

Shopper Crossroads

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The results of The *Hub* Magazine's 2012 Shopper Marketing survey highlight a serious bifurcation of the discipline. Shopper marketing as an industry practice clearly means very different things — and has very different standards — for different camps. From positioning to funding to measurement, the survey indicates a growing split.

For example, overall budgets for shopper marketing are inching up — we now have a plurality of respondents whose budgets are between 4-6 percent of total marketing budgets — up from an average of 1-3 percent in previous years (*see table one*). On the other hand, almost 30 percent of respondents report that they have no established shopper-marketing budget in place at all — that they operate entirely *ad hoc* or opportunistically. Unfortunately, this non-funded group is now growing exponentially — up 82 percent since 2009.

Shopper marketing continues to grow — more than one-fourth of respondents are new in the last two years. At the same time, however, the percentage of respondents who feel positively about their own shopper-marketing practice (those who evaluate it as “excellent” or “very good”) dropped by an alarming 40 percent from last year (*see table two*).

Meanwhile, those who evaluate their practice as “not so good” or “poor” skyrocketed by 140 percent. Neutrals — those who rate their practice as “average” — grew by 41 percent. Based on these responses, shopper marketing is rapidly approaching an inflection point: While the benefits that shopper marketing has contributed to the industry have been strong and undeniable, shopper marketing as a discipline now appears to be losing its compass.

In essence, what has developed are two types

of shopper marketing. One is strategic, planned and collaborative; the other, tactical and opportunistic. The former focuses on “the shopper” as the area of common interest between retailer and supplier. The other believes “the category” is the only area of common interest.

What is put forward today as “shopper marketing” has so muddled the initial vision of shopper marketing that even the best shopper-marketing practices are becoming contaminated. Shopper-marketing practitioners don't hesitate to express frustration:

Shopper marketing needs to get a grip on its reason for being.

“Most of my company's shopper-marketing work is focused on... non-strategic efforts (mostly placing generic in-store materials like wobblers, etc.) without thinking about the objective to be achieved or purchase barrier to be addressed.”

“Our shopper marketing is still very much tied to traditional volume-building tactics... so I would not say that shopper marketing is fully integrated yet.”

“It's more talk to show and tell the world that we also do shopper marketing.”

“My client's idea of shopper marketing is to call us on a Friday afternoon for some kind of promotion that will help get trade feature or display support so they can meet monthly or quarterly volume objectives. It's all about the money — the shopper is invisible.”

As these comments suggest, best practitioners are becoming a dying breed — now 5 percent of total respondents versus 15.7 percent in 2011 — a drop of more than 300 percent in a year's time. The growth

**Table I:
Shopper Marketing as a Percent of Total Marketing Budget**

| Marketing Budget (%) | 2009 | 2010 | 2011 | 2012 |
|----------------------------|-------|-------|-------|-------|
| 1-3% | 31.7% | 24.0% | 24.5% | 17.2% |
| 4-6% | 25.3% | 18.6% | 20.5% | 22.8% |
| 7-10% | 9.5% | 10.4% | 9.5% | 11.4% |
| 10%+ | 17.2% | 18.6% | 22.7% | 19.0% |
| Ad hoc/No dedicated budget | 16.3% | 28.4% | 22.7% | 29.7% |

Source: The Hub Magazine/Hoyt & Co.

between the 2011 and 2012 surveys is among those who rate their success as “not-so-good” and “poor.”

As we face this reality, let’s look at the benefits of shopper marketing, the characteristics of what constitutes best practice in 2012, and the options to chart a course for future development.

Do we need to clarify and re-assert what shopper marketing is for it to continue to contribute to the industry in a positive way? Do we, as my computer-geek friends would say, need to clean out the crapware and call the tactical version posing as shopper marketing something else entirely before it kills the host? Is it getting just too hard to do it right? Or is bad practice so embedded that the whole scenario is now irretrievably beyond salvage, at least in its present form?

THE BENEFITS OF SHOPPER MARKETING

Despite the negatives, the 2012 survey suggests that shopper marketing overall is largely living up to its promise—or at least its most important

promises. The primary benefit of shopper marketing, cited by almost 70 percent of respondents, is “better understanding of how our target consumers behave as shoppers, resulting in more relevant and effective programming.” This, of course, is the primary reason for which shopper marketing was created in the first place.

