As retailers find their own brand identities, will manufacturers lose theirs?

Lost & Found

A Roundtable Featuring

Mike Salzberg
Campbell Soup

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Ken Fenyo
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How has the scope of building brand identity at retail changed?

Mike Salzberg: The biggest change is the proliferation of branded products and the simultaneous growth of private labels. It's really becoming more important for companies like Campbell, and consumer packaged-goods in general, to make sure that we are distinguishing our brand, not only in terms of quality and a wellness factor, but also with a value proposition.

We also need to make sure that the value proposition is strongly communicated to consumers at all available touch points, such as merchandising and signage, as well as newer forms of communications such as the internet. And we have to do a better job of communicating the value proposition of our brands based on what's happening with the economy.

Daren Sorenson: It's almost like a revolution. I've heard people describe retail as being like the Wild West, and in some ways it is kind of like that. It's a very big and complex frontier that is constantly evolving. What makes retail so exciting is that it is the only place where the interests of retailers, manufacturers and consumers all come together.

As a result, we're seeing a great deal of innovation in thought and approaches to understanding retail and new opportunities to collaborate with retailers. Retailers are growing increasingly brand-conscious, which means manufacturers must bring ideas and solutions that are consistent with their own brands and that of the retailer.

Ken Fenyo: One change is the idea that we need to understand consumers as shoppers and how they make decisions about which products to buy and where they make those decisions.

At Kroger, we're also investing more in our own private-label brands. We're focusing more on innovation and brand building, with the hope of providing more compelling and exclusive products to our customers.

Nick Vlahos: At Clorox, we have three key moments-of-truth from a consumer standpoint, which we refer to as the three D's — desire, decide and delight.

First, it's up to us to create the desire for a brand via integrated marketing communications. Then, we want to impact the shopper when they decide at retail. This is where shopper marketing plays a key role for us as we leverage the four walls of the retailer as an aperture and influence the consumer to make a purchase.

When they're back at home, we talk about delight. We want the consumer to have a positive experience with our product and have them be delighted with the product proposition so we can create a loyal Clorox consumer for life.

Ken Barnett: There are so many factors that have changed in the last five to 10 years, ranging from consolidation at retail to the diffusion of brand messages

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> MIKE SALZBERG

through various media channels. The emergence of Sarbanes Oxley has also changed the way trade deals are recognized on financial statements, while true marketing activities began to be embraced by retailers as opposed to manufacturers just using trade funds to buy volume.

Consequently, the manufacturers' and the retailers' goals are becoming increasingly aligned, which is leading to a future of less conflict and more shopper-centric activity. It allows us to talk more specifically to different consumer groups that shop stores differently. The store is becoming one of the most important communications channels for talking to those consumers while they are shopping.

How do you convince the retailer that your brands are still relevant?

Salzberg: It's really important for Campbell to communicate that our products are aimed at satisfying consumer needs around wellness, convenience, quality and value. Sometimes we accomplish that by bringing center-store to the perimeter, and getting five or six major manufacturers to collaborate to create a simple meal idea.

Retailers have to completely change their mindsets around how they do this operationally because it involves getting the produce department to work with the meat department to work with the grocery department. But if we can make it easier for shoppers to buy all of their meals for five straight days in 30 minutes or less, it is a win for everybody.

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DAREN SORENSON

Sorenson: Staying relevant really requires attention in three different areas. First, manufacturers need to understand what the retailer is trying to accomplish not only from a category perspective but from a total business perspective, as well.

Second, manufacturers must also understand the retailer's shoppers. This is really important because the retailer's shoppers are at the center of everything, and this is where the brand's goals and the retailer's goals can overlap. So, there's a lot of opportunity to collaborate.

Finally, manufacturers need to understand the roles that their brands play, both within the context of the retailer's business, and within the lives of the retailer's shopper. Once you're able to look at the situation across those three areas, you can collaborate with the retailer and translate that into an actionable and compelling business opportunity.

Fenyo: The goal for both the manufacturers and Kroger is to win with the shopper and to use the customer data as the basis of collaboration. We work with a company called Dunnhumby that has a tool called "The Shop," that both we and manufacturers use to understand who's buying what, what's selling well, what's not, and how new items are trending.

This has created a new customer language within Kroger and between Kroger and our manufacturing partners about who these customers are and whether or not they are loyal. Rather than having an abstract discussion about it, we're really collaborating with manufacturers about what's best for our shoppers.

Vlahos: As we go from insight into activation at the store level, understanding our brand proposition is critical because we have to meet the needs of the consumer when and where those needs exist.

