

Shopper-Friendly Culture

BY TED TAFT

MERIDIAN CONSULTING GROUP

You may remember when you first realized how large the universe really is. Each of us has experienced situations that seem straightforward at first—what we can see with our eyes—but upon further inspection have much greater scale and need for deeper understanding.

In the consumer goods business world, this has certainly been the case as retailers and manufacturers wrestle with the challenges and opportunities presented by shopper marketing, which is now on the radar screen of literally every organization.

Shopper marketing represents a means not only to grow one's business, but to achieve a position of thought leadership and competitive advantage. But it is also one where even the largest organizations note that they are not "all the way to bright" in fully leveraging its potential as part of how they go to market.

Our purpose here is to bring to life elements needed to develop a more holistic approach and build a go-to-market approach that has at its core a "shopper-friendly culture."

It's now a larger competitive universe. For the past two decades, consolidation within classes of trade—food, drug, mass, club, and others—has been a powerful force that has left a smaller group of larger, more sophisticated retailers within each channel.

But today, competition for the "shopper" is redefining retail in a more fundamental way. A shopper can fill a prescription at a drug store, but also at a Kroger, Walmart, Costco, or another retailer.

A shopper can purchase an eat-at-home meal from grocery stores, C-stores, restaurants with curbside pick-up, or from many other choices. Similarly, HBC or general merchandise products can be purchased at a host of outlet "types."

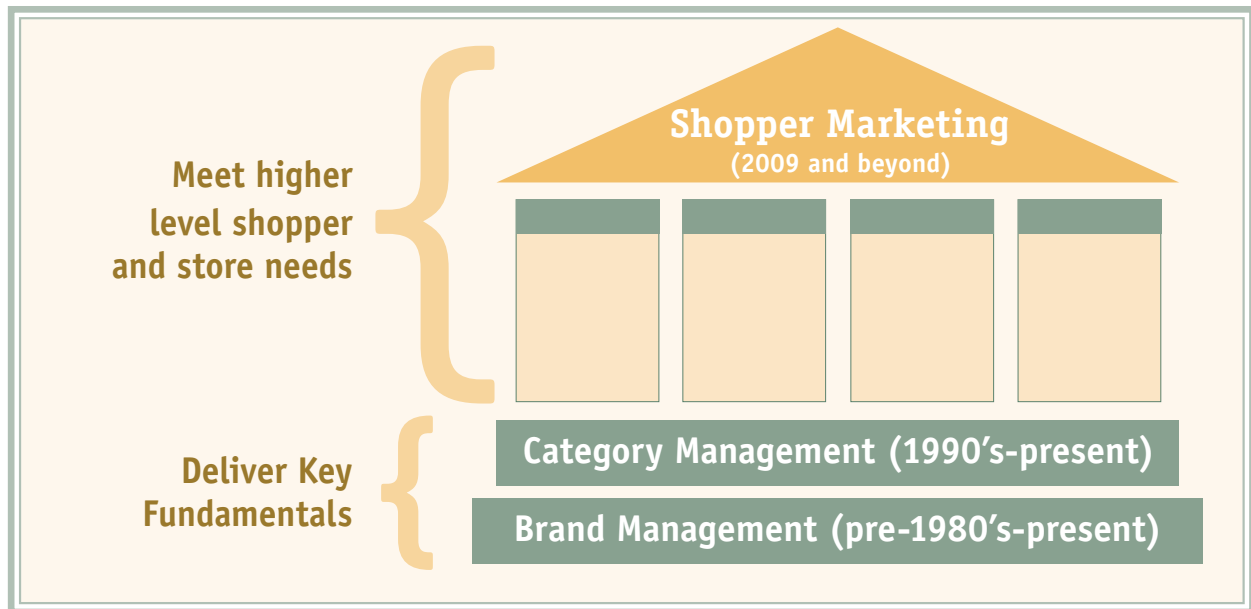
Shoppers today are not confined by channels. And for a retailer or supplier, the competitive universe includes not only similar outlets or "conventional" food/drug/mass retailers, but also players often not on the "CPG radar screen" such as department stores, specialty retailers, the internet, and more.

