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Delivering the Promise of Shopper Marketing:

Mastering Execution for
Competitive Advantage

Key Insights:

- **Shopper Marketing Activity is Exploding**

In the 2007 Grocery Manufacturers Association (GMA)/Deloitte study, "Shopper Marketing: Capturing a Shopper's Mind, Heart, and Wallet," only six percent of manufacturers we surveyed, and none of the retailers, had significant shopper marketing organizations (more than 20 people). According to the 2008 survey, that number has jumped to 29 percent and 60 percent, respectively. Respondents to the 2008 survey also report that over the next three years in-store marketing activity will continue to grow at a rate higher than that for almost any other marketing tactic. Nearly every large manufacturer and retailer has jumped into shopper marketing to some degree, yet our research indicates that few have systematized the capabilities needed to sustain success.

- **But the Gap between the Sophisticated and Unsophisticated is Widening**

Many manufacturers believe they are catching up because they have initiated shopper marketing programs. Most are wrong. The few companies that really "get it" are becoming very sophisticated at shopper marketing and are building gaping strategic advantages. They are using shopper marketing to fill the void of the store and shopper in an integrated, 360-degree marketing approach. Everyone else is just testing the waters. Companies with more sophisticated shopper marketing capabilities report one and a half times greater effectiveness than the less sophisticated group at achieving results across all shopper marketing objectives.

- **Shopper Marketing Capabilities Follow a Three-Stage Natural Lifecycle**

Shopper marketing requires a more transformational change than most companies realize. Companies must go through a natural lifecycle in the implementation of shopper marketing in order to achieve the potential results. While many companies have designated resources and begun developing programs (stage one), they often fail to build the capabilities required to perform with scale (stage two), and rarely, so far, succeed in culturally embedding (stage three) this new and different way of thinking and working.

- **The Lifecycle Journey can be Accelerated**

A company can move through the lifecycle faster if it thoughtfully crosses inherent inflection points (naturally occurring moments when the shopper marketing organization can either jump to a higher level or get stalled) and maintains momentum through careful planning, strong leadership, and organizational commitment. Simply throwing resources into a shopper marketing program won't cut it.

- **The Key is Building Organizational Capabilities, Not Just Running Programs**

Realizing the benefits of shopper marketing requires a well-articulated strategic position, defined structures, and deep partner relationships. Shopper-centric marketing can not just be an ad hoc collection of individual programs, but must be thoughtfully integrated into overall brand and commercial plans. Likewise, integrated mix models and rigorous post evaluation must granularly test the effectiveness of in-store and traditional tactics alike. Reaching this point will require the industry to strengthen efforts to develop industry-wide metrics to target and evaluate shopper marketing efforts.

- **Developing Genuinely Collaborative Relationships Requires Trust, Structure, and Process**

Surveyed manufacturers and retailers rated themselves highly on ability and willingness to collaborate. However, both sides also feel strongly that their partners are letting them down. To build the trust required for committed collaboration, companies may need to realign their structures and processes to more closely align with key partners.

- **The Promise of Shopper Marketing is Enormous for Those Who Do It Well**

Companies that have embraced shopper marketing as a key component of 360-degree integrated marketing are growing 50 percent faster than the categories they participate in. The most advanced companies are growing at almost double the rate of their categories. Moreover, 90 percent of manufacturers with more advanced capabilities report that shopper marketing helps them effectively meet retailer needs and boost top line growth. Clearly the promise of shopper marketing is enormous. However, there are a limited number of seats at the table, and retailers are already beginning to choose their favorites. The winners will likely have greater influence with their chosen partners, greater access to data, and increased opportunities to influence shoppers at the "moment of truth" within stores.

Study Overview and Report Structure

The 2008 GMA/Deloitte Shopper Marketing study focuses on the shopper marketing experiences and lessons learned at many retailers and consumer products manufacturers across North America. This study captures the experiences of retailers and consumer goods companies, pointing out ways to avoid the pitfalls and to become effective at shopper marketing. In completing the research, the GMA/Deloitte team paid particular attention to:

- Defining and exploring effective models of collaboration
- Testing linkages between strategy and company deployment and activation models
- Understanding how retailers, manufacturers, and other stakeholders define and measure success

This report follows the widely cited 2007 GMA/Deloitte Shopper Marketing study, “Shopper Marketing: Capturing a Shopper’s Mind, Heart and Wallet,” which described the potential of shopper marketing and early efforts to realign resources to support the concept.

The findings and recommendations that appear in this report reflect input from more than 100 companies in the industry, representing approximately \$1.1 trillion in U.S. revenues. For this year’s study, the team conducted interviews with more than 40 shopper marketing professionals from almost 30 retail and consumer product companies, as well as interviews with third-party agencies. The team also completed an extensive GMA/Deloitte online survey of more than 100 shopper marketing managers and executives to broaden the sample set. Participants were primarily at the director, vice president, and senior manager level. Deloitte practitioners who provide services in both mature and emerging consumer markets vetted the interview findings and survey responses before submitting the results for publication in this report.

In addition, this report draws upon analysis of publicly reported company data and other published materials.

Individuals are quoted and company-specific information is included in the report only when company representatives have granted the use of their names, or when the data is pulled from publicly available information. Unless otherwise noted, all facts and figures in this report are results of the 2008 GMA/Deloitte Shopper Marketing Study.

Acknowledgements

Deloitte would like to thank the Grocery Manufacturers Association for the opportunity to conduct this research and for their valuable support and assistance in developing this in-depth report on such a strategic and important topic for the industry. A special thanks to the GMA Sales Committee for their active involvement and input throughout the research effort. In particular, Deloitte would like to express our gratitude to the following members of the GMA Shopper Marketing project team:

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Tony Prencipe	Vice President, Sales	Reckitt Benckiser Inc.
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Tracy VanBibber	Senior Vice President, Sales	The Dial Corporation

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The Promise of Shopper Marketing

Questions surrounding marketing effectiveness are persistent and pervasive in the North American consumer goods and retail industries. Branded manufacturers continue large and sustained investments in traditional marketing practices such as advertising and trade promotion. Yet brand loyalty, product innovation success rates, and sales lifts remain elusive. Marketers need something more — and the shift in thinking brought about by shopper marketing is a critical part of the solution.

As a result, consumer products and retail marketing is in the midst of an evolution. Marketers and retail partners are embracing a new go-to-market strategy, a strategy focused on in-store elements of the marketing mix that are delivering superior returns on marketing investments. This new strategy is shopper marketing.

Kimberly-Clark and Target Go-To-Market with Shoppers

“We are moving beyond a transactional relationship into a strategic collaboration to improve shopper experiences and drive category and cross-category growth.” — Kimberly-Clark

Harnessing a shared strategy and innovative technology, Kimberly-Clark and Target jointly designed a new solution to celebrate mothers and children as they graduate from diapers to training pants.

Kimberly-Clark and Target recognized that a child (the consumer) and a mother (the shopper) transition from diapers to training pants in a similar way. As the child feels he/she is “growing up,” the mother also experiences a sense of achievement that the diaper stage is over. A combined Kimberly-Clark and Target team used this insight to develop several new in-store Training Center concepts that would be physically separated from the diaper aisles. Training pants shoppers would have a focused store section, drawing from several relevant categories, which uniquely caters to them. This section would help shoppers feel less overwhelmed by the merchandising and reinforce the graduation to a new life stage.

To test the effectiveness of this new idea, Kimberly-Clark and Target created a cross-functional team and utilized the virtual shopping technology of Kimberly-Clark’s Innovation Design Studio to simulate every detail of the proposed shopping experience. Target’s merchandising and operations team members worked to bring the details of the virtual store to life, all the way down to the lighting and flooring. Observing test shoppers’ traffic and purchase patterns through the virtual store, Kimberly-Clark and Target were able to quickly and efficiently test different layout, merchandising and messaging options with quantitative rigor. Only the best designs were rolled out to in-market testing for final proof of concept. Use of this technology-enabled innovative collaboration technique has allowed Target and Kimberly-Clark to jointly develop, and cost-effectively test, a solution that has proven to delight Target’s guests, enhance brand equity for both partners, and drive incremental sales across the relevant categories.

Sources: 2008 GMA/DeLoitte Shopper Marketing Study Interview; IndustryWeek

Traditional Marketing is No Longer Enough

There is a variety of surface-level observations – widely cited and accepted – that point to the need for change in consumer products marketing. In theory, effective consumer and trade marketing increases sales, builds market share and margins, increases consumers’ loyalty, and delivers an effective win rate on new product introductions. However, evidence points to the contrary. In reality, more than 70% of consumer goods categories had lower sales lifts from promotions this year, market share of the top ten brands is declining, the percentage of shoppers loyal to brands has decreased over the past ten years, and fewer than ten percent of the more than 30,000 new products introduced per year remain on shelves after three years.¹

Clearly, the marketing strategies and tactics of the past are not sufficient to meet the challenges of today’s consumer goods markets.

A confluence of trends diminishes the effectiveness of traditional marketing strategies and tactics:

- As the North American market evolved, traditional marketing guideposts such as brand and category management remained relatively constant. Today’s market is large and mature. In most categories, volume growth is in the low single-digit range. Incremental thinking about brands and conventional category definitions can no longer carry the day.

- Fragmentation of consumer demand and the emergence of relevant “micro” market segments stand at odds with traditional investments in brands and mass advertising. As a result, today’s metrics measure the success of activities that are increasingly irrelevant. Without reliable metrics, marketers are understandably wary about shifts into new media or unfamiliar marketing strategies.
- Interactive media allows consumers to express a huge array of desires and preferences. The Internet, mobile devices, and other emerging media are changing shoppers’ behavior on the fly. Marketers are trying to respond, but with little history to guide their choices.
- Much of the hard work that marketers spend building their brands’ value propositions gets undermined through conflicting messages, inconsistent execution of in-store programs, and misalignment of retailer and manufacturer goals.
- Changes in the retail landscape complicate consumer decision making and the challenges of marketing through this channel. Manufacturers face retailer consolidation, the rise of private label products and increasing assertiveness of banner strategies. All of these factors influence marketing strategies and tactics at the “moment of truth.”

While none of these trends are new, their combined year-after-year effect increases the challenges manufacturers and retailers face when trying to connect with consumers.

It is time to fundamentally change how we approach these mounting challenges. There is new thinking in the industry today – shopper marketing – which has generated some promising results.

What is Shopper Marketing?

Many alternative definitions exist throughout the industry. However, marketers should define shopper marketing from the shopper’s point-of-view:

Shopper marketing is the employment of any marketing stimuli, developed based on a deep understanding of shopper behavior, designed to build brand equity, engage the shopper (i.e., an individual in “shopping mode”), and lead him/her to make a purchase.

The premise behind shopper marketing is that manufacturers and retailers can together create a more engaging shopper experience, influencing shoppers at the point of purchase where they make most final buying decisions. Shopper marketing is about using insights, specifically targeting the core shopper of the banner or store cluster, to deliver the right environment, right products, right packaging, right prices, and right marketing communication — combined to satisfy the shopper in a way that was not traditionally possible.

When done well, a shopper should feel like the store was designed just for him/her. He/she will visit more frequently, dwell longer and make better product choices.

Shopper Marketing is the Next Evolution

With the advent of shopper marketing, the prevailing go-to-market strategy has entered its next stage of evolution.

In the 1970s and 1980s, brand management emerged as the dominant marketing paradigm. After that, came category management, which has shaped merchandising and planning processes for nearly 20 years. For so long, these two fundamental concepts have defined the “selling” of consumer products. But with everything that has changed since 1970, it’s hardly surprising that a new concept is emerging.

At the heart of shopper marketing is the idea that manufacturers and retailers can orchestrate the marketing mix to satisfy a targeted shopper making a specific trip to a specific store. The goal of shopper marketing is a better shopper experience, which in turn leads to sales growth and heightened loyalty to the brand and the store.

Shopper marketing requires much more granular insights, closer collaboration between manufacturers and retailers, and better integration of cross-functional areas than traditional approaches. To effectively market to shoppers, companies must generate targeted insights for specific shopper segments, specific trip missions and even specific

stores. They must be able to link shopper and consumer insights to develop solutions that delight both shopper and consumer alike. Commercializing these solutions requires much deeper relationships due to the need to share sensitive data and codevelop scalable, executable programs. Shopper marketers need to work seamlessly with brand and category marketers as well as sales and trade promotions teams to deliver fully integrated programs that meet the needs of the manufacturer, retailer, and shopper.

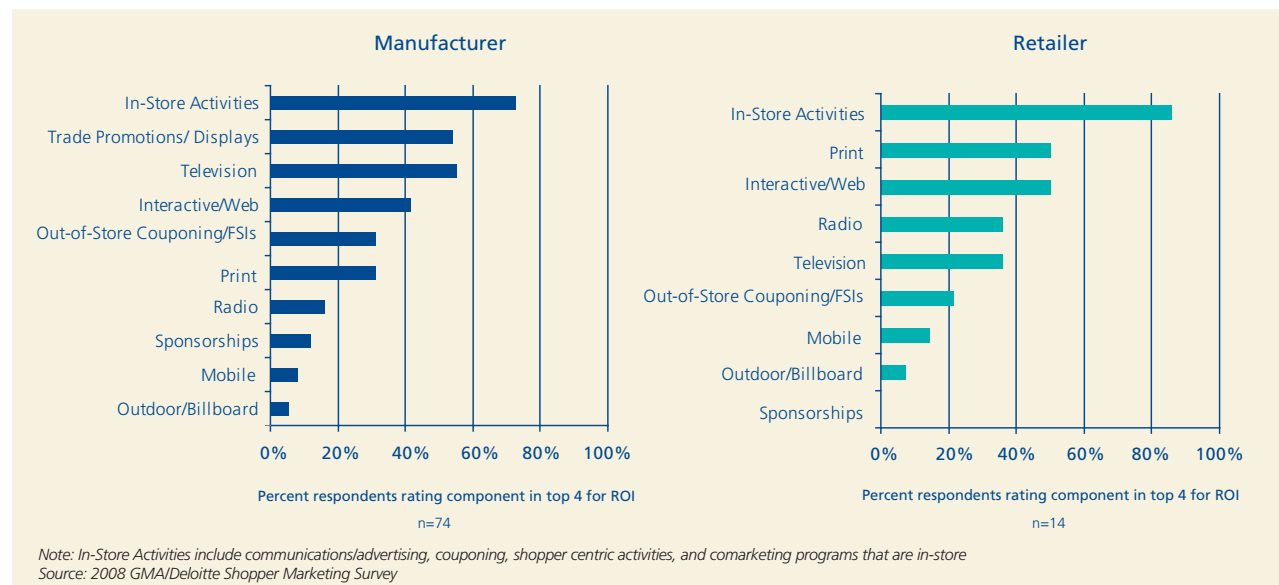
Shopper marketing is not a destination; it is a means to an end. It fills a critical void in the industry's goal of 360-degree marketing which integrates all marketing elements and stimuli into a single holistic story. It allows marketers to ensure that shoppers' in-store experiences align with out-of-store brand connections. In short, shopper marketing helps marketers look at the whole picture of the people who buy and use their products.

While shopper marketing is a relatively new idea, industry experts and the participants in this study believe it will soon become the dominant concept for in-store selling. Of course, just as category management built on (but did not eliminate) brand management, so too shopper marketing builds on brand and category management. In fact, these disciplines will come to greater expression as shopper marketing enables better connections with consumers via their shopping experience.

