

Embrace strategic planning as the great opportunity to build loyalty that it is.

# Think *Big!*

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**B**uilding strong consumer loyalty to your brand represents the Holy Grail for marketers. Strong consumer loyalty gives the marketer the ability to do all sorts of things that we marketers — and our firm’s shareholders — love! Strong loyalty enables a brand to grow through line extensions and new innovation, to price against weaker competitors, and employ other strategies that deliver ever-higher levels of volume and profit.

When should we start down the path to this land of brand nirvana? Well, in a word... now! Now is the time of year when many marketers are creating their strategic business plans, which is the essential starting point for creating a stronger consumer proposition and, ultimately, more loyal consumers.

The bold executives among us will plot a course for dramatically accelerated growth. That is certainly the intent of the “strat plan.” Too often, however, strategic planning becomes a derivative exercise. The last strategic plan is dusted off and developing the new plan essentially becomes a process of making incremental changes to the prior one.

The results of strategic planning processes are certainly not adequate. Fewer than 50 percent of senior executives are satisfied with their current strategic planning processes and fewer than 25 percent think

they yield actionable plans, according to the *McKinsey Quarterly*. At the heart of this dissatisfaction:

- The approach to investment prioritization is not systematic.
- Growth targets are not driven by consumer or category realities.
- Growth strategies are overly reliant on white space, acquisition, *etc.*, versus “controllables.”
- Growth options are not systematically quantified, making comparisons across franchises and operating groups difficult, if not impossible, to make.
- The financial plan is often disconnected from the strategic plan, leaving the most carefully crafted strategies starved for implementation resources.

It is easy to see the path that leads to such dissatisfying strategic plans. A good strategic planning process should be a dynamic, creative discussion about discovering the possibilities to grow consumer loyalty and take your brand to new heights.

However, when you are embroiled in a business, it is hard to get “out-of-the-business” and challenge conventional thinking. Further, the breadth and depth of consumer insight needed to drive the strat plan is often not present. How can you make sure not to fall into this trap? There are two fundamental steps for creating a successful strategic plan and, consequently, strengthening consumer loyalty to your brand: 1) Understand consumer behavior and the drivers of behavior in a precise, detailed way and use the behavioral foundation to organize everything else you know about the consumer (*i.e.*, needs, attitudes,

etc.) and 2) Build a plan upon this behaviorally-based foundation.

A comprehensive understanding of consumer behavior starts with an in-depth analysis of consumer usage and purchase patterns. There are two very powerful analyses that allow marketers to understand, validate, and leverage these behaviors empirically: A *usage domain* that analyzes the largest viable set of competitive/substitutable products; and a *purchase structure* that defines the drivers of purchase behavior in close-in, specific, product categories.

Each one provides distinct and vital insight into how consumers behave. The combination of usage and purchase behavior gives you the foundation to develop much clearer strategic decisions to make your brand the one that best meets consumers' needs.

When integrated with targeting, need state, product performance, brand benefit and brand-equity information, you have the insights to create a framework for accelerating the growth of your business. The framework should define a future in which your brand is more differentiated versus your competitors and creates stronger loyalty with a wider consumer base.

Where should your brand compete to establish a competitive advantage? Your brand's strategic positioning should answer that key question. For example, does the brand compete in soup or simple meals; OTC medicines or pain management; isotonic or refreshment beverages?

Furthermore, do you have a strategic brand positioning that is clearly articulated and precisely defined? Is it understood and embraced by the entire business unit and your business partners? Does the positioning enable your brand to stand apart from your competition in a highly relevant way?

Answering those critical questions with a consumer behavior-based approach is the key starting point for strategic planning. In addition to providing clear direction for each brand, defining the strategic brand positioning ultimately allows you to define the roles for each brand in your portfolio.

Against the newly defined competitive frame, you will be able to evaluate each brand's ability to grow revenue and deliver on margin requirements by assessing the brand's competitive effectiveness and the attractiveness of its core categories.

You are then able to calculate the expected future value of each brand. The results are role definitions for each brand in your portfolio in a way that is rigorous, quantitative and rooted in consumer's actual behavior.

Once consumer behavior is well-understood, the second key is to balance strategies and activities

between the core business, new innovation and acquisitions/divestitures across the portfolio.

## A GROWTH ACTION PLAN

Before we get to balancing activities across the portfolio, it's time to create growth action-plans at the brand level in six areas:

**Marketing Strategy.** Two critical questions need to be answered: What is the right strategic positioning for my brand and how should the positioning be communicated to my brand's target consumers?

If the consumer behavior analysis determined that your brand's actual competitive frame is broader than previously imagined, your new strategic brand positioning should reflect this broader competitive set. The strategic brand positioning should be very specific with regard to competitive frame, target, benefits, reasons-to-believe and brand personality.