Growth at retail demands a more holistic view of shopper marketing.

Retailers are responding forcefully. Note this comment by a major retailer: "Vendors often think the 'first moment of truth' begins at the shelf. But we're thinking about a cross-department and store solutions, and for us the 'first moment' begins before the shelf; it begins at choosing which parking lot to pull into, and involves a broader perspective on how we build solutions."

Retailers are focusing on higher-level shopper and store needs above individual categories. They are also seeking insights and tools that look forward

“Best in Class” Expectations are Changing



SOURCE: Meridian Consulting Group

versus just using historical data. They are providing direction, and not just nice-to-know information. Finally, they are embracing new processes for distribution, merchandising, and promotion to build store solutions.

Best-in-class expectations are changing. The best organizations have always been those that respond to changing market demands. When Procter & Gamble and others developed the brand management system many years ago, they galvanized how entire organizations went to market, and helped create competitive advantage that still exists today.

In the early '90s, a major change in the consumer packaged goods industry was the evolution from brand management to category management. This more category-centric approach recognized the greater sophistication and “gatekeeper” power of retailers, as well as the growing importance of store-level factors in the consumer’s purchase decision process.

The impact of category management on how winning organizations go to market has been dramatic—and over time even startling—with changes to organization capability needs, training, tools, data/research, structures, and business processes. It also took years to develop expertise, with clear winners among those able to fully make this “part of how their entire organization does business.” Today, best-in-class expectations are changing yet again to meet higher-level shopper and retail needs.

A big step-change for manufacturers. Building a shopper-friendly culture is a bigger and more important change for manufacturers. The shift from a brand to category management approach was difficult but manageable because insights and applications were still built around similar types of products from similar types of suppliers. Building a shopper-friendly culture is a much more complex undertaking, and also a critical one with high stakes.

It demands expertise and solutions beyond just single categories since this is the focus of the shopper and retailer. It fundamentally changes the conventional roles of Marketing and Sales. The old notion that Marketing “owns” the consumer and Sales “owns” the retail store is no longer relevant; what happens when the consumer is in the store—who “owns” the shopper?

This is an area where retailers are generally ahead of manufacturers. It is also one where not having a “seat at the table” can have major consequences for a supplier as retailers—and other suppliers even outside one’s direct competitive set—take a greater role in building store solutions and re-examining roles of categories and brands within these solutions.

Significant barriers exist. Shopper marketing is still very new. Many firms have made solid initial progress. But as noted above, retailers are still seen as further ahead, and there is broad consensus that

The New 4P's



SOURCE: Meridian Consulting Group

much work lies ahead. There are many reasons for this and significant barriers to creating a shopper-friendly culture:

- *Research is too category-centric.* Insights beyond one's category lack depth.
- *Shopper solutions are too tactical.* In many cases, solutions are self-serving or non-sustaining "one-off's."
- *Business transformation needs are out of order.* Organizations address "structure" before "defining the work." For example, much energy is spent considering whether shopper marketing belongs in Marketing, Sales, or split between them. But the critical need is to "define the work" that is required within a shopper-friendly culture, then select the processes, and finally create the structure and provide the resources required to deliver on these needs.
- *Marketing solutions miss the white space.* Even as manufacturers try to become more shopper-friendly, there is a strong tendency to emphasize "Sales" needs, thus missing broader go-to-market opportunities with shoppers.
- *Long-term vision is not clear.* It is often overly focused on the perspectives or experiences of a single functional group.
- *Critical support mechanisms are not defined.* Skill

requirements, training, data needs, and tool development are unique in a shopper-friendly culture.

- *Scorecarding is insufficient.* New metrics and the "additive" nature of shopper-based resources with current activities such as category management must be defined. A "good meeting" about shopper learning with a retailer is not sufficient to justify ongoing investment.