The Promise: Returns & Relevance

While the executives we interviewed are understandably reluctant to publicize returns from investments in shopper marketing, the evidence from our research indicates that shopper marketing programs come out on top when compared to traditional in-store programs. In the 2008 GMA/Deloitte Shopper Marketing survey, 73 percent of the participating manufacturers and 86 percent of the retailers rated shopper marketing programs among the top four activities that deliver a meaningful return on investment (ROI). Furthermore, 19 percent of the manufacturers and 50 percent of the retailers rank in-store activities as first in generating ROI.

Comparative ROI for Marketing Mix Elements



Not surprisingly, companies are shifting their marketing resources increasingly away from traditional elements which are becoming less effective (e.g., freestanding inserts, radio, billboards) and toward more effective in-store elements (e.g., shopper-centric programs, in-store co-marketing).

However, shopper marketing is not just an in-store tactic. It is a shopper-centric approach to increase the relevance of products, brands and store banners. Manufacturers and retailers can use shopper marketing in concert with traditional marketing strategies to substantially improve the shopping experience for a targeted shopper. Happier customers dwell longer, buy more and visit more frequently – results that are difficult to match with conventional practices.

For retailers, shopper marketing differentiates their banners and generates top line growth due to higher trip frequency, larger basket sizes and growth in expandable categories. A more engaging shopping experience leads to increased customer loyalty.

For manufacturers, shopper marketing increases the exposure and relevance of the company's brands and products to target shoppers. Sales increase while dependence on deals is reduced. Brand equity is generated via the retail environment.

The potential returns from shopper marketing are hard to ignore. As an example, models created based on actual consumer goods companies' experiences indicate that effective shopper marketing can grow a brand's revenue 25 percent faster than the overall category. In one case, a \$3 billion consumer products manufacturer estimated a \$250 million annual revenue lift through effective implementation of shopper marketing.

Like category management, shopper marketing requires more work, incremental investment and new capabilities, but forward thinking companies see that the rewards will outweigh the costs substantially, and are acting now.

The remainder of this report describes the lessons learned and work required to realize the benefits of shopper marketing.

Lessons in Shopper Marketing Execution

Key Takeaways:

- **Don't Mistake Activity for Impact.**
- There is a Natural Lifecycle for Shopper Marketing.
- Go Forward with a Map and a Sextant.
- Overcome the Barriers to Genuine Collaboration.
- Master Execution for Competitive Advantage.

1. Don't Mistake Activity for Impact

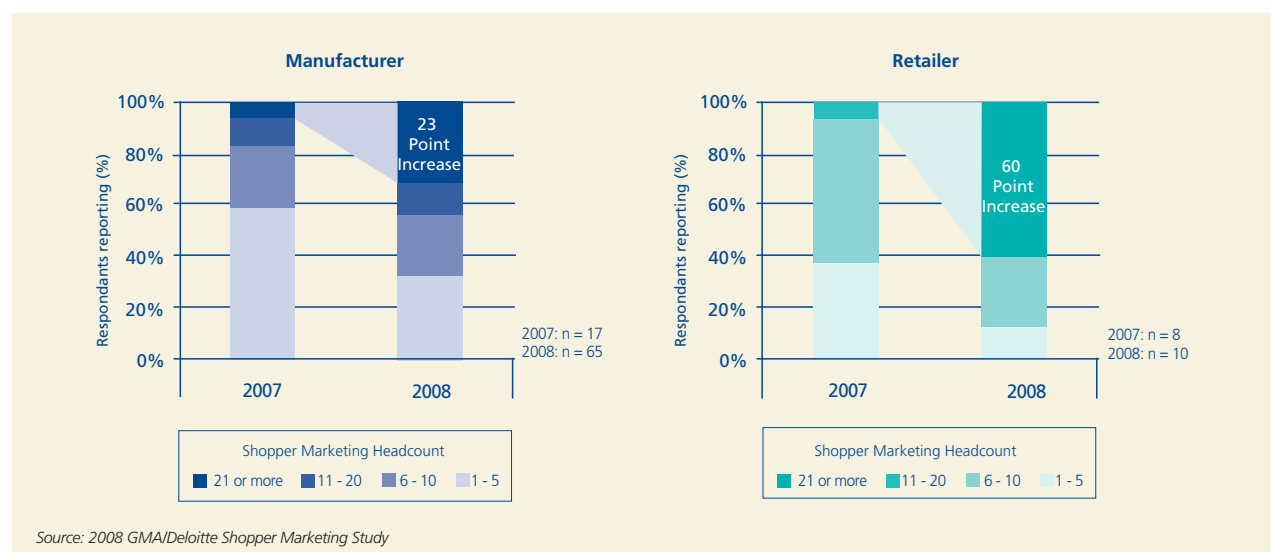
Shopper Marketing Activity is Exploding

Since last year's GMA/Deloitte report, retailers and manufacturers have ratcheted up their investments in shopper marketing. They're putting in place people, technology, and partnerships in an attempt to make shopper marketing a true discipline in their organization, a driver of growth, and a true force in their markets. However, much of this activity has missed the mark.

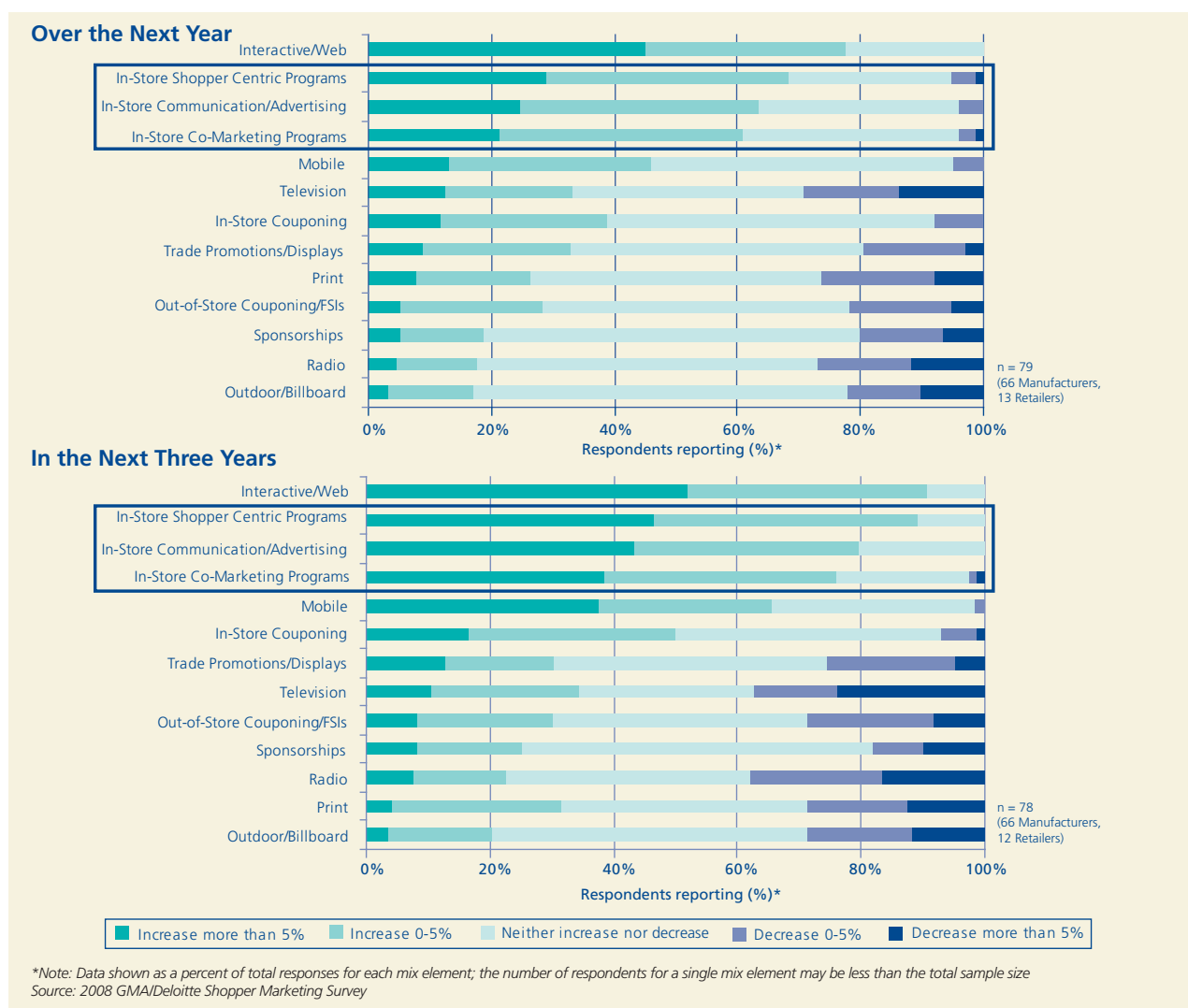
The pace of activity has clearly accelerated. In this year's research, companies overwhelmingly report increased budget and headcount dedicated to shopper marketing. Several manufacturers are overhauling their marketing, sales, and account management teams to improve their shopper marketing efforts. For retailers, shopper marketing is making inroads into merchandising and category management functions. Both retailers and manufacturers report increased collaboration, with a growing number of pilots dedicated to testing new and promising ideas.

And the growth will only continue. Both retailers and manufacturers plan to increase investments in in-store marketing programs over the next three years. More than 60 percent of retailers and manufacturers plan to increase spending on non-trade in-store programs over the next year, and 20 percent say that they plan to increase it by more than five percent. When looking three years out, those numbers reach 80 percent and 40 percent respectively. The growth is second only to investments in interactive/web marketing, and comes at the expense of traditional media such as television, radio, billboards and out-of-store couponing/free-standing inserts (FSIs).

Growth in Shopper Marketing Headcount 2007-2008



Expected Marketing Mix Growth, One Year and Three Years



A Lot of Pilots, but How Much Impact?

“Shopper marketing will grow dramatically over the next few years. The big question is – are we making the best decisions?”
– Health & Beauty Manufacturer

As noted in last year’s GMA/Deloitte report – the train has left the station. However, something has gotten lost in all this activity. As organizations race to catch the “shopper marketing train,” many are jumping aboard without checking their destination. Others might be catching the right locomotive, but have failed to pack the right supplies for the journey.

Interviews with retailers and manufacturers consistently revealed a lot of well-founded pride in shopper marketing efforts – but when pressed for specifics, things get a little fuzzy. Despite the flurry of new resources, new techniques, and new pilots, few organizations can articulate how they make strategic choices about shopper marketing. Organizations report that they are not able to calculate the impact of their shopper marketing efforts, or identify which programs, partners, or tactics are the most successful. And while most organizations plan to employ performance measurement more rigorously in their future decision-making, barely half currently use performance data to measure program performance, evaluate partners, or determine marketing mix.

The pace of change itself is complicating matters.

As the industry fully embraces this new and evolving field, manufacturers and retailers are experimenting, learning and codifying at the same time. While a slew of pilots might show great promise, the sheer number of possible

tactics and tools makes it hard to isolate cause-and-effect or to allocate resources efficiently. Worse yet, the industry itself still lacks coherent, universal shopper marketing performance metrics.

One result of today's somewhat confused approach to shopper marketing is that a few companies have significantly outpaced everyone else in understanding and implementing shopper marketing. The "sophistication gap" between these leaders and the rest of the industry is growing.

A Widening Sophistication Gap

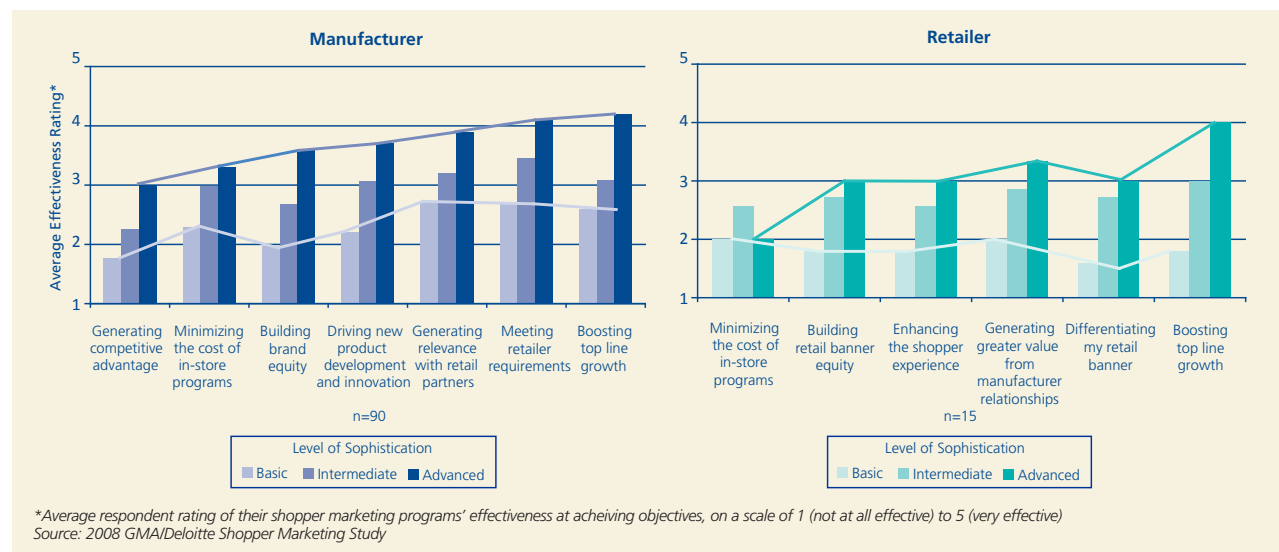
"There's a distinction between the manufacturers who 'get it' and those who do not. Working with the ones who do not is like squeezing water from a rock. Every meeting is like the movie 'Groundhog Day' – it's the same thing over and over again." – Retailer

The North American consumer products environment is a quickly changing landscape. Forward looking companies in shopper marketing are becoming more sophisticated in their efforts. They are putting more and better resources into shopper marketing, investing in the toolsets to help make more strategic decisions, and working hard to recruit and train the right people. Most important, these companies are doing so faster than other companies, many of which are adopting a wait-and-see attitude or approaching shopper marketing tentatively through ad hoc experimentation. As a result, the sophistication gap between the most effective shopper marketing performers and everyone else is getting wider, and the slower moving companies find themselves at risk of being left behind.

Companies with advanced shopper marketing capabilities report that their initiatives perform significantly better at driving company-level results such as boosting top line growth, driving value from relationships, and building brand equity. They report one and a half times greater effectiveness than the less sophisticated group at achieving results across all shopper marketing objectives. They have overcome key challenges such as obtaining executive sponsorship and funding, and are putting the planning and evaluation infrastructure in place to even further improve shopper marketing effectiveness.

So what holds the rest back? Many struggle with the basics – how do they gain organizational alignment and secure sufficient resources to design and execute shopper marketing programs? How do they integrate shopper marketing into their formal planning processes? How do they measure and analyze results?