Not far behind, at 60 percent, is “improved collaboration with key retailers—now much more strategic than in the past.” This, too, was a critical going-in objective—to develop strategies and initiatives that would deliver mutually balanced benefits to *all* stakeholders—brands, retailers and shoppers. Thus, it would seem that shopper marketing—at least for most respondents—has delivered on two of its most important objectives.

In addition to these benefits, “improved cross-functional integration and cooperation between marketing, shopper marketing and sales” is also cited by 60 percent. This means that, at these companies,

Table II: How Respondents Evaluate their Success with Shopper Marketing Programs

| Ranking | 2009 | 2010 | 2011 | 2012 | % difference 2011 & 2012 |
|---------------------|-------|-------|-------|-------|--------------------------|
| Excellent/Very Good | 50.5% | 56.7% | 59.3% | 35.8% | -39.7% |
| Average | 41.1% | 37.6% | 33.5% | 47.2% | +41.0% |
| Not-So-Good/Poor | 8.5% | 5.8% | 7.2% | 17.1% | +138.9% |

Source: The Hub Magazine/Hoyt & Co.

shopper marketing has gone far to help reduce or eliminate the “silo effect” and generate improved cooperation and communication between departments.

From here on, unfortunately, the benefits start to trail off quickly: Only 40 percent cite the broader framework of a path-to-purchase marketing approach as a benefit; improved retail penetration is cited by 33 percent and increased retail funding by 31 percent. Only 26 percent cite “reliably higher sales and ROI” as a benefit—but, of course, another indication of the bifurcation is that only 42 percent are even measuring shopper-marketing results.

Even fewer respondents (17%) cite the importance of ensuring equity integrity or message consistency across the path-to-purchase via coordination among different types of agencies—and only 15 percent even see this as an issue. Finally, 2.4 percent of 314 respondents did not cite a single benefit from their shopper-marketing efforts. For one respondent the reason is: “All we did was change titles and business cards.” For another: “Shopper marketing in our company is just like cloud computing—so many have hacked it that 10 different people would give 10 different versions as to what they think it is.”

WHAT CONSTITUTES BEST PRACTICE?

To determine best practices, we culled out the responses of those who rated their shopper-marketing practices as “excellent” and compared these to those who rated their practices as “not-so-good” or “poor” (see *table three*). Despite the seismic shift in how respondents evaluate themselves in 2012, best practice characteristics are still discernible and quite consistent with previous years. Because much in *chart three* is self explanatory, we have confined this discussion to what is not so obvious.

Experience and Organization: Shopper marketing as originally conceived is not simple or easy to understand. Competency and improved performance tend to grow with experience, based on the principle that most people get better at what they do the better they understand it. Therefore, it’s not surprising that 80 percent of those who rate their performance as “excellent” cite five-plus years of experience with shopper marketing versus only 20 percent of those who rate themselves as “not-so-good” or “poor.” On the other hand, experience is not always correlated to excellence: Only 10 percent of all respondents with five-plus years’ experience rate themselves as “excellent.”

The same applies to headcount: Sixty percent of “excellents” report headcounts of 20-plus people for their shopper-marketing departments versus only

four percent of the “not-so-goods/poors.” On the other hand, only 14.3 percent of all respondents with 20-plus people rate their performance as “excellent.” Neither experience nor size appear to be reliable *predictors* of excellence, but rather a characteristic of it.

With respect to reporting structure, 79 percent of “excellents” report to marketing or general management, while 52 percent of not-so-goods/poors” report to the sales department. More important seems to be making adjustments as necessary along the way to stay current and maximize the opportunity. On this score, note that 67 percent of the “excellents” have changed reporting structures for shopper marketing, versus only 24 percent of the “not-so-goods/poors.”

Positioning: In previous years, those who positioned shopper marketing as a cross-functional corporate strategy were consistently and significantly stronger in most best-practice areas than those who positioned their shopper-marketing programs as a function of category management or sales—e.g., better staffed, better funded, better resourced and significantly more satisfied with their results. In the 2012 survey, these differences continue.

