

THE HUB

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"I've seen the difference it makes to shoppers when they get the right product at the right time and how much we can delight them."

~ Dina Howell, THE PROCTER & GAMBLE COMPANY
(pls. see page 28)

Moments of Tr



The first thing Dina Howell wants you to know is that shopper marketing is a “team sport” at Procter & Gamble. “I happen to be P&G’s most visible spokesperson when it comes to retail,” she says, “but there are thousands of people who are actually doing the work with our retail customers, day in and day out.”

The second thing Dina wants you to know is that Procter & Gamble is totally galvanized around the concept of “the first and second moments of truth,” which was first introduced by P&G’s CEO, A.G. Lafley, some six years ago.

Simply put, the “first moment of truth” is when a shopper chooses a P&G brand in the store, while the “second moment of truth” occurs when the consumer experiences the product at home.

The third thing Dina wants you to know is that Procter & Gamble’s double-barreled commitment to shoppers in the stores and consumers in their homes is working. “I’ve seen the difference it makes to shoppers when they get the right product at the right time and how much we can delight them,” says Dina. “And it is making a significant difference in our business results.”

Before Dina was leader of Procter & Gamble’s shopper-marketing strategy, she spent eight of her 18 years with the company establishing its relationship with Wal-Mart in eleven countries. Today, three years into her current role, Dina is eager to share her insights into shoppers and convey her heart for the “first moment of truth.”

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Procter & Gamble
shopper-marketing chief **Dina Howell**
says the proof of retail's potential
is in the bottom line.

What did you learn about shoppers at Wal-Mart?

The lessons are very similar at Wal-Mart as they are with any of our other retail customers—if you do what's right for the consumer or the shopper, everybody wins. If you do what's wrong, and you force in the wrong amount of product or the wrong type of product, it just won't sell. I don't care how much you force things—shoppers will only buy what they are inclined to buy.

One of the things that I learned hands-on with Wal-Mart is the power of market research. I spent hours and hours monthly on “shopalongs”—going in and actually shopping with consumers to see both what they planned to buy and what they ended up buying at the end of the trip.

I also spent a lot of time going into stores and talking with Wal-Mart associates. When you've got a department manager of any particular category—those individuals who interact with shoppers every single day, forty-plus hours a week—what you find is that they know shoppers better than we could ever know them by being in stores a couple of hours a week.

What have you learned from other retailers?

Tesco has a very fine program where they are able to capture and use their loyalty information. That is amazingly powerful for both Tesco as well as for manufacturers who choose to participate in that—and P&G does. That has really helped us to build our business with Tesco and it has helped Tesco build their total categories.

Tesco has also created a store format that's almost like a corner store—inner-city footprints that are very small, space-wise. But they understand that there are a huge number of inner-city shoppers who want Tesco's value and brand range, but who also wanted that store around the corner.

Which comes first—the needs of your target shoppers or the needs of your retail customers?

We look at both. Club stores in the U.S. require very different products than do convenience stores, for example. The consumers—or shoppers—who ultimately shop in those stores are looking for different kinds of things. You can't really delight the shopper without also delighting the retailer.

That sounds hard to do.

It certainly is very difficult. We invest very heavily in market research to understand the needs of shoppers, consumers and retailers. That's three different types of distinct research that we do with each of those three constituent groups. That is a very, very important backbone of Procter & Gamble marketing. We are huge believers in market research.

Over the course of a year, we'll talk to about four million consumers in more than 60 countries. We conduct more than 10,000 research studies every year, for a total investment of more than \$200 million.

That speaks to our commitment to ensure that we really *do* understand. The way we talk about it inside P&G is that we make the consumer and the shopper the boss. It doesn't really matter what *we* think; it only matters what the shopper/consumer thinks.

Are there any research techniques that are especially well-suited to gaining insights into shopper behavior?

We have been pioneering some new work in packaging assessment and spending a lot of time understanding how shoppers engage with our brands when they are at the shelf and within the context of all of the other brands in a category.

For example, we used to package *Always*, our feminine-care brand, in a bag, and explained, in

words, what was inside the package. That resulted in a fairly high rate of damage from shoppers, who were ripping open the package because they wanted to see what was inside. So, the *Always* package now has a window so shoppers can see the product.

Any other especially innovative research techniques?

Right now we are involved in the lead market introduction of the new P.R.I.S.M. in-store measurement tool, a cross-industry initiative involving both manufacturers and retailers being led by the In-Store Marketing Institute with support from Nielsen. We believe it will give us a better understanding of the size of the audience that's in any given aisle of the store.

What PRISM promises to do is turn the retail store into a medium that is measured and, frankly, can also be directly compared to television advertising — which is considered to be the gold standard for how most CPG marketers have spent their marketing dollars historically.