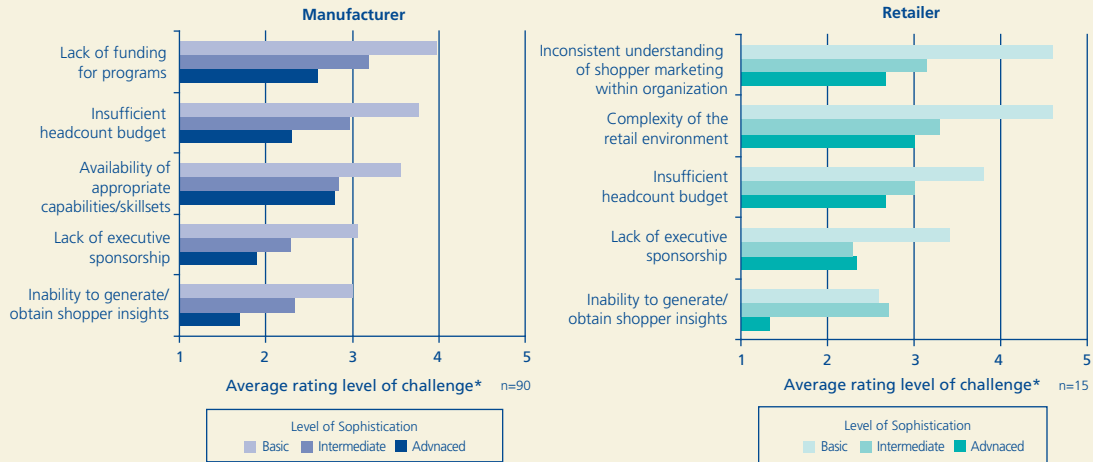
Shopper Marketing Effectiveness at Company Level Results



Less advanced companies often struggle to resource their emerging shopper marketing initiatives. They face insufficient funding and lack of appropriate skillsets and talent. Often lacking executive buy-in or organizational understanding of the importance of shopper marketing, they are unable to secure the commitment for additional headcount and programs. They tend to conduct their programs on an ad hoc basis (68 percent of companies in this group) versus as part of a formal planning process. Once programs are in place, they struggle to measure and compare their effectiveness. They employ an average of 70 percent fewer metrics than the most advanced companies, and rate the ones they do use as less effective.

Drivers of Differences in Shopper Marketing Effectiveness

Top Challenges in Resourcing Shopper Marketing



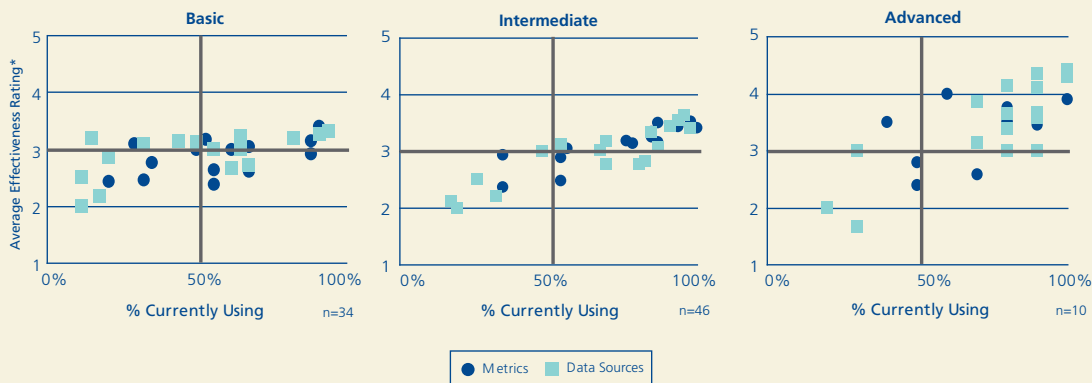
*Average respondent rating of challenges to shopper marketing, on a scale of 1 (not at all challenging) to 5 (very challenging).
Source: 2008 GMA/Deloitte Shopper Marketing Study

Integration of Shopper Marketing Planning



Source: 2008 GMA/Deloitte Shopper Marketing Study

Sophistication of Performance Measurement



*Average respondent rating of effectiveness of the performance metrics they use, on a scale of 1 (not at all effective) to 5 (very effective).
Source: 2008 GMA/Deloitte Shopper Marketing Study

Tellingly, respondents acknowledge that some companies are miles ahead in their shopper marketing journeys, yet none have given up the chase. The truth is they can't: the competitive stakes in North America are too high, and for some, this journey has already begun in lucrative emerging markets.

The good news is that anyone can build an effective shopper marketing organization. While size does have some correlation to the effectiveness of a company's shopper marketing organization, both small and large companies are represented in all levels of shopper marketing maturity. Larger companies have the benefit of deeper pockets for staffing, data analysis, and scaling, but smaller companies are often more nimble, culturally aligned and willing to experiment.

A Way Forward

Last year, the GMA/Deloitte Shopper Marketing report focused on the definition, promise and industry acceptance of shopper marketing. This year our focus is on execution – where to focus efforts, and how to proceed. The following sections of this report outline how to align strategy and capabilities, how to prioritize activities and partnerships, and ultimately ways to overcome the common pitfalls that hinder execution.

Key Takeaways:

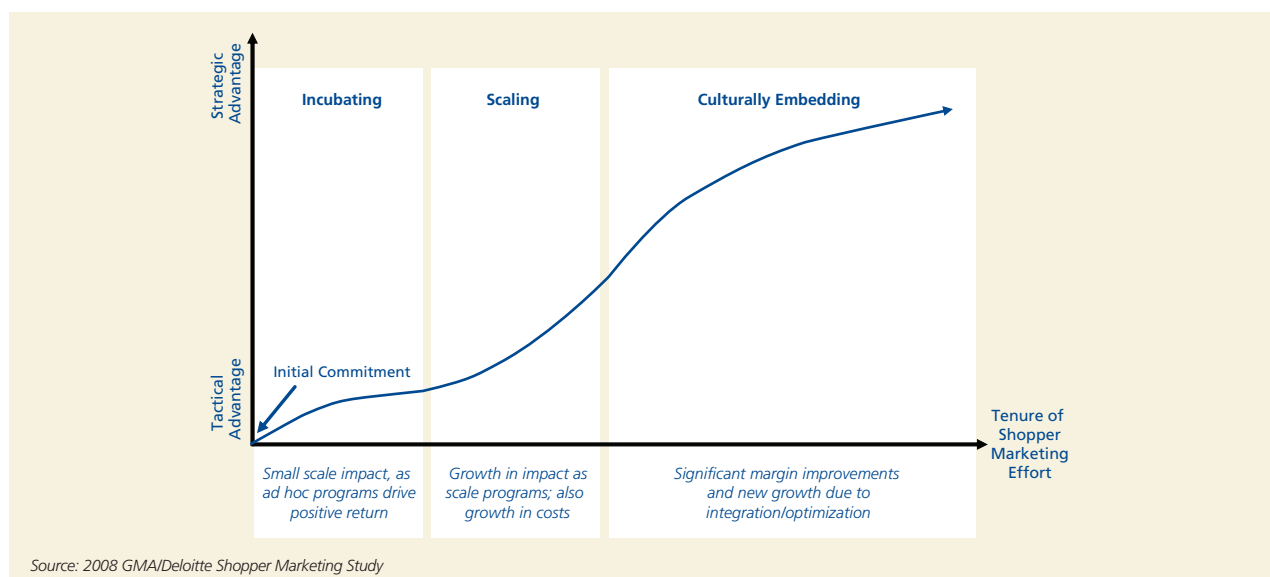
- Don't Mistake Activity for Impact.
- **There is a Natural Lifecycle for Shopper Marketing.**
- Go Forward with a Map and a Sextant.
- Overcome the Barriers to Genuine Collaboration.
- Master Execution for Competitive Advantage.

2. There is a Natural Lifecycle for Shopper Marketing

A Shopper Marketing Lifecycle is Emerging

Interviews with retailers and manufacturers have identified a clear progression that companies must go through to achieve the potential value of their shopper marketing initiatives. Companies tend to progress through a Shopper Marketing Lifecycle, beginning with a commitment to test shopper marketing, and culminating with culturally embedding it throughout the organization.

Shopper Marketing Development Lifecycle



A company's stage in this lifecycle drives – or limits – the level of impact their shopper marketing initiatives can achieve:

Incubating

Many organizations begin shopper marketing with an executive-level commitment to shopper marketing on a pilot basis. A significant initial investment is typically required to build the capability to generate relevant insights and activations, but a large infrastructure is not necessary. Pulled from multiple functional areas, the teams experiment, hone their skills, and increase the sophistication of their thinking and partner relationships. Companies often begin by dedicating resources toward the generation and commercialization of insights which is at the foundation of shopper marketing. Metrics are minimal, often qualitative assessments of impact and excel-based analysis. Funding for programs tends to be ad hoc, coming from some combination of corporate, brand marketing, customer marketing and account teams.

Most organizations qualitatively recognize the potential of shopper marketing at this stage but have difficulty quantifying the impact. The ad hoc nature of the programs, the level of organizational sophistication, and lack of scale also limits the impact at an organizational level. While designed to demonstrate the power of shopper

marketing, pilot programs also reveal the potential change in roles and shifting power-dynamics within and between partners. For instance, many companies experience a struggle between brand management, category management and sales over the control of funding and shopper programs. Once those changes become evident, powerful sources of organizational resistance often emerge. Working through these points of resistance often determines how quickly companies move from incubating into scaling shopper marketing efforts.

Based on our study results, we estimate that about 40-45 percent of companies who have begun the shopper marketing journey (some, generally niche, companies have not yet committed to shopper marketing) are in this phase. They typically capture about 5-10 percent of their company's total potential shopper marketing benefit. Some companies in this stage are actually losing value. This is typically caused by a lack of investment in capabilities to generate and activate insights, lack of ownership of strategy and lack of sincerity with partners.

Scaling

Companies in the scaling stage have made shopper marketing a fixture of their business strategy by establishing formal shopper marketing groups, tools, and processes. They focus on building sustainable capabilities, becoming more rigorous with analysis, decisions and investments, deepening relationships with partners and standardizing processes.

Many establish a separate shopper marketing organization that reports through either the marketing or sales function, and dramatically ratchet up resources dedicated to shopper marketing. These organizations employ more robust metrics (such as reach, conversion, and ROI) using a scorecard approach to demonstrate the value of shopper marketing programs to remaining internal skeptics.

Manufacturers typically wrestle with the scalability of insights at this stage. The key challenge for manufacturers is that insights are inherently difficult to scale because they are specific to accounts, banners and even store clusters or regions. Manufacturers must strike a balance between the cost of customization (insight, program tailoring) and the benefit of increased in-store activity. Many are choosing to use a combination of dedicated shopper insights people for critical accounts, potentially colocated with the customer account teams, and a centralized group to handle all other research priorities. Companies are also trying to systematize the ability to convert insights into activations at this stage by cross-training brand, category and account teams.

Benefits can increase dramatically during this phase, as the sophistication, range, and reach of shopper marketing programs expand. Costs also increase as organizations dedicate more resources. Many still lack the decision-making processes and tools to consistently prioritize the most effective programs. About 50 percent of companies are in the scaling stage, and they capture an estimated average of 25 percent of their company's total potential shopper marketing gains.

Culturally Embedding

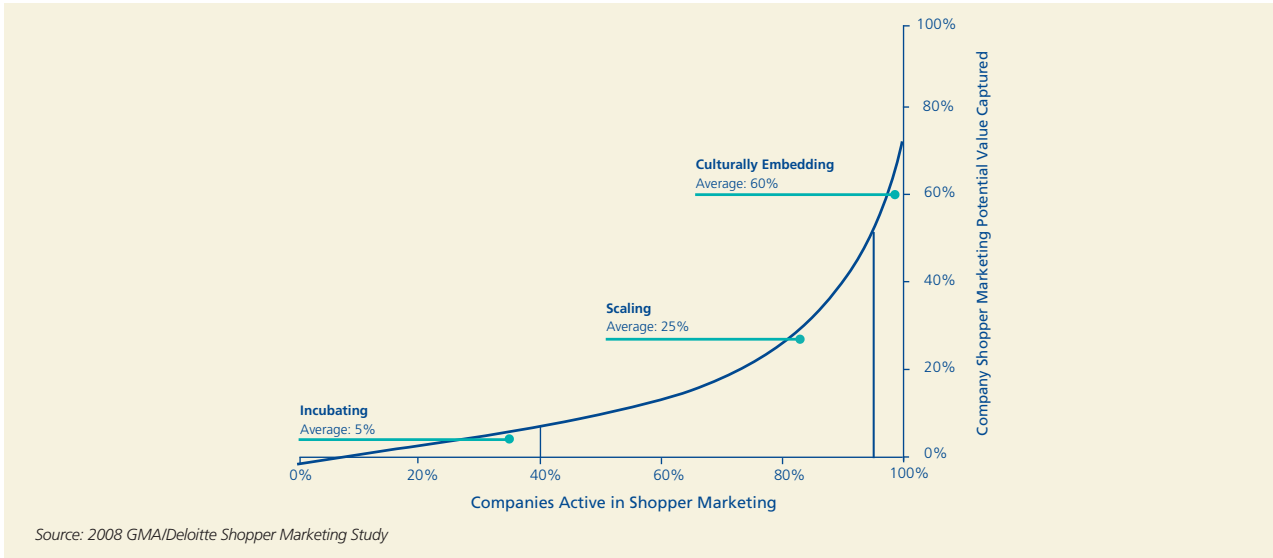
According to our research, only 5-10 percent of companies have begun the transition into the most advanced phase of the lifecycle – culturally embedding. Companies at this stage have scaled their shopper marketing programs and have shifted focus to optimizing their programs – systematically and iteratively assessing programs, partners, and investments to drive continuous improvements. However, even culturally embedding shopper marketing companies will readily admit that they are just entering this phase and have significant work to completely embed these capabilities. These companies currently capture an estimated 60 percent of their total potential shopper marketing value.

Culturally embedding companies have begun integrating shopper marketing throughout their organizations. Marketing, sales, merchandising, and category management embrace it as a critical lever of the overall marketing plan, coordinate to show a seamless face to the customer and align with planning calendars of key partners. Trade promotions and overall trade strategy align with shopper marketing efforts.

Advanced companies are paying particular attention to developing shopper-centric talent throughout the company. Many require job rotations that develop shopper-centric skills. Some are even considering or beginning to redistribute people from the shopper marketing teams back into other functional areas to diffuse the skills and mindset throughout the company. In these companies, the shopper marketing function will likely shrink to a small group responsible for sharing knowledge and acting as consultants to other teams while the brand, category and account teams will take on primary responsibility for developing both consumers and shoppers.

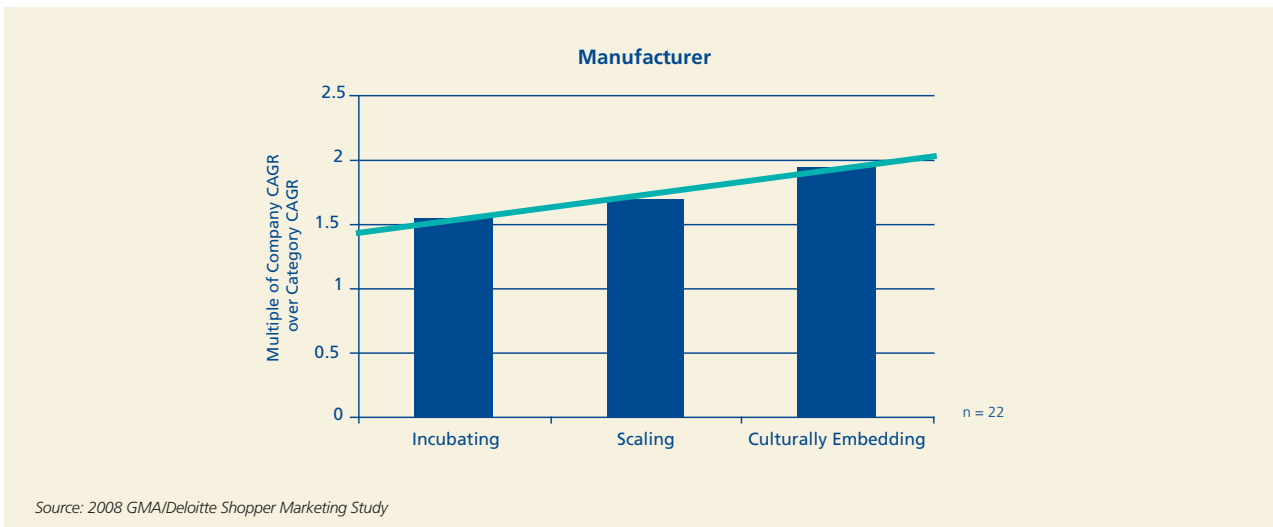
These companies are also using insights and measurements in a more robust way. They are integrating shopper insights all the way back to product development. They are working to standardize their measurement systems so that marketing mix models allow allocation to shopper marketing as part of the overall marketing mix. They are also using holistic scorecard-based evaluation models to test whether programs are effective across shopper marketing and traditional marketing objectives alike.

