing budgets to increase, decrease or remain the same over the next three years?



What constitutes "Excellence?" If we cull out the responses of those companies that consider their shopper-marketing progress to be "excellent," we get some very different responses:

- Sixty-eight percent have five-plus years of experience with shopper marketing—indicating that pure perseverance is one of the keys to success.
- The dominant reporting relationship among these companies is to General Management (40 percent).
- Thirty-three percent have shopper-marketing departments numbering 20 or more people, of which 68 percent are staffed exclusively with brand marketing people.
- Seventy-two percent are funded via established budgets, of which 26 percent total 10 percent or more of total marketing budgets.
- Twenty-nine percent collaborate with between one and three retailers; another 29 percent with between four and six retailers; and 25 percent with 10 or more retailers.
- Ninety-six percent cite "collaboration with key retailers on shopper understanding" as their key shopper-marketing activity (versus 70 percent for all respondents), while 38 percent of these cite this as their dominant shopper-marketing initiative (versus 29 percent for everyone else).

As opposed to "insufficient training/understanding across all departments" cited as the number-one impediment by all respondents, companies that view themselves as "excellent" at shopper marketing cite "lack of cross-functional integration" and "insufficient funding" as their top concerns (both 44 percent).

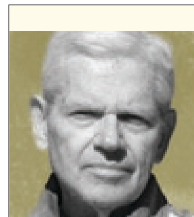
To be "excellent" apparently does not require a lot of people. While 33 percent of these companies' shopper-marketing departments do comprise 20 or more people, an equal number comprise five or fewer.

As one respondent put it: "Shopper marketing is in everyone's DNA. The whole company has by now gotten in the groove of understanding consumers as shoppers for communicating at retail as well as understanding consumers as segmented targets for communicating through DTC advertising. The function of our relatively small (five people) shopper-marketing department is now to identify opportunities and coordinate shopper-marketing initiatives throughout the organization, not—as it was at first—to attempt to manage from the middle-up or to beg for funds."

Prognosis. With the *Wall Street Journal* reporting that 2008 "will go down as one of the worst holiday sales seasons on record" (12/26), and virtually all companies cutting back or in hiring freezes, one would expect this to extend to all aspects of one's operation.

Not so shopper marketing. Despite "the worst economy since the Great Depression," 72 percent of the companies responding to this survey expect their shopper-marketing budgets to increase over the next three years—a remarkable number given the present situation *(chart three)*.

In fact, this is not significantly different from the 82 percent of companies that expected their shopper-marketing budgets to increase in the first survey we did on this subject in March, 2006, when the economy was significantly better. And look what has happened since then. ■



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