The store plays a pivotal role in getting that communication right. How you go about doing that is predicated on insights—whether it's insights around how to create your product proposition all the way downstream to how you want to interface with that consumer in-store.

Barnett: It always seems to sound like the stronger the retailers develop their brands the worse it is for the manufacturer, but I don't accept that. The stronger they develop their brands the more innovative the manufacturers have to be, but that doesn't mean that they need to be restricted and it certainly doesn't mean they need to be eliminated from the mix.

Brands can create traffic, drive trips and increase sales opportunities for categories. To do so, they have to layer shopper segment models on top of consumer segment models and do their planning differently than in the past. Some brands are doing that well, some are just getting started, and some are not doing it at all. But knowledge is the key.

Is it possible for brands to build their identities through retail programs alone?

Salzberg: That is happening more often as retailer programs are becoming more sophisticated, especially about things like health and wellness, which is a Campbell linchpin. So, we'll meet with the retailer's pharmacists and dieticians and try to put together programs where we can be part of their health and wellness strategy and make it bigger. Then, obviously, we get buy-in from the retailer and that gets us access to the floor.

Retailers like to use our brands as part of their programs because, at the end of the day, our brands are their brands. Everyone has to think like that. They need us and we need them. Private label is going to have its place, especially in today's economy, but we're not afraid of private label. We want to learn how to co-exist and do what's right for the shopper.

Sorenson: The retail environment offers some great opportunities to reinforce brand identity and equity. However, what you can successfully communicate to a consumer through a 30-second television spot is quite different from what you can convey to a busy shopper at the point-of-sale, where you may only have a few seconds of their attention. So, both play a very important role in the marketing mix, but each has its limitations.

Fenyo: As it is in almost any kind of branding, you don't want to rely on any one way of talking to your customer. Perhaps the biggest way to get trial and purchase is to feature the item in the store with a display and a really hot price. That might mean more investment than was otherwise planned. But that's really the kind of thing that drives behavior in the store.

Manufacturers sometimes underestimate the power of working with us on a big launch. For example, we've found that our direct mail programs have been an important catalyst for building loyalty in the store. Those mailings have been huge loyalty builders for Kroger but they also build loyalty for the CPGs that invest in them.

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Vlahos: At Clorox, we believe that we cannot build our brand identities solely with retailers. However, we do believe that leveraging all of our marketing assets — public relations, television, print, in-store — in an integrated fashion, where our message looks and sounds the same, is the way to build great brands for our retailers. The whole is truly greater than the sum of the parts. Being able to marry our customers' strategies with our brand strategies to drive overall category growth is the proverbial "sweet spot" with our retailers.

Barnett: Manufacturers really can't build their identities by participating in retailer programs alone. They need to participate in retailer programs and retailers need to open themselves up to those programs that manufacturers bring to them that are shopper-centric. Just as manufacturers have to be open-minded to retailers, retailers have to be open-minded to manufacturers.

Retailers need the manufacturers to continue to bring the partnership, investment, innovation and marketing power that they have to the retailer segments. When manufacturers have not responded broadly to retailers, and don't have an infrastructure in place to support retailers in shopper marketing, retailers take control and simply tell manufacturers what they need.

How should your brand identity initiatives at retail be funded?

Salzberg: At Campbell, we have one bucket of money and a very sophisticated customer profit-and-loss (P&L). For us, a dollar is a dollar. We want to spend a dollar as efficiently and effectively as we can to reach the ultimate consumer. So, we tend to look less at it as different budgets and different buckets of money. We look at our total dollar spend and the most efficient and effective way to use it.

I'm a firm believer that we should join business plans and agree mutually with the retailer on how the money is to be spent. Then they get their skin in the game and we have our skin in the game. The money is used effectively and efficiently. It doesn't go to the retailer's bottom line; it goes to driving more shoppers to buy more stuff.

Sorenson: There are many ways to approach funding. If it's all about building the brand's equity, then typically the manufacturer funds that kind of activity. If you're looking at category re-invention initiatives, which can build both the retailer's and the brand's equity, you can start looking at joint funding between the retailer and the manufacturer.

Fenyo: Kroger works with manufacturers to fund brand-specific campaigns, whether that's something on sale or a promotional event that they're running. This requires getting costs that allow us to offer a really exciting price to the customer.

It's also about beginning to leverage some of these vehicles, whether it be traditional things we do in-store around shelf-talkers and floor graphics, or some of the new vehicles like in-store marketing or personalized coupons and the like.

There are a lot of things that we would like to invest in along with the manufacturer to build our collective brands and enhance the customer experience and really build loyalty. We can't build loyalty alone, either of us. We really want to build customer loyalty together to the extent that we can.