Ability of Companies to Capture Potential Shopper Marketing Value



The companies executing shopper marketing effectively indicate they are achieving substantial revenue gains, well above category growth rates. They are taking market share, which means companies lagging in shopper marketing may suffer losses in mature, stagnating markets like North America, or be effectively excluded from the growth opportunity in emerging markets.

Lift of Company CAGR over Category CAGR by Shopper Marketing Lifecycle Stage



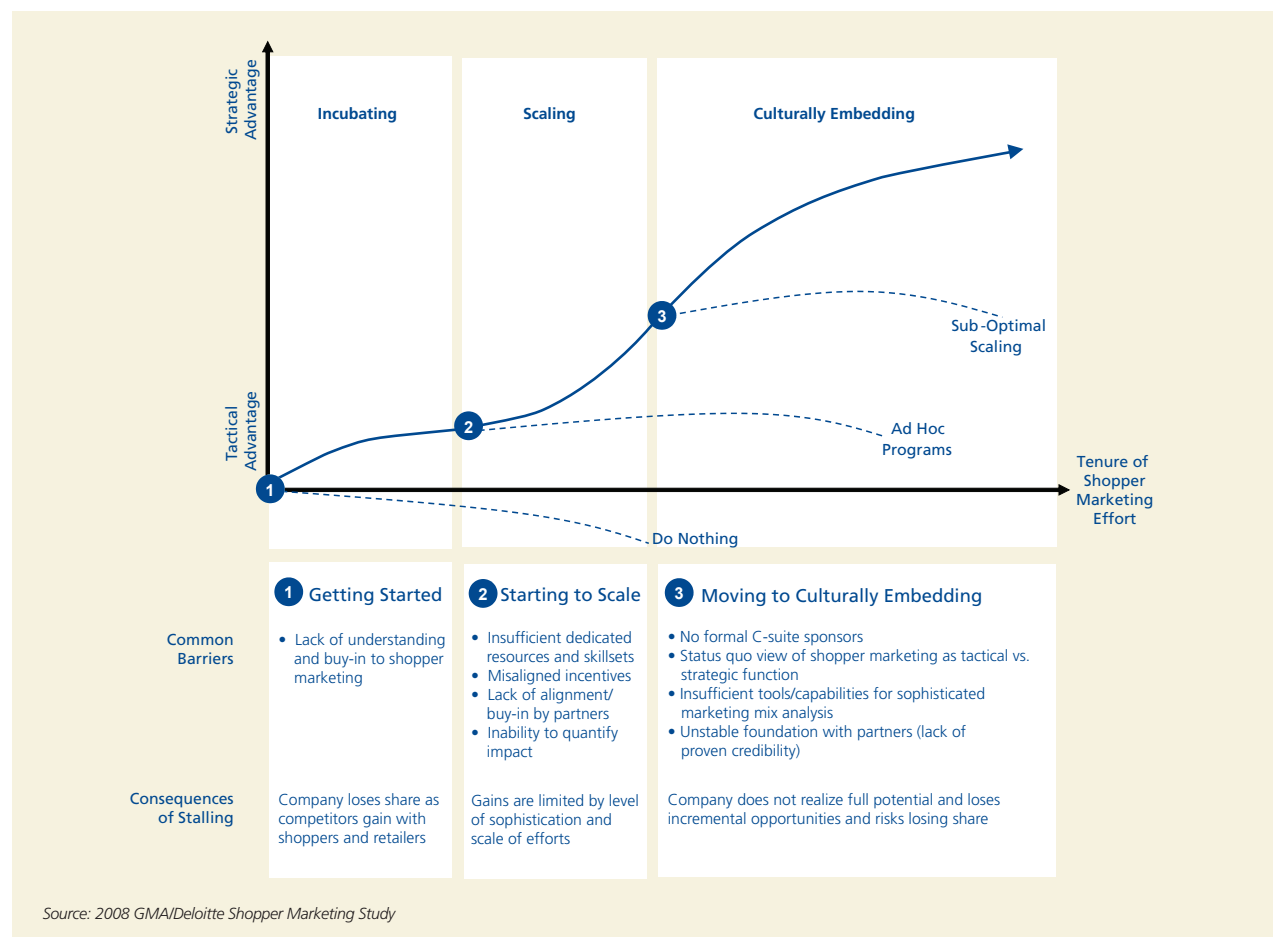
Accelerating through the Lifecycle

“I would like to move from category management to business development. I see the role of the category manager changing from a traditional buying group, focused on trade purchases, to a selling group focused on maximizing value. The group should focus on finding the right products to meet consumer needs and extracting as much value as possible from products. We should not buy large quantities of items simply because they are available at a good discount. But how do I convince my team to change?” – Grocery Retailer

Progressing through the lifecycle requires sustained commitment and organizational learning. In fact, learning is non-negotiable: a company cannot leapfrog stages simply by increasing resources. However, they can accelerate their progress by making a genuine cultural commitment to shopper marketing, deliberately planning their progression through the lifecycle, and carefully investing in the right infrastructure and talent base.

Equally challenging – and equally difficult to rush – is shifting the organizational mindset from traditional brand management, category management and trade promotion management to a new shopper marketing mindset that is cross-category and banner-specific. Old habits must be unlearned; new habits learned. Obstacles from legacy systems, unenlightened partners, and misaligned incentives must be overcome. The required progression through the lifecycle is not only a function of learning, but also a function of cultural realignment across the organization. Both processes take time and real-world experience.

Lifecycle Inflection Points



Progress is no sure thing. At each stage in the shopper marketing lifecycle, a company has to cross critical inflection points that can either catapult its shopper marketing organization to the next level or stall the entire effort. The key to maintaining momentum is to make a genuine cultural commitment to shopper marketing, deliberately plan movement through the lifecycle, and carefully invest in the right infrastructure and talent base. Those companies that have successfully managed the transition from one stage to the next generally share six critical characteristics:

- **Compelling Leadership.** The oft-cited secret to Procter & Gamble's momentum is the articulated business rationale and continuous internal evangelism of shopper marketing leadership.
- **Realistic Expectations.** When Unilever institutionalized its shopper marketing program, leadership understood and committed to working through challenging modifications.
- **Flexibility.** Dial launched its shopper marketing program knowing that it would not have the perfect strategy off the bat, and committed itself to ongoing on-the-job experimentation and learning.
- **Commitment to Building Talent.** Clorox rotates brand marketers through shopper marketing teams before they return to run brands, diffusing shopper-centric skills throughout the organization.
- **Unwavering Focus on Relevance.** ConAgra tries to make retail buyers' lives easier by proactively bringing manufacturers together to develop cohesive program solutions.
- **Willingness to Tackle Culture.** Safeway is shunning the traditional adversarial manufacturer/retailer relationship by surveying manufacturing partners to determine how Safeway can become easier to do business with.

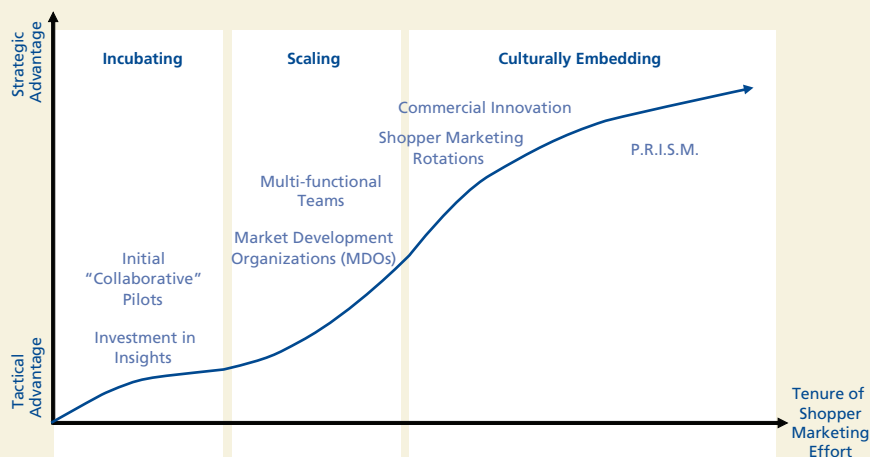
It is important for organizations to understand how their position in the shopper marketing lifecycle affects their effectiveness, critical areas of focus, and priority activities. The following sections lay out a roadmap showing how organizations can maintain momentum as they traverse the lifecycle.

Procter & Gamble Navigates the Shopper Marketing Lifecycle

“The more retailers and manufacturers investigate shopper marketing, the more they see the inherent difficulties. Success can come only as a result of careful planning, strategic investment and total organizational commitment.”

– Dina Howell, General Manager – Global Operations, The Procter & Gamble Company

Widely recognized as a leader in shopper marketing, Procter & Gamble (P&G) has created an advanced program that incorporates elements of strong collaboration, a developed and skilled organization, and detailed measurement and analytical capabilities. This program, the result of years of development, exemplifies the Deloitte Shopper Marketing Lifecycle and includes the key development stages of incubating, scaling and culturally embedding.



Incubating

In the 1990s, P&G began experimenting with shopper marketing strategies and tactics as a new component of existing customer marketing programs.

Initial “Collaborative” Pilots

P&G’s early direct-to-consumer mailers could be tailored to match a retailer’s brand and positioning. These first steps at manufacturer/retailer collaborative marketing paved the way for the partnerships needed to make shopper marketing succeed.

Investment in Insights

Advanced collaboration with retailers requires strong shopper insights, and P&G initiated a research program focused on understanding the individual in shopper (i.e., decision) mode. Utilizing demographic information, consumer purchase data, quantitative surveys and qualitative interviews, P&G was able to identify trends and purchase patterns. The resulting shopper insights were based on detailed, account-level information and were shared.

Scaling

After achieving a critical mass of skilled resources and executive-level buy-in, P&G entered the scaling stage of the lifecycle at the same time that it developed multifunctional teams and the Market Development Organization. This new organization model, focused on collaborative co-marketing with retailers and capable of being expanded throughout P&G, dramatically increased shopper marketing’s impact and influence on sales.

Multi-functional Teams

P&G worked to create a team structure that could bridge the communication gap with retailers. The shopper marketing program leveraged established sales relationships but ensured marketing staff maintained a share of the control of product promotion and advertising. Utilizing a pilot approach, P&G experimented with adding additional marketing and research staff. As collaboration and sales improvements could be demonstrated, the marketing team model could be scaled to additional retailer teams.

Market Development Organizations (MDOs)

P&G developed Market Development Organizations (MDOs) that were tasked with “Thinking Locally” and specialized

in creating marketing programs with individual retailers. In addition to colocating with the actual retailer (P&G piloted the program with large retailers such as Walmart), MDOs worked to align P&G marketing activities with the retailer's overall brand position.

Culturally Embedding

With a demonstrated track record for shopper marketing, P&G set out to integrate shopper marketing into the rest of the organization. Advancements in measurement, execution and organization allowed P&G to make long-term improvements to the effectiveness and efficiency of shopper marketing.

Internal Commitment - 'Commercial Innovation' & Shopper Marketing Rotations

P&G elevated shopper marketing's status by internally referring to it as a commercial innovation (i.e., any innovation that does not require a significant packaging or product change). This title placed shopper marketing on par with product and other marketing innovations. P&G embedded the skill set in other parts of the organization by developing a shopper marketing staff rotation. This program ensures that marketing personnel have a solid understanding of the importance of shopper research and retailer collaboration.

External Collaboration - P.R.I.S.M.

P&G understands that shopper marketing requires a common language to be successful. P&G is helping create and publicly supports the P.R.I.S.M. project, a program designed to identify and develop a more standardized method for measuring in-store marketing effectiveness.

P&G's journey through the lifecycle demonstrates that an effective shopper marketing program depends on many variables, including leadership support, a willingness to experiment with pilots and new programs, a commitment to quality insights, the use of innovative HR policies and team structures and the ability to partner and coordinate with retailers and outside agencies. P&G's shopper marketing development process is not the only way to cultivate a shopper marketing program, but the company's history and progress can serve as an excellent model and blueprint for other companies in the industry. It is important to note, however, that the development of shopper marketing needs to build on the foundations of a well-defined strategy and solid execution capability. P&G readily admits they have not yet reached end-state maturity, and the company is still working diligently to further refine and improve many key elements of its shopper marketing program.

Source: 2008 GMA/Deloitte Shopper Marketing Study Interview; pg.com; AMR Research; the Hub; BNET.com

Key Takeaways:

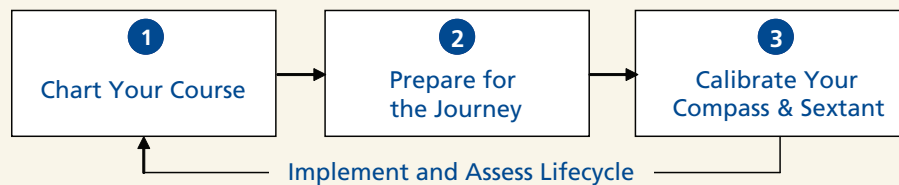
- Don't Mistake Activity for Impact.
- There is a Natural Lifecycle for Shopper Marketing.
- **Go Forward with a Map and a Sextant.**
- Overcome the Barriers to Genuine Collaboration.
- Master Execution for Competitive Advantage.

3. Go Forward with a Map and a Sextant

Planning the Journey

Shopper marketing is not a fad, a tactic or a onetime exercise. It is a journey. As with any journey, companies need to have a clear idea of where they are going, how they will get there and a way to stay on course. Shopper marketing is not yet a mature science, so it is important to be thoughtful about strategy, infrastructure and measurement, but also to be flexible. The landscape is rapidly changing and competitive advantage is fleeting so the best shopper marketing companies recognize that there is no perfect strategy. They continuously reassess their capabilities along with the business landscape, adjust their strategy, and act.

Charting Your Shopper Marketing Course



Step 1: Chart Your Course

Retailers facing channel incursions, store saturation, and customer switching need to differentiate their banners. Manufacturers facing consolidating retailer power, new product proliferation, and private label growth need to be more relevant to both shoppers and retailers.

Shopper marketing is, at its core, about driving relevance – to the consumer, to the shopper, and to the retail partner. It is this relevance at the point of decision-making that impacts a shopper's experience, and ultimately drives the sale, brand and banner loyalty. Relevance to the shopper also drives relevance to the retailer by enhancing the banner's unique positioning in the minds of its target shopper segments.

Articulating where an organization can provide superior relevance begins with understanding where both partners' strategies converge to meet shopper needs. Retailers need to understand the positions of each of their banners in the minds of their shoppers. Manufacturers must not only understand the relevance of their brands to shoppers compared to competing brands, but also how their brands align with the positioning of their retail partners, and with the positioning of retailers' private labels.