A well-defined positioning easily lends itself to a copy strategy that is the linchpin to making sure your brand's messaging is synchronized across all marketing, public relations and selling touchpoints. Even marketing and sales programs that sometimes have more of a short-term, tactical objective (such as many consumer promotions and in-store promotions) should be linked to the strategic positioning to reinforce the brand's new message.

Getting the positioning right, and consistently reinforcing the positioning through the entire brand's messaging, is a key to strengthening loyalty. And, once you have the right positioning, stay with it! A good positioning should last for years: *Tide's In — Dirt's Out*; and *It's Not Delivery, It's DiGiorno* — are examples of positionings that grew those brands for many years.

**Spending Strategy.** A precise positioning also yields efficient growth for established brands because you can calculate the profit-maximizing point of marketing spending — across advertising, consumer promotion and trade (or customer) promotion — against your brand's new competitive frame.

In cases where the competitive frame for your brand is much larger than previously imagined, the brand likely should be spending more on marketing to reach the broader audience with your new, more relevant message and build consumer loyalty to your brand.

The Goldfish brand has increased its marketing spending behind its tasty, fun and wholesome treat positioning, which allows the brand to source volume far beyond the kids' crackers category. With the 'mom appeal' of being a baked (not fried) snack and its fun-for-kids message of the "snack that smiles back," the brand has enjoyed rapid growth in recent years.

**Innovation Strategy.** In addition to growing the base business, growth through innovation is part of the lifeblood of any successful brand. The key question to answer is: How and why will the new product replace consumers' existing behavior with a new behavior?

While creativity is important in any innovation process, it should be directed *after* a thorough understanding of the existing consumer behavior that must be changed, the benefits consumers seek through this behavior, the attributes that support the behavior, and the parts of their current behavior consumers are willing to change and not change. All of these facets should be understood by the consumer behavior foundation you built at the beginning of the strategic planning process.

Once the V8 brand clearly understood its unique vegetable nutrition benefit within the world of juice, it allowed the brand to expand into vegetable/fruit blends, such as V8 V-Fusion, as well as soup, with V8 Soup. Each new product contributed to the overall V8 trademark's position of "another delicious way to get your vegetables."

Comparing the innovation opportunities you have defined with your company's in-house development capabilities also can form the basis of an acquisition strategy. On the other hand, if segments of the business no longer fit well with the brand's competitive frame, you may want to consider divesting those segments.

Each strategy — smart innovation rooted in actual consumer behavior, strategic acquisitions, divestiture of non-strategic assets — sharpens your brand's relevance to the consumer and strengthens loyalty.

**Financial Strategy.** The essential questions to answer at this stage are: What activities truly drive profitable volume growth and what is the optimal pricing for my brand?

A thorough brand "due-to" analysis will identify the activities that truly drive growth for the brand. This is an especially important step. In our experience, activities that are within your control often play a large role in determining the success of your brand.

A clear and precise understanding of your brand's competitive frame identifies the competitors consumers are likely to switch to and forms the basis for a brand pricing strategy. For a more accurate measure of price elasticity, consider brand (not item) elasticity within the context identified by the competitive frame.

Once the pricing architecture has been determined, the final step is to identify the "right" spend back that maximizes revenue and earnings while protecting volume and equity, which in turn drives loyalty.

Several years ago, the Tylenol brand was able to grow profits while maintaining volume by understanding the brand's true competitive frame and pricing within that competitive context.

**Selling Strategy.** Even well executed, great marketing strategies cannot be fully realized unless the consumer concept is taken all the way to the point-of-sale.

At this point, you need to translate the brand's consumer strategies to category leadership platforms with shelving, assortment and promotion strategies that reflect consumer behavior and are tightly linked to marketing strategies.

For example, by bundling the right items together, a promotion can address a larger set of consumer needs, different users or different usage occasion, so it will tend to be more incremental. For example, a pain relief promotion might include headache, body pain and muscle pain remedies, or powdered soft drinks could be packaged in stick or multi-serve canister forms.

In an era where many consumer purchase decisions are made at the shelf, getting selling strategies right is often the critical link in driving loyalty to your brand.

**Portfolio Strategy.** After brand-level strategic plans are developed, it is time to integrate the brand plans into a portfolio plan. This is where the brand roles, which you determined earlier in the strategic planning process, come into play.

Meshing brand roles with the brand-level core business (marketing/selling/financial), innovation and acquisition/divestiture plans should lead to the right blend of activities that are sequenced to deliver accelerated top-line growth while delivering bottom-line commitments.

Strategic planning season is the time to step back from the day-to-day activities of managing the business and assess your business in a holistic, yet in-depth manner. This is the time to be bold and create a plan that strengthens consumer loyalty to your brand and puts your business on a new, higher-growth trajectory. ■



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