The new 4P's. The list of potential issues with creating a shopper-friendly culture can appear overwhelming. A framework to provide direction is critical so that organizations do not aim too low, or aim at the wrong place.

Such a framework existed with brand management. Focus was on brand features and benefits relative to competitors. Extensive work was then done to create compelling brand personalities and communication through advertising, packaging, and other means.

When category management came along, it incorporated elements from brand management into a broader go-to-market approach. Extensive work, for example, focused on the "4P's" of product, placement, price, and promotion. This provided benefits including a consistent language for the industry, attention to business drivers for both suppliers and retailers, and new success metrics including ROII and others linked to category success.

Creating a shopper-friendly culture calls for a similar approach, albeit expanded to deliver against new competitive requirements for success.

To create a shopper-friendly culture, a new, additional set of “4P’s” is needed. These will transform how top organizations go to market, incorporating elements from, but also moving beyond, brand and category management approaches.

- *Perspective.* The shopper-friendly culture must address the “higher level” needs of the shopper and the retailer that sit above single categories. This is not easy, however. Protocols consistently aim too low and attempt to create new growth from within category and brand frameworks that an organization has always used and is comfortable with. Expertise and new protocols must be brought into the organization to make a meaningful and sustained “leap” to address higher-level needs in a compelling fashion.
- *Priority.* Once strong perspective is developed, priorities must be set. In the broader world of the shopper and store, one must understand and quantify a broader set of key business drivers for both the brand marketer and retailer. Be careful, though, because the business drivers that apply on a brand or category level may not be sufficient at the higher level of the shopper and store.
- *Practicality.* Even top-tier companies can recite instances where major new ideas were identified and developed, only to fall apart because of poor understanding of their practicality from a retail or operations perspective. This danger is heightened with shopper marketing because companies are considering an area where they lack real-world understanding. A shopper-friendly culture puts resources and processes in place to ensure retail and operational practicality with new initiatives.
- *Platform.* A strategic communication platform is the final key step. With shopper marketing, many organizations will “partner” with a retailer to develop a solution that works for both. Unfortunately, premature partnerships often result in solutions that are too tactical and not broadly applicable. Due diligence must be developed beforehand to establish a strategic communication platform that can then be leveraged broadly and establish the company as an industry leader.

Activate this framework. For virtually any organization — from those that have experience with shopper marketing to those looking to make a

start — there are some key action steps that can be useful to build capability and drive progress.

- *Start by calibrating where you are.* Shopper marketing is still very new, and even top firms have important upsides. A benchmarking process that is qualitative and quantitative, and incorporates feedback both from within and outside one’s immediate categories and competitive set, can provide valuable benefits. It can illuminate strengths and opportunities, and build organizational support and alignment.
- *Build processes around the new “4P’s.”* This is easier said than done. First, this is because the plan will involve developing expertise that, by definition, is not likely to reside within your current organization and category management capabilities.

Second, it is because there is a tendency in many organizations to take a “quick fix” with structure. Too often, someone is simply assigned with responsibility for shopper marketing, instead of defining the work and organizational processes that structure should then support.
- *Think holistically.* Shopper marketing is neither a Sales nor a Marketing responsibility. Both bring skills critical to the requirements of creating a culture with a higher level perspective, a clear set of priorities, a solid grasp of what’s practical and what is not, and an investment in the belief that shopper marketing is a strategic communication platform, not just a set of tactical executions.
- *Keep a scorecard against each of the new 4P’s.* Some organizations define success too narrowly, sometimes even as having had a “good meeting” with a key customer. Broader metrics must be developed.

Remember again when you first realized how large the universe really is (if you didn’t know, it’s estimated to be at least 156 billion light-years wide). The competitive universe with shopper marketing is broad and complex, but is also an opportunity to build one’s business and establish competitive advantage with a position of thought leadership. ■



TED TAFT is managing director of **Meridian Consulting Group**, a management consulting firm specialized in consumer, customer, and company optimization within the consumer products industry. He can be reached at taftt@meridianconsulting.com.