By analyzing where a manufacturer's brand relevance overlaps that of each retail banner partner — and knowing where the advantage lies compared to competitors and private labels — it is possible to deliver truly unique win-win activations that delight shoppers, grow retail categories and deliver superior top line performance for the manufacturer.

Example Shopper Marketing Positioning Questions

Retailers	Manufacturers
<ul style="list-style-type: none"> • What do I want to be known for? • Which consumer trends will most impact my business? • What products/categories are most important to me? • Where can I draw unique insights? • Which shopper missions can I drive at retail? 	<ul style="list-style-type: none"> • What do I want to be known for? • Which consumer trends are most relevant to my shoppers? • How do I want to differentiate my banners? • Which shopper segments do I want to target? • What shopper experience do I want to provide?

Many of the organizations we spoke to are also grasping for a place in the shopper marketing landscape to “own.” The most effective retailers have developed a platform to position their banners in the minds of shoppers. All retailers want to win, but approach the market in different ways. For example, some position themselves around innovation in customer experience, while others offer cost/value leadership. Likewise, forward looking manufacturers differentiate themselves by owning a specific area of the shopper marketing space and dialogue. Unilever, for instance, targets trip management, building its relevance to retailers by helping them understand how to make the most of each shopper’s visit to their store.

As more manufacturers and retailers establish satisfying collaborative relationships, it will become increasingly difficult for late comers to find room to play. Organizations slow to stake a claim may quickly find their source of competitive advantage gone. Forward looking companies conduct a quick inventory, draw conclusions, and act.

Unilever Carves Out its Space in Shopper Marketing

There are a myriad of emerging trends, retailer needs, shopper segments, and mission types in the industry. An individual manufacturer cannot compete everywhere, so how does it focus its efforts and find relevance with retailers in order to spur collaborative development?

“We want to approach retailers on a platform basis, so as not to overwhelm them with inconsistent ideas or ad hoc programs.” – Unilever

Leading practice companies select a differentiating platform that connects to their strategy, and then invest in insights and programs to fit that framework.

Unilever, as a major piece of its platform, has decided that they can own the role as advisor to retailers on Trip Management. For the past several years, Unilever has developed and deployed analysis and insights on shopper segments and trends through the lens of Trip Management, the tactical usage of in-store marketing pieces (e.g., product assortment) to make the retail environment a solution to shoppers’ specific trip missions. Unilever 2008 report “Winning Shoppers in Turbulent Times,” for example, focused on how economic conditions are impacting various shopper segments. The report delivers analysis on how shopping tactics of key shopper segments are changing (by category) in response to current economic conditions, and what retailers can do to adapt. For instance, lower income shoppers are increasing their pre-shop planning around meals, so retailers can improve their relevance with those shoppers by using circulars that focus on simple, value-oriented meal ideas. Through these reports, and account-specific deep dives, Unilever is developing thought leadership for a portion of the shopper marketing dialogue between retailers and manufacturers.

Ownership of this space provides Unilever with top of mind awareness in the retail community. As their retail partners identify opportunities for shopper marketing that intersect with Unilever’s strategic priorities, they are more likely to turn to Unilever for help in developing the next major Shopper marketing program.

Source: 2008 GMAIDeloitte Shopper Marketing Study Interview; City University’s 2006 Food Industry Report; Unilever Trip Management Report 2008, “Winning Shoppers in Turbulent Times;” The Hub; Reuters

Step 2: Prepare for the Journey

As critical as it is to define a company's target positioning, it is also critical to ensure that it has the infrastructure to execute. Proper infrastructure facilitates a learning organization that is able to experiment and continuously improve its shopper marketing efforts.

As companies progress through the shopper marketing lifecycle, their infrastructure development priorities adjust and grow. For example, promoting an environment that fosters experimentation is crucial for companies that are incubating their shopper marketing programs. When these companies begin to scale, they develop more deliberate metrics and disciplined processes to evaluate and optimize their shopper marketing portfolio. To maintain momentum and avoid plateau at critical inflection points, companies need to create a deliberate plan for how they will address the challenges unique to their stage in the lifecycle. This plan of action should not only outline the organization's activities, but also direct how to help partners and agencies progress through the lifecycle.

Together, a company's targeted positioning and action plan should guide organizational investments of time and money.

A Word on Shopper Insights

Shopper insights are not only a critical component of strategy development but also in the choice of in-store tactics. The magnitude of available insights can become daunting to manage, expensive to produce, and increasingly more complex to commercialize. The development of shopper insights is often the first step and biggest investment made as an organization becomes more shopper-centric. It is often the most challenging, too. To mitigate some of the confusion over shopper insights, they are best viewed in tiers mapped to the business objectives they aim to solve.



TIER ONE

Market Wide Planning:

How shoppers behave across channels and formats.



TIER TWO

Collaborative Customer Planning:

How shoppers behave within a particular banner and the behaviors of various shopper segments within that banner.



TIER THREE

In-Store Tactic Development/Selection:

How various segments respond to different marketing stimuli.

Success comes when shopper insights and consumer insights are integrated and a scalable platform is developed for their application across the organization. Viewing the shopper from the vantage point of how they live, how they shop, and how they ultimately use the product is an effective tool for driving this integration. Effective strategy is developed when these two sources of insight are harmonized.

Done well – shopper insights should:

- Align consumption and use occasions with shopping mindsets
- Reflect shoppers' in-home and in-store experiences
- Build on shoppers' brand and category experiences
- Ensure that the desired brand cues are triggered during the shopping experience
- Be relevant beyond basic demographics and life stages that reflect causal understanding
- Deliver more targeted and integrated communications
- Create actionable strategies and tactics that deliver profitable volume

Priority Actions by Lifecycle Stage

	Getting Started	Advancing through the Lifecycle		
	Pre-Commitment	Incubating	Scaling	Culturally Embedding
	FOCUS			
Focus	<ul style="list-style-type: none"> Executive buy-in Dedicated resources Strategy and action plan 	<ul style="list-style-type: none"> Shopper insights capability Experimentation and learning Proof of concept 	<ul style="list-style-type: none"> Aggressive, but selective investment Sufficient talent base and skillsets Development of trusting relationships 	<ul style="list-style-type: none"> Integration throughout company Genuine, targeted partnerships Results optimization
	PRIORITY ACTIONS			
Strategic Positioning	<ul style="list-style-type: none"> Assess strategic positioning relative to shoppers, competitors, and partners 	<ul style="list-style-type: none"> Articulate target positioning centered on relevance to shopper 	<ul style="list-style-type: none"> Reassess target positioning as a platform for scaling Customize target positioning by partner segment/type 	<ul style="list-style-type: none"> Expand strategic vision to include company/ partner objectives beyond category growth (e.g., banner loyalty, innovation)
Insight Generation & Analysis	<ul style="list-style-type: none"> Assess existing insights, resources, and gaps 	<ul style="list-style-type: none"> Build foundational capability to deliver compelling, granular shopper insights Tie shopper insights to consumer insights, and translate them into commercial application 	<ul style="list-style-type: none"> Develop a systematized process/platform for scaling the development and application of insights 	<ul style="list-style-type: none"> Communicate insights upstream to brand management and new product development
Collaboration	<ul style="list-style-type: none"> Identify potential collaboration partners 	<ul style="list-style-type: none"> Establish initial relationship with targeted partners Clarify partners' banner positioning Execute visible quick win pilot programs 	<ul style="list-style-type: none"> Formalize segmentation strategy Systematize collaboration efforts within account planning process 	<ul style="list-style-type: none"> Expand collaboration beyond traditional category growth to larger business objectives
Organization	<ul style="list-style-type: none"> Identify day-to-day shopper marketing champion Identify initial organizational structure and reporting relationships Build business case 	<ul style="list-style-type: none"> Establish incubation team, pulled from across functional areas Define how shopper marketing integrates with account teams Establish initial shopper marketing budget 	<ul style="list-style-type: none"> Establish formal shopper marketing organization, with communication, process and data linkages to marketing and sales Formalize funding structures 	<ul style="list-style-type: none"> Synchronize marketing planning processes and account calendars Embed shopper marketing expertise throughout the organization
Talent	<ul style="list-style-type: none"> Assess capability requirements and availability (internal, agency and partner) 	<ul style="list-style-type: none"> Recruit diverse talent, including analytics, sales, merchandising, and marketing skills Invest in training for shopper insights commercialization and collaboration skills Assess agency roles and capabilities 	<ul style="list-style-type: none"> Assess and aggressively close skillset/capability gaps Identify career progression paths 	<ul style="list-style-type: none"> Build and reward shopper-centric skills throughout the company
Programs	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Develop test and explorative programs 	<ul style="list-style-type: none"> Develop programs focusing on joint value creation 	<ul style="list-style-type: none"> Create cross-brand, cross-category integrated programs
Measurement	<ul style="list-style-type: none"> Establish shopper marketing objectives and scorecard 	<ul style="list-style-type: none"> Set preliminary program evaluation metrics and decision-making processes 	<ul style="list-style-type: none"> Assess legacy budget and accounting systems Formalize marketing mix assessment to allow 360-degree marketing Systematize metrics and processes, including traditional and non-traditional tactics 	<ul style="list-style-type: none"> Formalize metrics and processes for continuous improvement
Cultural Alignment	<ul style="list-style-type: none"> Recruit executive level champions Assess change management needs across functional areas 	<ul style="list-style-type: none"> Publicize visible wins and benefits Align incentives to encourage experimentation 	<ul style="list-style-type: none"> Promote success stories for 360-degree marketing Leverage partner relationship gains to proactively assist other functions 	<ul style="list-style-type: none"> Embed shopper marketing experience into leadership Identify and remove internal and external barriers to integration

Source: Deloitte Consulting LLP

Step 3: Calibrate Your Compass and Sextant

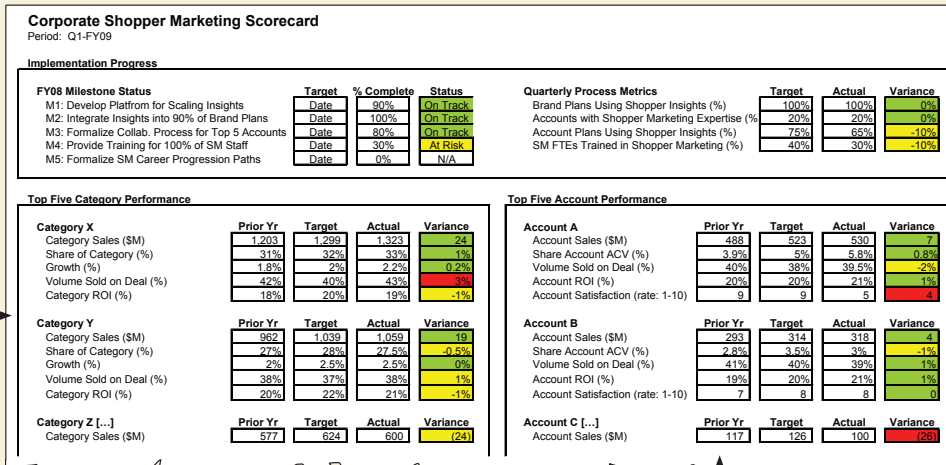
Managing a company's progression through the lifecycle requires a way to track progress against strategic and infrastructure development goals. A shopper marketing scorecard provides a visible compass to judge an organization's strategic direction, and a sextant to chart its progress against its plan of actions. Likewise, a scorecard with the right metrics can demonstrate compelling results to partners, senior management, and other potentially skeptical stakeholders.

The most effective scorecards include both process and performance metrics, and are customized to each company's unique goals and stage in the lifecycle. Process metrics chart a company's progress through the learning curve and the establishment of critical infrastructure. These metrics may measure progress against objectives for talent, organization/structure, cultural adoption and collaboration. Performance metrics assess the overall impact of a company's shopper marketing program against key goals, such as building brand or banner equity, driving top line growth and incremental profit, or strengthening partner relationships.

As a relatively new field, shopper marketing has been under more intense scrutiny than more established marketing functions. However, forward looking companies are beginning to align shopper marketing scorecards against an overall marketing plan, and develop cross-functional scorecards to measure the impact of traditional and innovative approaches alike. To reach this point, companies must continue to hold shopper marketing to a high burden of proof – but must build the infrastructure to provide equal visibility into the impact of traditional mix elements.

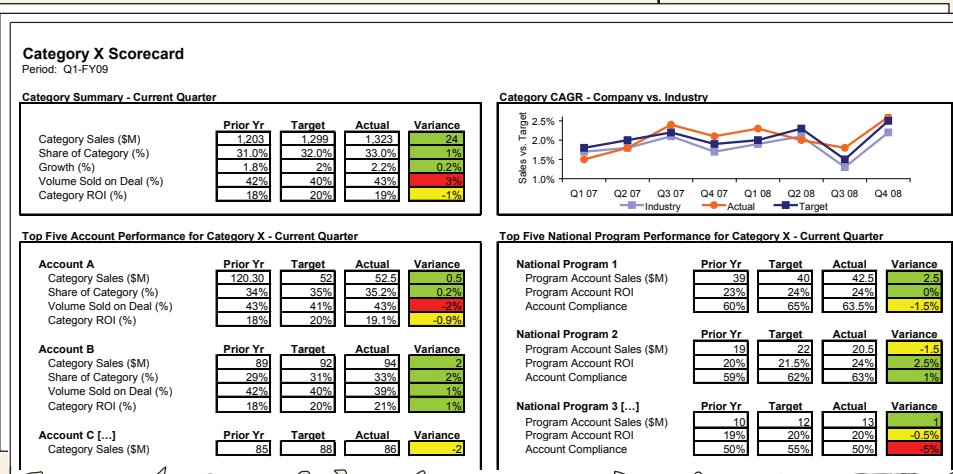
A shopper marketing scorecard is usually the most visible and high level portrayal of a company's progress through the lifecycle. However, it is only the tip of the iceberg. As companies progress through the lifecycle, developing a robust measurement and evaluation plan will become even more critical to directing resources to the programs that drive the most impact. This analysis weighs all elements of the marketing mix – including both shopper marketing and traditional elements – using an equal standard of rigor. The most advanced companies are experimenting with measurement plans that combine up-front lift metrics for determining marketing mix with a robust post-analysis that stacks programs and partners against each other based on impact. This level of analysis requires granular data at the account, program, and tactic level.

Example Shopper Marketing Scorecards*



The **Corporate Level** shopper marketing scorecard tracks a company's implementation progress against its infrastructure plan and summarizes key category and account level performance metrics.

The scorecard serves as an executive tool to manage and communicate the impact of shopper marketing. However, shopper marketing programs are primarily managed at the **Category** and **Account** level.

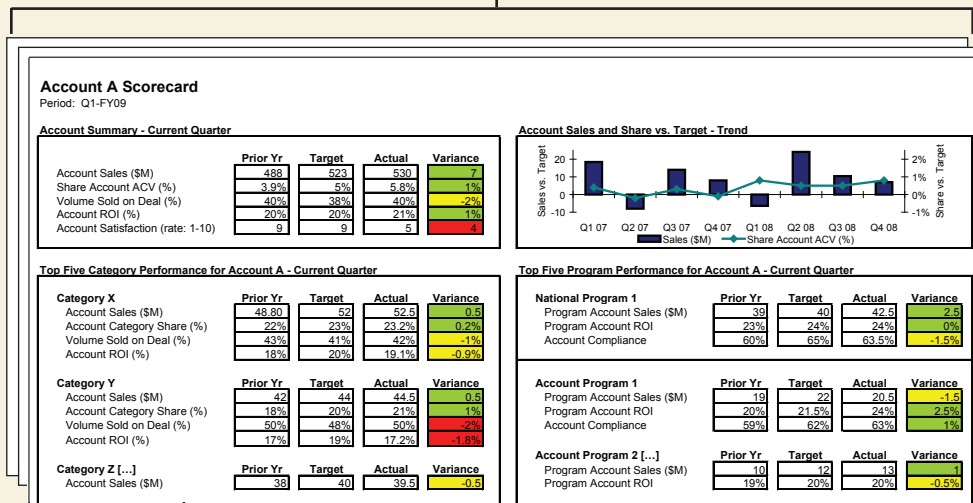


Category managers use **Category Level** scorecards to assess the impact of pulling shopper marketing levers on overall category objectives.