Measurement in the retail space is the Holy Grail. Whoever cracks that code will have real competitive advantages.

What should in-store media accomplish?

In-store media has an opportunity to help shoppers make the most informed decision they can at the shelf. It's one part of what we are now calling 360-degree — or holistic — marketing. As you're looking at consumers or shoppers while they go through their days and weeks, what you find is that they engage with different media, or people, all the time.

There's everything from word-of-mouth advertising to engagement with the actual products to billboards, radio and TV. All of the things that happen *outside* of the store have the opportunity to influence purchase behavior *in* the store. It's very important for us to have marketing outside the store as well as inside the store because if you're not in that consideration set, shoppers don't even consider your brands.

When consumers get to the store, that's when they actually make a decision about what they're going to buy — because as we all know, about 70 percent of purchase decisions are made in the store. When we actually do marketing in store — or shopper marketing — that has a very high ability to influence people as they're making a decision right at the shelf.

Look-Fab Studio

For about the cost of a television commercial, Procter & Gamble has set up a pop-up shop in downtown Toronto. Apparently, it's P&G's first foray into the world of pop-up shops, and it is intended to get women to think a bit differently about P&G's health and beauty line — Cover Girl, Pantene and Nice 'n' Easy.

"It is the comprehensive solution sale," says Ken Wong, a marketing professor. "And if they can get the consumer thinking about this as a suite of products, it could be very lucrative for them."

Called the Look-Fab Studio, the shop is "a brightly lit, modern showroom divided into three makeover stations... Consumers are treated to mini makeovers from Cover Girl, skin analysis from Olay and can book a free hair color and style session courtesy of Nice 'n' Easy and Pantene.

Smock-wearing beauty experts are on hand to give advice and detailed information about the lineup of P&G products. At the end of the hour, consumers walk out with a bag of freebies."

Says P&G spokesperson Joyce Law: "We are going out on a limb with this concept, but within P&G the philosophy is to connect with the consumer when or where she is most receptive."

Dave Lackie, editor of *Cosmetics* magazine, thinks it's all very ingenious: "Having these space-age makeover pods for each of these different brands elevates them all into the realm of higher-end beauty. They are taking mass products and giving them more equity. Crest toothpaste becomes oral fashion. And judging from the mobs that are in that store, they are totally buying into it."

SOURCE: Hollie Shaw, *Financial Post*, 4/18/07

Will trends toward prepared meals at retail diminish the importance of branded packaged goods?

What those retailers are responding to is that consumers are very busy people who want more prepared foods. People will always use shampoo, they're always going to need lettuce and they're always going to need prepared foods. It's not an either/or.

What retailers are looking at—and the retailers who are in the PRISM pilot with us are hoping that the data will help them get to—is what each product category should look like. Without the measurements and without knowing how much traffic is in each area of the store, it's harder for them to make those kinds of decisions.

How important is shopper marketing to P&G's overall growth strategy?

Shopper marketing is referred to in a number of different ways inside our headquarters and inside of our operations. It is referred to as “shopper marketing,” but it's also referred to as “commercial innovation.” A commercial innovation is any innovation that doesn't require a significant packaging or product change.

We are very, very interested, as part of P&G's total growth at a good margin, of advancing commercial innovation. What it really comes down to is smart marketing. Shopper marketing is quite important as we think about how to be innovative with our retailer partners and ensure that we best meet shopper needs when they are inside the store.

Have any product innovations resulted from observing shopper behavior?

I don't know if there's anything that I'd call a product innovation as much as a commercial innovation. For example, in studying shoppers' buying behavior at store level, we noticed that women with long hair buy two boxes of hair color because, obviously, one box isn't enough.

So, we created a commercial innovation that basically put two boxes of hair color together. That

came directly from studying shoppers and their buying behavior. It sounds so simple, but by putting these two products together in one box, there's less waste. The other thing is, we actually had more space on the box to show someone with long hair!

It was all about meeting that particular shopper's needs. We gave them how much product they needed and that way they weren't frustrated that they had to buy two boxes. It sounds really easy, but often insights are those very obvious things that haven't been addressed yet.

What were the most important things that had to change as an organization to pursue shopper marketing?

How about everything? *(laughs)* We had to create a new organization. We had to create a new career path that starts with a brand assignment—a traditional product management or brand management type of assignment.

The next step is a “rotation” in shopper marketing—whether that be in a customer team or in a geography. A geography rotation means you work with all of our customers while a customer-team rotation means you work with one, or a few, customers.