We are concerned, however, as we look at the newbies (those with 1-2 years in shopper marketing) that more than half—56 percent—position shopper marketing as a function of category management or sales. A full path-to-purchase approach continues as a best-practice characteristic with 100 percent of “excellents” utilizing, versus 43 percent of “not-so-goods/poors.”

Funding: How a company budgets—or doesn’t budget—for shopper marketing is also a leading best-practice indicator. What separates the “excellents” in the 2012 survey is that 93 percent have dedicated shopper-marketing budgets and that for most, these budgets are sufficient to enable them to pursue full path-to-purchase marketing.

Similarly, having a dedicated budget for shopper-marketing research on an account-specific basis is also a key best-practice characteristic with

The 2012 *Hub Magazine* Shopper Marketing Survey was conducted in October, 2012. This survey generated a record 314 responses from 190 unique companies and 37 different countries—more than double the first survey conducted by the *Hub* on shopper marketing in 2006, which generated 154 responses. We want to thank all those who participated!

**Table III:
What Constitutes Best Practice in Shopper Marketing?**

| Measure | All respondents | Excellent | Not-So-Good /Poor |
|---|-----------------|-----------|-------------------|
| 5+ years in shopper marketing | 38% | 80.0% | 20.0% |
| 20+ people in department | 21.2% | 60.0% | 4.0% |
| Reports to marketing/general management | 65.5% | 78.6% | 48.0% |
| Changed reporting structure | 32.2% | 66.7% | 23.5% |
| Positioned as corp. cross-functional strategy | 51.8% | 53.3% | 38.8% |
| Full path-to-purchase approach | 58.9% | 100.0% | 42.9% |
| Established funding/dedicated budget | 75.0% | 93.3% | 62.8% |
| Low ad hoc funding | 25.0% | 6.7% | 37.3% |
| Budget is 7%+ of A&P | 30.4% | 46.7% | 14.3% |
| 10+ retailers w/ account-specific programming | 24.9% | 46.7% | 14.0% |
| Measure results on an account-specific basis | 42.1% | 100.0% | 17.6% |
| Dedicated research budget | 23.1% | 53.3% | 10.7% |

Source: The Hub Magazine/Hoyt & Co.

“excellents” at 67 percent, versus the “not-so-goods/poors” at 35 percent.

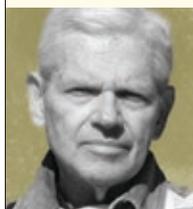
Measurement: Beyond consistently superior performance, the most important function in the process of growing one’s shopper-marketing practice—and budgets—is whether or not one measures results—in total and on an account-specific basis. As most know, one cannot expect to go into annual brand-planning and secure more funding for shopper-marketing efforts without providing the hard data that shows the brands that shopper marketing will generate returns-on-investment equal to or better than the other marketing channels or available alternatives.

No doubt this is why 100 percent of the “excellents” have put into place systems that allow them to measure on an account-specific basis. Additionally, more than 53 percent of the “excellents” measure long-term return-on-investment and a higher proportion of retailer metrics. However, on an overall basis, only 42 percent report that their companies measure anything at all (and more than a few think measurement is the agency’s responsibility!). Clearly, as Booz & Company noted *four years ago* in *Shopper Marketing 3.0*—the study they conducted jointly with the Grocery Manufacturers Association—shopper marketing was at a crossroads even then, principally because of a lack of metrics and measurement:

“Shopper marketers must develop and adopt models capable of quantifying the value of their activities. Otherwise, they will be unable to make the right choice, compare results across demand-generating activities, and sustain the flow of funding and leadership commitment on which they depend. Further, the essential collaboration between manufacturers and retailers will be hampered.”

DECISION TIME

So where do we go from here? Will shopper marketing best-practice continue to erode—to be replaced with “shopper stuff”—a “lite” version that can juice quarterly volume a bit as an overlay to trade spending? Or will the industry re-assert the vision and focus on the research, the planning, the measurement, the collaboration and the relevance that allowed us to connect with our shoppers and provide value beyond a hot price? Yes, we are indeed at a crossroads. ■



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