Category shopper marketing elements should roll up into overall category scorecards to assess impact of overall marketing mix under a holistic, 360-degree view of marketing.

Account managers use **Account Level** scorecards to track impact of shopper marketing efforts on account performance and retail partner satisfaction.

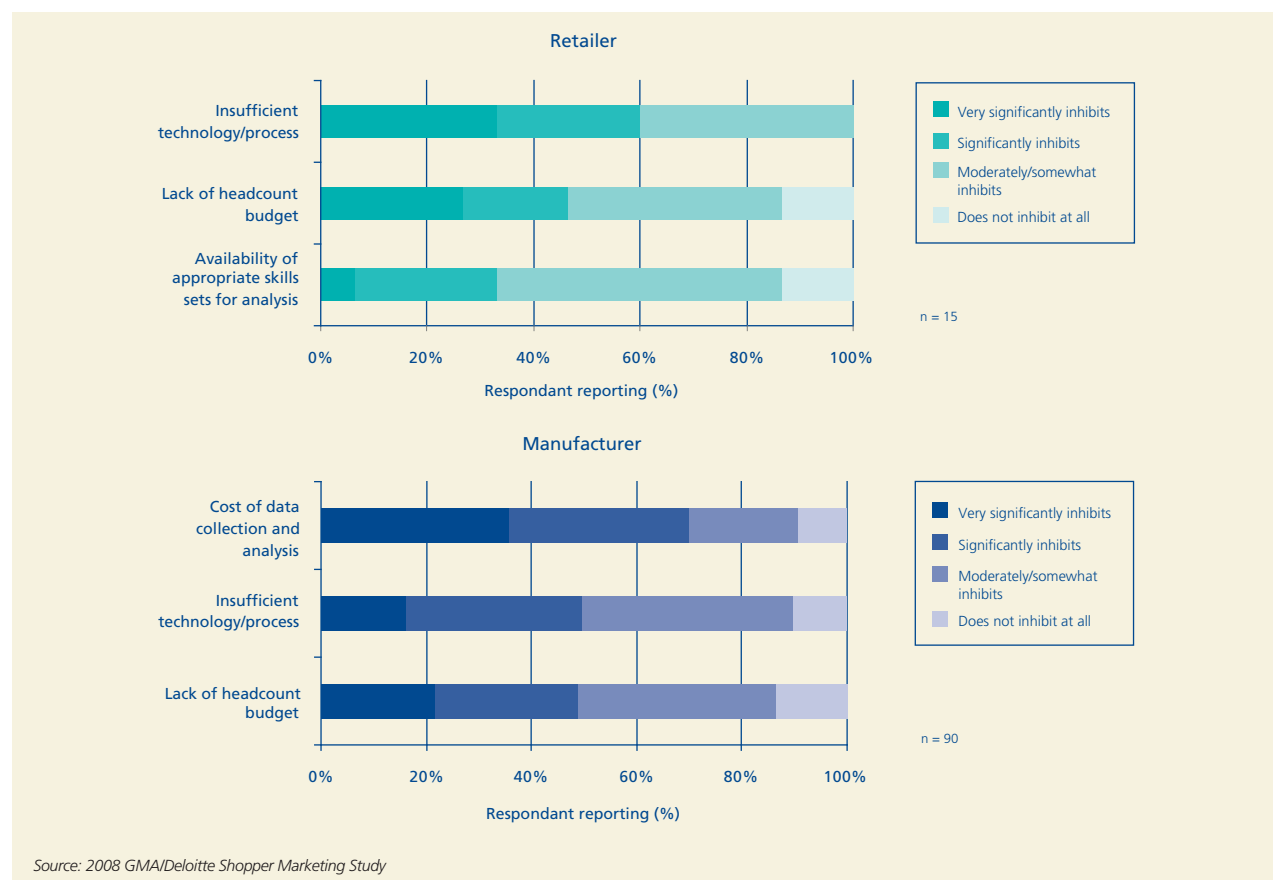
Account shopper marketing elements should feed into an overall account management scorecard with both sales and marketing elements.



*Example scorecards are illustrative only; each company will need identify the metrics that are most important for its organization
Source: Deloitte Consulting LLP

Even the most advanced companies do not have evaluation completely figured out. Often, data is not available at a deep enough level to determine causality. Legacy budgeting and accounting systems may not allocate shopper marketing spend appropriately, and can complicate calculating ROI by partner or program. The perceived cost of data collection and analysis and technology challenges stop some companies before they even start. A company's evaluation plan should address how to prevent these obstacles from stalling the progress. Companies can invest now in analyzing and commercializing the data that they already have access to, and refine their processes and systems as they become more sophisticated.

Top Three Challenges for Measuring Shopper Marketing Performance



Key Takeaways:

- Don't Mistake Activity for Impact.
- There is a Natural Lifecycle for Shopper Marketing.
- Go Forward with a Map and a Sextant.
- **Overcome the Barriers to Genuine Collaboration.**
- Master Execution for Competitive Advantage.

4. Overcome the Barriers to Genuine Collaboration

Collaboration is Critical

"If we do not show manufacturers that we collaborate (well)... we will be at a disadvantage because manufacturers will spend shopper marketing dollars with our competitors." – Grocery Retailer

"We want to understand our key accounts inside and out – what categories they want to drive, their core customers, needs states and shopping occasions. We think we have built a lot of credibility by finding activations to address their specific issues." – Manufacturer

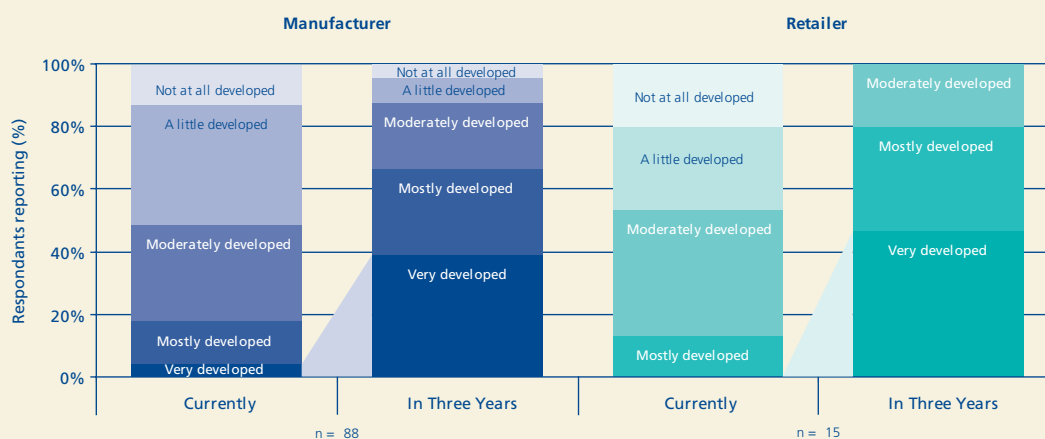
A successful shopper marketing program cannot be developed in a vacuum. Manufacturers cannot fully understand a retail banner's marketing needs without retail cooperation, and they cannot obtain the detailed data to create customized insights without the retailer's willingness to share. Moreover, they cannot gain sufficient access to potential consumers without the retailer's shopper relationships.

Retailers cannot benefit from the manufacturer's shopper marketing resources, insights, and programs unless they work fairly with their partner. Retailers also need the top-of-mind awareness of manufacturers' brands.

Ultimately, good collaboration creates a competitive advantage for both manufacturer and retailer.

Manufacturers and retailers in our survey agree that effective collaboration is critically important to their shopper marketing efforts and are investing to improve their capabilities. Although less than 20 percent of manufacturers and retailers rated their current shopper marketing collaboration as "very developed" or "mostly developed," most are planning to grow this capability aggressively. Within three years, 65 percent of manufacturers and 80 percent of retailers plan to significantly enhance their collaboration abilities.

Current and Planned Development of Shopper Marketing Collaboration

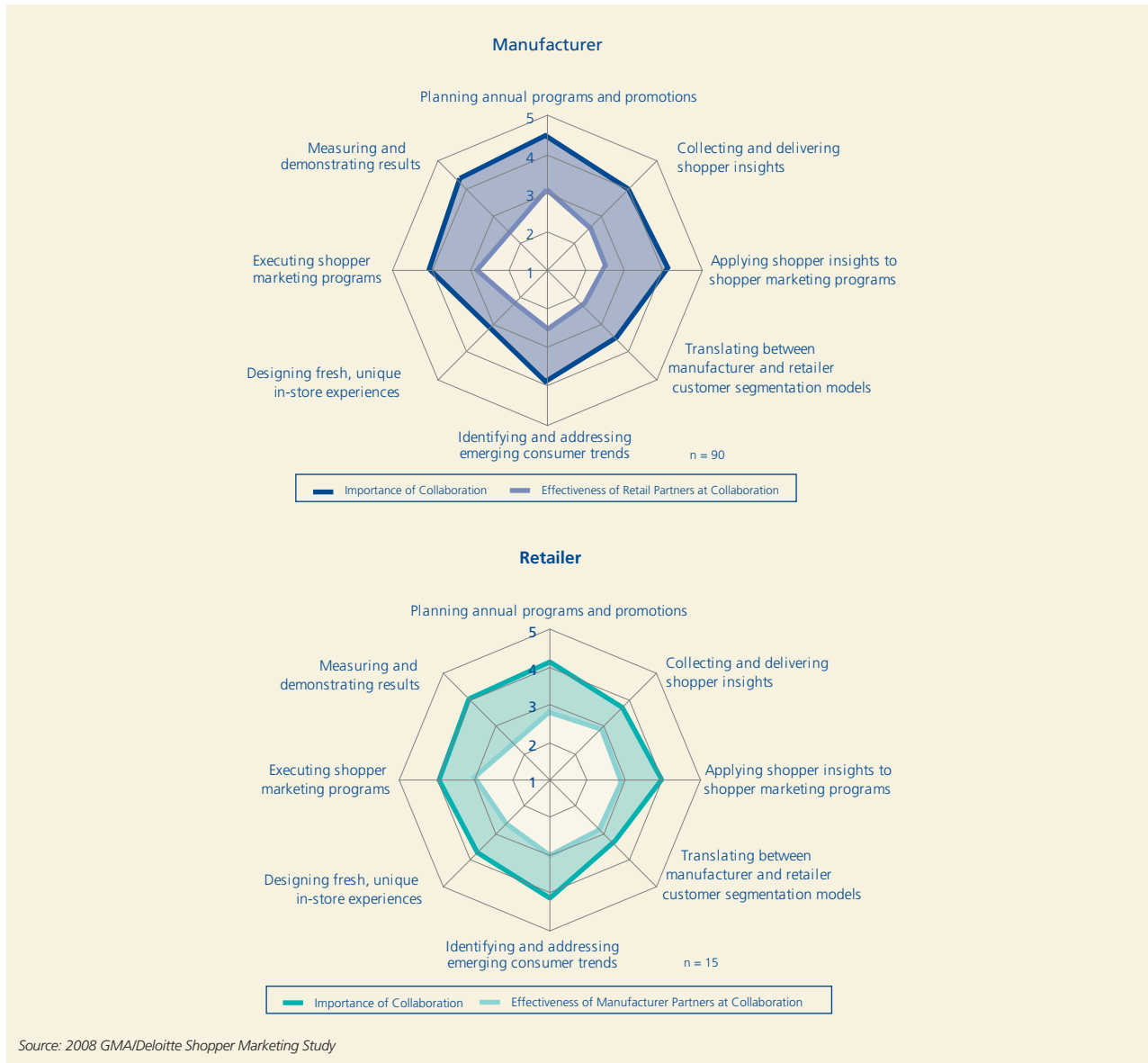


Source: 2008 GMA/Deloitte Shopper Marketing Study

Yet Collaborative Performance Falls Short

Despite efforts to become better at collaboration, both manufacturers and retailers report a significant gap between what collaboration means to them and how their partners act.

Importance vs. Effectiveness of Partner's Collaboration Abilities



For example, manufacturers think it is critically important that retailers be able measure and demonstrate results of programs but rate retailers poorly in their ability to do so. Retailers say manufacturers often fail to bring cohesive plans for developing insights into actionable programs that would be of mutual benefit. In fact, both manufacturers and retailers see a big gap on every dimension we asked them about. Neither side thinks the other is doing enough to make the relationships work.

Examples of Retailer/Manufacturer Misalignment

Retailers say about Manufacturers:	Manufacturers say about Retailers:
<p><i>"The same person is performing the same activities as before only with a title change."</i></p> <p><i>"Manufacturers often determine an objective, then go and find data to support it. They then attempt to sell these 'insights' to retailers."</i></p> <p><i>"The manufacturer's account person is still being incented on short-term display placement, not on marketing success, category growth, and the relationship."</i></p> <p><small>Source: 2008 GMA/Deloitte Shopper Marketing Interviews</small></p>	<p><i>"Most grocery retailers are not prepared for sophisticated, cross-category/cross-store collaboration with manufacturers. We need a call to action, 'Retailer, we are orienting ourselves around you – we need you to be ready for us.'"</i></p> <p><i>"The opportunity for change exists and many retailers want to engage in it, but they currently don't have the talent to make it happen."</i></p> <p><i>"Retailers expect eye-popping insights from us but many are still not open to sharing the data we need to develop those insights."</i></p>

This gap is due to legitimate structural challenges to effective collaboration. First, companies often allow short-term incentives and risk aversion to trump greater gains from building committed, trusting relationships. Second, existing capabilities, processes and structures are misaligned between retailers and manufacturers, complicating effective collaboration.

Barriers to Collaboration: A Matter of Will and of Skill

A Matter of Will: The Prisoner's Dilemma

A key difficulty with achieving genuine, win-win collaborative relationships stems from a classic problem: the "prisoner's dilemma." In this dilemma, both sides must overcome immediate risks to achieve long-term benefits. Both parties fear that too much transparency could result in data leaks to competitors, diminished bargaining power, or less control over final programs. Because of the risks, neither side fully trusts the other to act in each other's long-term mutual interest, so both play it safe by focusing on short-term gains. However, playing it safe risks a large loss too. This prisoner's dilemma is not a one-time game, and there are more than two players. Retailers and manufacturers who stay in the safety of short-term, transactional relationships risk ceding the genuine relationship and long-term gains to competitors. If either side of the relationship is seen as not fully committed or short-sighted, the other will quickly follow suit, or walk away.

Long-term gains can lead to a strategic advantage for committed collaborators, dramatically exceeding the short-term tactical gains of transactional collaboration. However, long-term gains are the result of short-term actions. Companies may need to take early risks to signal their commitment to a genuine relationship, such as unilaterally sharing data. Likewise, each interaction with partners provides the opportunity to reinforce trust through demonstrated success – or single-handedly reverse all relationship gains. The relationship can only be maintained if both sides regularly reinforce that their intentions can be trusted.