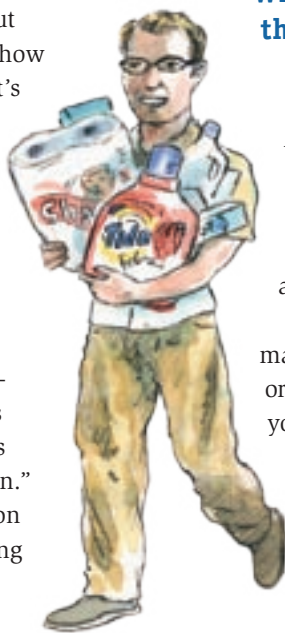
Brands are most often focused on consumers. I won't say they don't focus on shoppers, but most of their focus is on consumers. The geographies and the

customer teams are most often focused on shoppers and retailers. So, that was a whole different change inside the company.

The second was, after we got through the organizational change, there had to be a mindset change that marketing innovation was as meaningful as product innovation. We had to do a whole analysis on the payout and the return-on-investment for both types of innovation, and prove to the organization that both were amazingly valuable.

How do you motivate people to accept the changes that were required?

With data. When you do enough analysis—and we are data people at Procter & Gamble—you can prove to people that something is a big idea. There were a few of us who started this work very, very early; some of us started working on it ten years ago.



We started collecting information and the group began to get a bit larger and larger. When you start to get to critical mass, and you have great results, it gets noticed.

Our own surveys have shown that the marketing department is slowest to embrace shopper marketing.

Most companies have operated fairly similarly for the past 50 years. They've been very focused on consumers and on a mass-media model. The trade journals are full of quotes from chief marketing officers who say that their companies are slow to change.

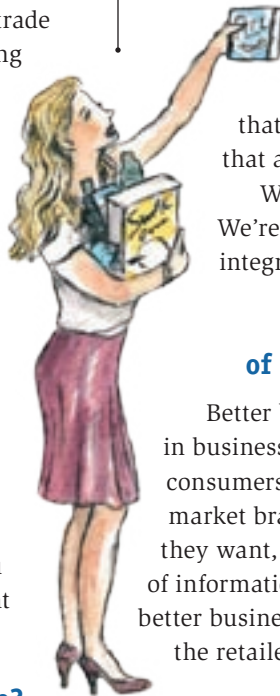
Procter & Gamble isn't any different. Things worked the way they were working. The other key is, our company has been doing quite well, particularly over the past five-and-a-half or six years. We've got a long, long history of doing well, but we've been doing particularly well for the past six years or so.

People are hesitant to change when things are going really well, but that's precisely the time that you need to change and ensure that your model continues to innovate. The good news about working at Procter & Gamble is that if you have data, you can change lots of people's minds. That's what we did.

How have your agencies had to change?

Most of our agencies continue to be experts in a portion of the marketing mix. We don't have many who are experts across all of the different areas that we require to market to consumers today. Today, on some of our brands, we are working with ten-plus agencies. That, as you might guess, becomes very onerous for the brand manager to have to manage so many different agency interfaces.

In addition, there are now some categories of agencies that didn't exist a few years ago. The in-store area was "played at" by some of the mainstream agencies, but it wasn't something that they fully dedicated resources to. There were some very visionary individuals within the agency networks who recognized that. So, now you've got the emergence of some very dedicated agencies, and P&G has been among their first clients.



What's the greatest challenge that you have yet to overcome?

There are so many! My greatest sleep-loss issue is that we are not able to train-up the organization as fast as we would like to.

I want to be on the front-end of the adoption curve. I want to make sure that we're ready when the data comes. I want to be sure that we capture every opportunity.

Everything else is a sub-segment of that. It's getting the organization right, it's getting the processes right, it's making sure that our interfaces with the retailers are going to be optimal. It's making sure that our systems talk to each other in a way that allows us to use all the data.

We're not looking at this as an add-on. We're looking at this as being completely integrated into the way we do business.

What is the main benefit of a shopper-centric approach?

Better business results. That's what we're all in business for. The way you get there is to delight consumers and shoppers, and to make and to market brands in a way that the shopper gets what they want, when they want it, and they get the kind of information they need. All of those things yield better business results — not just for us, but also for the retailers that we work with.

Why are you so passionate about building brands at retail?

Because I know it works. I've seen it work at just about every retailer that we do business with. Right now it's on a smaller scale than I'd like it to be on. But I know that if Procter & Gamble is at the front-end of that learning curve, that it will be good for our business, for our retailers' businesses and for our consumers and shoppers. ■



DINA HOWELL is general manager-marketing, global operations for **The Procter & Gamble Company**, where she oversees a multi-functional network of disciplines and applies both consumer and retailer insights to enhance the shopping experience.