Vlahos: At Clorox, we look at traditional advertising, consumer promotion, shopper marketing and trade spending as a sum of dollars that we appropriate to drive demand. Our objective is to leverage these investments in an integrated and holistic fashion to surround the consumer/shopper and drive value for that brand and category with our retailers.

As more in-store activities become consumer/shopper focused, we will continue to look at our individual brand and category strategies to see where we need to shift and balance our overall investment in driving demand. We also believe that a dollar is a dollar — whether it is trade or consumer — and want to leverage that investment against the levers that most efficiently and effectively drive our brands, categories and retailers' sales.

The proverbial sweet spot is being able to identify for the retailer how our platform helps achieve their goals.

NICK VLAHOS

Barnett: This is going to be a little bit of blasphemy. This notion of trade dollars being untouchable is an old notion that needs to be fixed.

Brand identity can be driven at retail and should be driven through all shopper-centric media. It should be funded from conventional brand dollars and conventional trade dollars. That is going to have to happen in the next five years. Manufacturers cannot continue to increase trade spending in an increasing cost environment with an increasing communications cost, given the relative inefficiency of individual programs. A true collaborative model has to emerge, with more dollars that previously funded price deals reallocated to business-building efforts that attract and keep loyal customers for both the manufacturer and the retailer.

What is the best way to measure the ROI?

Salzberg: If we manage to our customer P&L and the P&L continues to drive forward on both the retailer and the manufacturer side, then we've won. Again, if both parties have skin in the game, then all the great work drives activity.

For example, with the "Address Your Heart" program, we could easily see the payback. We were able to get three to four major companies, whether it's Coke or Kellogg's, to come along with us because they're non-competing. Those kinds of programs, all driven through the shopper, really tell the story and create bigness in the eyes of the retailer.

Sorenson: There really is no "best" way to measure ROI. It depends on the brand and what you're trying to accomplish and from whose perspective you're measuring. What a beverage manufacturer would seek to measure and include in the measurement is going to be very different from a company or a manufacturer whose products have a more predictive purchase cycle, such as laundry detergent.

Regardless of the approach a manufacturer uses, however, it must also consider the impact and value it generates for the retailer. We're going to see a lot more interest, activity and creativity—and much more robust ROI models being developed — with the work that the PRISM consortium is doing and the metrics that they are developing. Because PRISM will measure actual traffic, it will add a lot more granularity so we'll know with more specificity what is creating the impact.

dollars, then we feel very good about our investment.

We have made significant investments over the last few years in our Advanced Analytics organization, which spends time modeling and understanding our "demand" investments in areas such as public relations, advertising, and trade.

However, measuring demand ROI is more of an art than a science. At the end of the day, it is all about growing share, driving category growth, both effectively and efficiently.

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KEN BARNETT

Fenyo: Ultimately, the ROI will be based on whether we sold more items than we would have without the marketing. PRISM could lead to some very interesting ways of looking at ROI and whether you're being successful. For example, you could look at impressions. How many people did we reach effectively, how many people are seeing our display or our ad in the store, and then what percentage are converting? For the many people who saw it, how many then went ahead and bought it?

That's a very different way of looking at success. I do think that the in-store environment, because of the ability to link it to transactional data, does allow you to get to that level of specificity.

Vlahos: We need to look at ROI as an all-in proposition, and not lose track of the big picture. At Clorox, we define "winning" as growing market share. If we're growing share and we have positive results on our overall demand-creation

Barnett: Shopper marketing as a discipline is being measured differently by different brands. However, some brands still have difficulty separating out what is specifically related to shopper marketing. The best case is when the manufacturer can benchmark results against other retailers that are using the same marketing activities in a given marketplace.

Retailers also need to understand and give credit to brands that have the power to drive trip behavior or full-price volume. And brands need to be willing to share gains with competitors and evaluate programs differently if a retailer program is driving new trip behavior and increasing sales for everybody involved. The ROI measure is not a one-size-fits-all model; the objectives of the overall program need to weigh in on each initiative. ■

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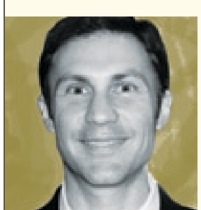

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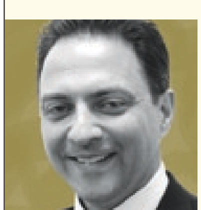

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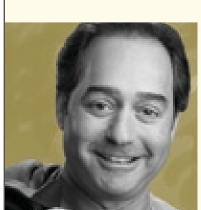

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