Shopper Marketing Collaboration Prisoner's Dilemma

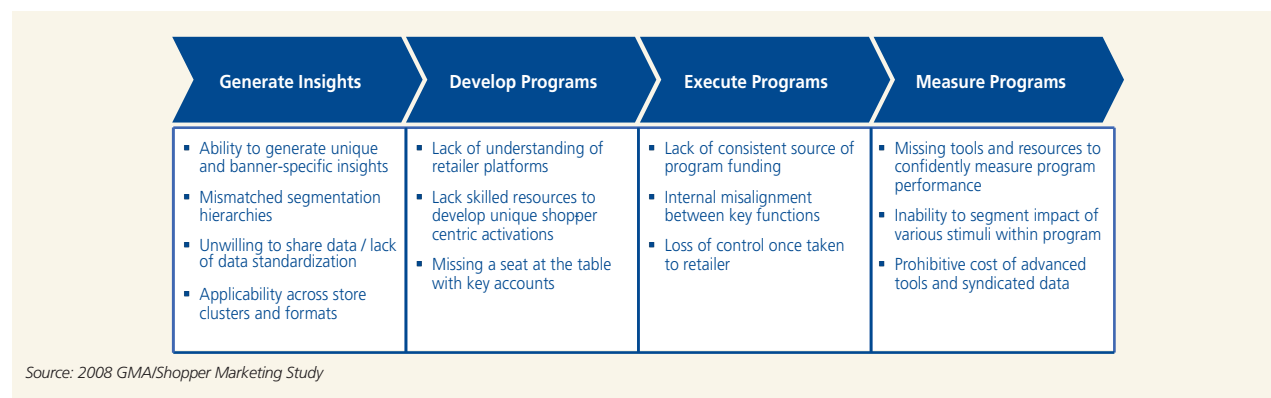
Genuinely Collaborative Retailer Independent / Transactional	Win (Manufacturer) – Lose (Retailer) <ul style="list-style-type: none"> – Gains short term benefits – Loses retailer insights and access to consumers – Risks retailer defection 	Win-Win (Both) <ul style="list-style-type: none"> – Gain long-term benefits – Co-develop innovative ideas for differentiation – Strengthen long-term relationship 	
	Lose-Lose (Both) <ul style="list-style-type: none"> – Loses market share – Loses relevance with consumer – Loses potential partners 	Win (Retailer) – Lose (Manufacturer) <ul style="list-style-type: none"> – Gains short term benefits – Loses access to innovative ideas for cross-category banner differentiation – Risks manufacturer defection 	
	Independent / Transactional	Manufacturer	Genuinely Collaborative

Source: Deloitte Consulting

A Matter of Skill: Structural Challenges to Collaboration

Even if the prisoner's dilemma is conquered, and retail and manufacturing partners align in their desire to form highly collaborative relationships, challenges remain in aligning the infrastructure, capabilities and processes between partners to enable effective collaboration.

Key Manufacturer Problems along the Collaboration Chain



Because shopper marketing is an account-specific strategy, solutions to these challenges are not easily scalable. For example, a manufacturer cannot resolve mismatches between segmentation hierarchies with one retailer and then expand that solution to the rest, nor can it develop partner-specific shopper insights and apply them across the board. The manufacturer will need to work independently with each high-priority partner in order to determine specifically how they will work together. The key for both partners should be to focus on selecting the right partners, building capabilities and talent around collaboration, and putting in place structures and processes to enable account-specific solutions.

Mastering the Collaboration Challenge

Getting over both the prisoner's dilemma and the structural hurdles to effective collaboration requires five key elements from both the manufacturer and retailer:

1. Credible commitment
2. The right partners
3. The right insights
4. The right structures
5. The right process

Credible Commitment

Shopper marketing relationships between manufacturers and retailers can generally be characterized as either "transactional" or "committed."

Transactional collaboration, which leads to less rewarding, short-term relationships, includes any action that is viewed by partners as purely self-serving, without focusing on the long-term interests of the partnership. It tends to be characterized by manufacturers selling-in programs which will distinctly benefit their own brands without necessarily expanding the whole category or improving the shopping experience while retailers negotiate incremental penny-profits for the privilege of executing the programs. For example, retailers see manufacturers as prioritizing the transaction over the relationship when the manufacturer uses "insights" to argue that they should get a competitor's end cap. Manufacturers see retailers as prioritizing the transaction when they demand insights and programs without sharing data or when they use the manufacturer's insights to grow their own private label business at the expense of the manufacturer. Transactional collaboration can result in mutually-beneficial shopper marketing programs, but it cannot realize the full potential value that is possible with fully committed collaborative relationships.

Committed collaboration, which leads to more rewarding partnerships, incorporates a strategic and cultural change focused on the shopper's preferences and a commitment to a partner's best interest. Manufacturers striving for committed collaboration bring tailored insights that are specific to the retailer's business and customer segmentation and work jointly with the retailer to develop shopper marketing programs that meet both organizations' needs. The manufacturer's motivation is to help the retailer generate top line category growth and improve their own sales in the process. Retailers act as committed collaborators when they share data and resources, allow the manufacturer a voice in the final program design, live up to execution agreements and help with post-program analysis.

The most valuable long-term relationships can only be established if both sides can credibly demonstrate that they are genuine in their intentions. They can do so by dedicating resources, understanding their partners' business and goals, becoming more transparent with data and consistently executing against promises.

Transactional vs. Committed Collaboration

	Transactional	Committed
Description	A tactical approach to collaboration that maintains an adversarial, sales-oriented relationship where both parties develop initiatives and goals in isolation	A strategic approach to collaboration that incorporates a cultural change and focuses on creating win/win situations based upon shopper preferences
Insights	Driven by predetermined programs and organizational goals and developed in isolation	Created to understand shoppers and develop in-store programs and often developed in conjunction with partner
Program Development	Developed by one side to meet its individual needs	Jointly developed to meet both organizations' needs
Execution Resources	Partner brings few resources for execution	Both parties commit to meeting execution goals
Data Transparency	Retailer provides little access to data (e.g., loyalty card data)	Retailer provides data to improve insights and program development
Impact	Fosters mistrust and provides opportunities for competitors to develop closer ties	Grows both manufacturer's and retailer's business and improves the relationship

Safeway Demonstrations Commitment through Collaboration

Successful shopper marketing collaboration depends on manufacturers developing a strong understanding of the partner's business initiatives, customers, and issues. Safeway is making it easier for manufacturers to accomplish these by collaborating with them in the areas of customer segments, customer marketing, frequent shopper card data and internal processes.

While the day-to-day transactional sales channel is a key component of manufacturer interaction, Safeway has developed a larger, more holistic approach to communications.

- **Strategic Industry Participation** – Safeway has agreed to participate in manufacturer and retailer industry panels such as the GMA/FMI sponsored New Ways of Working Together initiative to foster open communications with manufacturers
- **Manufacturer Meetings** – Safeway “calls in” manufacturers and holds large group meetings to inform them of changes in strategic direction, segmentation, and business processes
- **Optura Portal** – Safeway provides free pre-generated sales data reports to give manufacturers an opportunity to develop new insights and a provide a baseline for discussions
- **Internal Channels** – Safeway has developed internal lines of communication that ensure manufacturer insights are shared and strategically incorporated into other relevant parts of the organization

Internal and manufacturer-completed surveys are another key element of Safeway's plan to improve communication and collaboration. Safeway uses these surveys to identify the pain points of working with manufacturers and ways to improve business processes.

The adoption of a strategic communication system has improved Safeway's shopper marketing efforts and enhanced the shopper marketing maturity of its manufacturer partners. The company has witnessed improvement in the number and quality of shopper marketing programs being offered by manufacturers. By helping educate and advance the overall industry, Safeway can better identify and select the campaigns that will be the most fruitful and profitable.

Source: 2008 GMA/Deloitte Shopper Marketing Study Interview

The Right Partners

Since each retailer and manufacturer has different levels of shopper marketing maturity, strategic value, financial value, and openness to committed collaboration, forward thinking companies assess each potential partner and customize their collaborative efforts accordingly - like selecting and weighting investments in a portfolio.

Companies should assess the individual value of each potential partner based on two axes:

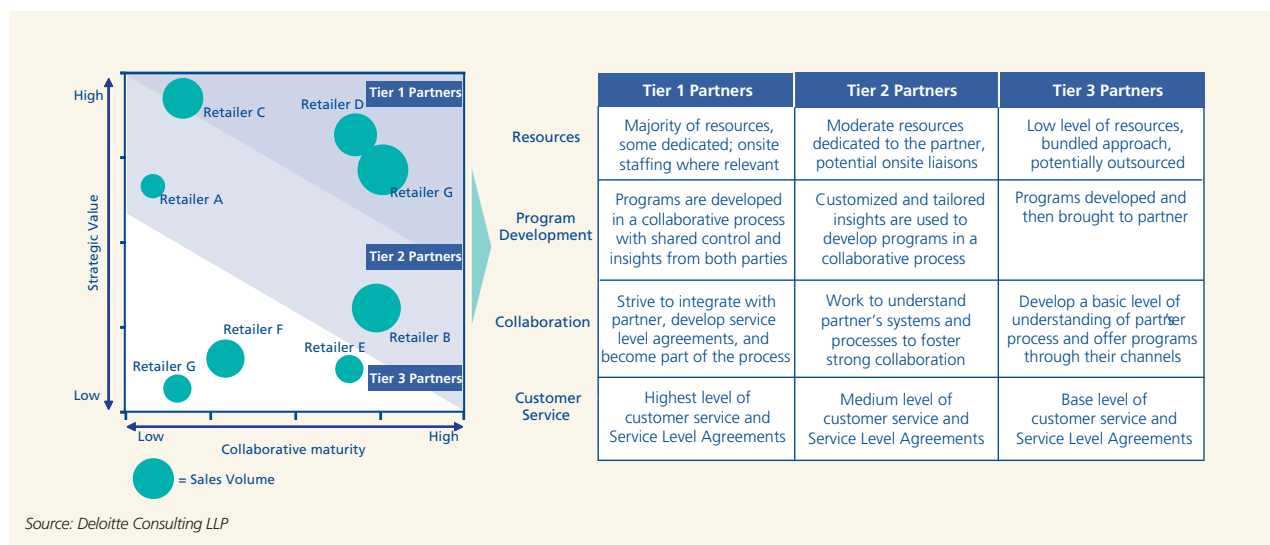
1. Strategic value of the partner

- Financial performance
- Future strategic importance
- Alignment with company strategy
- Shopper marketing maturity (e.g., dedicated resources, store-level execution capabilities, consistency, sophistication of insights)

2. Ability to collaborate

- Tangible interest in collaboration (e.g., sharing of data, alignment of the banner goals with brand goals, willingness to invest)
- Resources committed to collaboration and internal alignment of incentives
- Potential for future collaboration

Example Manufacturer Segmentation of Retail Partners



Manufacturers should allocate collaboration resources and determine future resource needs according to the resulting value of the partnership. Some partners may warrant dedicated cross-functional, colocated teams; others may be served through a shared, headquarters shopper marketing group. Likewise, retailers should leverage their most valuable partners as strategic advisors, and commit resources to working with these manufacturers to co-develop ideas on growing the category and meeting mutual cross-category goals. An important step in this process for both manufacturers and retailers is to understand where they stand with a potential partner and make sure the match is mutually beneficial.

Overlooking regional or niche partners is a pitfall to avoid for both parties in this process. Niche partners may offer strategic value despite smaller revenue numbers, providing enticing potential for collaboration and growth. Likewise, there is value in working with partners who are still developing their collaborative capabilities. For example, less sophisticated but strategically valuable retailers require more analysis and development from the manufacturer while they build up their shopper marketing capabilities. This may require additional resources in the short-term, but will enable manufacturers to create more buy-in and develop deeper committed relationships.

The Right Insights

“What is right for Target is not necessarily right for Walmart.” - Manufacturer

Sophisticated shopper marketing retailers demand custom-tailored insights based on their specific shoppers and tangible proposals for commercializing insights to support their distinct retail positioning. They are no longer content to passively receive whatever the manufacturer decides to share. They are now demanding active participation in targeting and prioritizing insight development.

Meeting the expectations of the most valued partners entails developing a thorough understanding of each retail banner's differentiation, customer segmentation model, shopper marketing organization, and in-store capabilities for program execution. That understanding allows more granular insight development and application to joint target segments, trip segments, store clusters, and even individual stores.

However, retailer commitment to joint insight development is still far from consistent. Manufacturers are still largely expected to provide the resources for this expensive effort. Often, manufacturers grow frustrated when they bear the expense of developing deep shopper insights and produce retailer-specific programs that demonstrate promising results, only to see them haphazardly implemented or scaled back. They are also frustrated with many retailers who do not have the human capital to ensure consistent in-store execution. Retailers who are able to consistently execute, ensure compliance and measure results of shopper marketing programs and manufacturers who are able to support their retail partners in implementation will see disproportionate benefits to their joint efforts.

Manufacturers can support less strategic partners by clustering their insight development and bundling programs across similar players.

The Right Structure

Getting past the barriers to committed collaboration requires more than just commitment and clever insights. It also typically requires organizational change, process change, alignment of incentives/performance measures, development of new skillsets, and upgraded technology. In many cases, collaboration extends beyond marketing/sales/category management and into supply chain, product development and finance to holistically address all elements of the go-to-market strategy.

The breadth of organizational changes needed for committed collaboration can daunt companies trying to consolidate their position with key partners:

- What needs to change in our talent recruiting, advancement, and incentive structures?
- Do we need to colocate resources with our partners? Which resources, and with which partners?
- Where should shopper marketing sit in our organization?
- What processes need to change?

While the old way of doing business will no longer do, the truth is that there are many paths to creating genuinely collaborative relationships. There is no “one size fits all” for structuring a shopper marketing organization for effective collaboration, or indeed for structuring the relationship with every partner. Instead, companies need to realistically weigh the costs against the potential gains given each partner’s strategic value and willingness to collaborate.

Structural Considerations for Collaboration

	Questions
Dedicated Talent	<ul style="list-style-type: none"> • How strategic is this partnership? What level of investment is warranted? • Is my partner ready to handle a higher level of collaboration? Can we help them be ready? • Which functional areas need to be dedicated? Sales? Marketing? Insights? Operations? Supply chain?
Colocation	<ul style="list-style-type: none"> • Which relationships would benefit from more interactive, real-time collaboration? Is the relationship valuable enough to merit the cost? • What level of colocation is needed for each tier of partner? Is one liaison enough, or do we need an onsite team? • What functional area(s) should be onsite? Sales? Marketing? Insights? Operations?
Reporting Structure	<ul style="list-style-type: none"> • Where does shopper marketing best align with my organization's strategy? With my current account relationships? • What formal communication and processes are needed to ensure alignment? • How will shopper marketing programs be funded and coordinated with brand, category and trade?
Process Alignment	<ul style="list-style-type: none"> • What existing internal processes inhibit committed collaboration with our partners? • Is our planning process realistic given the demands of our partners? • How can we ensure integration between consumer and shopper insights to deliver holistic marketing platforms?

This means that not all organizations, and indeed not all partnerships, require the same level of structure around their collaborative efforts. Companies may be able to achieve similar results through establishing a single customer contact backed-up by virtual cross-functional teams – as long as they do the extra legwork of embedding a culture of committed collaboration, establishing strong frameworks for communication, and aligning incentives across functional areas. Developing formal frameworks and maintaining discipline around these “soft” factors can help smaller players level the playing field against competitors with deeper pockets.

A Small Manufacturer Achieves Big Results

Shopper marketing is not just for the biggest players. Smaller manufacturers may have fewer resources but they can gain just as much from focused partnerships. According to many retailers, niche manufacturers who are second or third in their categories often make better collaboration partners than the category leaders, as smaller manufacturers are less interested in defending the status quo and more willing to take risks on truly innovative marketing efforts.

One beauty care manufacturer that we talked to has leveraged a long-standing, trusting relationship with a key retail customer to build an effective collaborative shopper marketing program. They make up for the lack of deep pockets with a customer intimacy that is difficult for larger competitors to achieve.

When the manufacturer introduced its new line of shampoo and hair care products into the market, it drew upon this trust equity to integrate the new products into the retailer's network of in-store beauty personnel that help customers decide which beauty products are right for them. It tailored the program and messaging to cater to the specific shopper characteristics of the retailer's core customer segments. Utilizing product training and Sales Promotion Incentive Funds (SPIFs), the manufacturer provided sales staff with the ability and incentives to attract target shoppers. The two partners also worked together to improve compliance, ensuring that point-of-sale displays are set up and deployed at the right time and in the right location.

This cooperation resulted in a significant gain in hair care sales for the manufacturer as well as overall category growth and a differentiated shopper experience for the retailer.

Source: 2008 GMA/Deloitte Shopper Marketing Study Interview

The Right Process

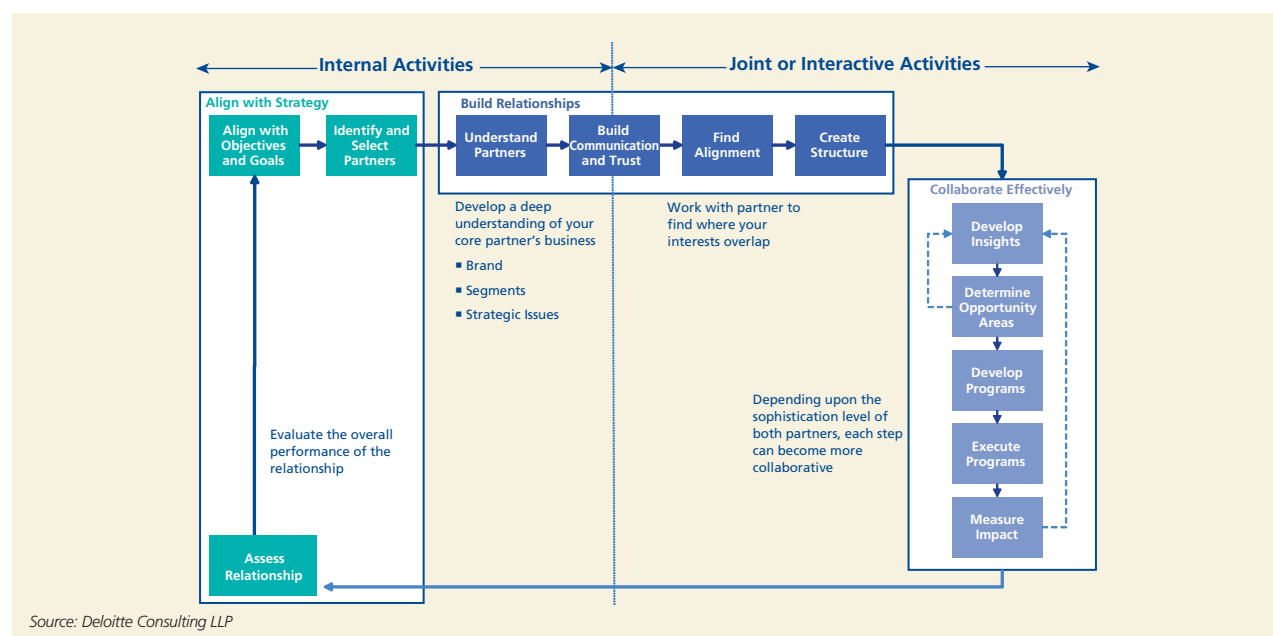
“Trust is a self-reinforcing cycle.” – Manufacturer

Building partnerships that work requires repeatable success in generating customized insights, collaboratively developing programs, and consistently executing in-store. Without a clearly defined collaboration process, good insights and planning can result in one-off programs that may provide some short term returns, but fail to yield the long-term potential benefits of shopper marketing. Establishing a collaboration process builds trust, promotes reliable results, and directs resources at the best opportunities.

For both manufacturers and retailers, having a clearly defined collaborative process demonstrates a commitment to building relationships. The right process provides a framework for committed collaboration, outlining areas of responsibility, roles, and expectations for data sharing. This level of transparent, repeatable process promotes trust as partners know what to expect – and can be a source of competitive advantage in the battle for the best relationships.

Likewise, the right process can create order from chaos. Merging differing shopper segmentation models, resources, corporate cultures, and processes is hard work. Ad hoc programs risk misaligned objectives, lack of execution scale, failed hand-offs, and lack of buy-in. The right process minimizes these risks by centering program development

Strategic Shopper Marketing Collaboration Process



around both organizations' objectives and systematizing communications expectations and hand-offs. As the collaborative partnership delivers reliable results – for both parties – the value of a trusting collaborative relationship is reinforced.

Ultimately, an established process ensures that resources are directed most efficiently. With roles and processes defined, organizations do not need to pull resources and reinvent the wheel for every ad hoc program. Likewise, the best processes provide a feedback loop to continuously assess their programs' effectiveness and adjust course as needed. To reach this stage, some advanced companies are hiring third-parties to survey and analyze their collaborative performance and identify areas of improvement. With those areas identified, they jointly develop an action plan with their partners to improve.

Once an organization has been able to demonstrate a credible commitment to collaboration and the ability to deliver the right insights, the right systems, and the right processes for the right partner, it will be poised for a successful win/win relationship.

Key Takeaways:

- Don't Mistake Activity for Impact.
- There is a Natural Lifecycle for Shopper Marketing.
- *Go Forward with a Map and a Sextant.*
- Overcome the Barriers to Genuine Collaboration.
- **Master Execution for Competitive Advantage.**

5. Master Execution for Competitive Advantage

“Execution: The gap between what a company’s leaders want to achieve and the ability of their organizations to deliver it.”
 – Execution by Larry Bossidy and Ram Charan

Execution is the universal pitfall. Even the organizations with the most advanced shopper marketing operations identify execution as their Achilles’ heel. The best laid plans can fall flat if:

- Managers won’t think beyond a traditional marketing and trade promotions mindset
- Incentives remain misaligned
- Companies lack the tools and data to uncover insights and measure results
- Organizations cannot track or ensure compliance
- Partners are not prepared to collaborate
- Shopper marketing teams lack the right skillsets
- Planning calendars are misaligned, and in-store programs show little integration with out-of-store marketing efforts
- Companies abdicate strategy to their agencies

In the end, it all comes down to execution. Organizations that execute well build their capabilities for long-term growth and generate disproportionate returns. Regardless of a company’s stage in the shopper marketing lifecycle, mastering execution requires embracing a few key lessons learned:

Start with New Conversations

Despite the widespread buzz around shopper marketing, understanding and support for it has not, in all cases, filtered throughout the rest of the organization.

Many manufacturers’ marketing departments still view in-store activities as tactical and outside their domain. Traditional sales professionals tend to define shopper marketing as trade promotions. Likewise traditional retailer structures in operations, merchandising, and category management exhibit “siloes” perspectives and inhibit collaboration. New and constant conversations are needed both internally and externally to replace traditional mindsets with understanding of shopper-centric and collaborative opportunities.

Manufacturers need to start talking not only about how in-store activities can drive shelf space and sales lift, but also brand equity and cross-category lift. Shopper marketing teams need to converse with their sales and marketing colleagues about how to integrate shopper marketing into their commercial planning cycles. Likewise, retailers need to overcome the traditional buyer’s mindset and focus on differentiating the banner and generating overall revenue growth. Together, effective shopper marketing requires new C-level conversations between close partners.

Change management programs and communications plans can build understanding and alignment; the communications plan should identify internal and external audiences, craft key messages for each, and define a calendar of communications.

New Conversations are Needed

Manufacturer	Retailer
<ul style="list-style-type: none"> • What role does shopper marketing play in consumer decision-making for our brands? • What is the appropriate mix of marketing components to drive optimal impact? • What is the right level of resources to dedicate to shopper marketing? • Which shopper marketing tactics are most effective? • What are the opportunities for cross-category programming? • How do we make shopper insights actionable? • Which retail partners should we target, and how do we structure ourselves to provide a seamless face to our most valuable customers? 	<ul style="list-style-type: none"> • How can we target our shopper marketing efforts to position ourselves in the minds of our customers? • How do we measure which tactics are most effective at driving banner differentiation and growth? • Which manufacturers are best aligned to help us strategically position ourselves? • Where can we work with manufacturers to strengthen our efforts and drive toward mutual interests? • How do we connect our shopper marketing efforts to store operations, merchandising, and category management? • What legacy structures, policies, and incentives get in the way?
Across Partnerships	
<ul style="list-style-type: none"> • Where do our interests align? • Where can cooperating increase competitive advantage for both of us? • Given our joint interests, how can we ensure that incentives are aligned? • How can we ensure compliance? 	

Use the Right Metrics to Change Behavior and Create Credibility

People with traditional perspectives can resist changing past views without solid data. Companies need measures of shopper marketing effectiveness based on the language and metrics that people with traditional perspectives understand.

Executives have naturally scrutinized shopper marketing more than its traditional marketing cousins. Shopper marketing teams are under pressure to justify budget requests, and demonstrate ROI relative to traditional marketing media. As a result, many have focused resources toward large-scale test pilots that measure the lift of comprehensive, multipronged shopper marketing efforts. Most can measure ROI by account and program. As shopper marketing becomes more widely proven and accepted, organizations will need to shift focus to comparing the impact of specific shopper marketing tactics and partnerships. This style of evaluation will require much more careful testing and analysis to identify causality and optimize the total mix of marketing tactics.

Selective Shopper Marketing Measurement Tools Comparison

Solution Space*	Generate Insights	Develop Programs	Execute Programs	Measure Results	Core Capabilities	Considerations for Use
Survey and Observational Research (shop-alongs, direct observation, focus groups, intercepts)	●	◐	○	◐	Provides qualitative insights on shopper behavior and feedback on in-store media effectiveness	Process can be intensely manual and insights can be biased by what shoppers think they do vs. their actual behavior
Outlet Level Transaction Data (loyalty cards, credit card transaction analysis)	◐	◐	○	◐	Captures rich quantitative information on purchase patterns and shopper demographics	Difficult to tie purchase volumes to the actual effectiveness of in-store displays and media and only includes subset of shoppers
Traffic Monitoring (VideoMining, ShopperTrak, BehaviorQ)	◐	●	○	◐	Systems utilize video and video sensors to collect, compile and analyze actual shopper behavior and traffic patterns to help determine optimal program design and location	Results can vary dramatically based on store layout differences and are typically based on a small sample test; should be supplemented with qualitative testing to understand causality
Virtual Shopping (Decision Insights, Red Dot Square, Vision Critical)	◐	●	○	○	Simulates in-store designs and product packaging, allowing rapid and realistic scenario testing of merchandising, product and promotion design and layouts with reduced need for field testing	Tests based on small samples rather than on actual test store volume and does not help with post-event analysis
Compliance Auditing (Goliath, other RFID)	○	○	◐	◐	Radio Frequency Identification (RFID) and other technologies provide retailers the ability to prove compliance with manufacturers' in-store displays	Technology builds trust between retailers and manufacturers, but cannot generate new insights or prove the value of initial display agreements
Pioneering Research for an In-store Research (PRISM)	◐	◐	○	◐	Developing a standard measure for in-store consumer reach, giving retailers and manufacturers the ability to measure gross impressions and conversion	Measures traffic past a stimuli but not engagement or quality of impression; Stores sample is currently relatively small but large expansion is planned; Results can vary dramatically based on layout differences
Syndicated Data and Analysis Services (Nielsen, IRI, MARI, Crossmark)	◐	◐	○	◐	Standardized sales, lift and share data by brand/category used to understand sales impact of promotional and competitive activity	Challenges with alignment of product hierarchies and does not identify causality

* Named solution providers are meant as examples within each space; the lists are not exhaustive nor endorsements by GMA or Deloitte
Source: 2008 GMA/Deloitte Shopper Marketing Study

A gap in compliance measurement challenges measurement at both the tactic and account level. To calculate a true per-program and per-account ROI, companies will need to invest in calculating actual compliance; however, according to our research, only 21% of manufacturers and 27% of retailers currently do so.

To reach 360-degree marketing, companies will need to hold all marketing mix elements – shopper marketing and traditional alike – to the same standard of rigorous post evaluation. Getting to the level of granularity necessary to make decisions about tactics and partners will require significant investments in data and measurement infrastructure. It may also entail:

- Changing the way organizations classify shopper marketing spend
- Developing more effective marketing mix models that incorporate shopper marketing and traditional marketing mix components
- Improving analytics infrastructure across all marketing mix elements
- Adjusting budgeting and accounting systems to allow automatic calculation of account-level ROI
- Obtaining retail measurements and compliance enforcement

Nielsen Introduces a New Metric for In-Store

For decades, the success of TV, radio and even internet advertising has been measurable against industry-standard metrics. However, there has never been a metric to measure the effectiveness of marketing stimuli within the store, making it extremely challenging for marketers to justify a shift in marketing investment from traditional spend to in-store.

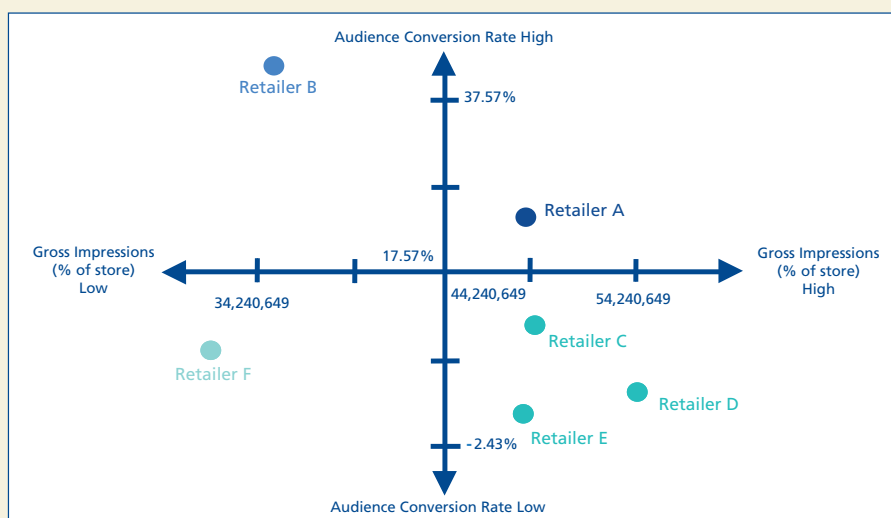
Nielsen In-Store, working with a broad consortium of manufacturers, retailers and agencies, has developed a standardized measurement system that can help quantify gross impressions by demographic and time of day, presence of in-store promotions and purchase conversion rates. Nielsen uses a combination of retailer scan data, consumer counting sensors, in-store audits and household panels to triangulate the return of each marketing dollar invested in-store by type of stimuli. The system helps to optimize evaluation and execution of in-store marketing, and can also be used to develop and communicate more granular sales force objectives.

Mouthwash Brand X Customizes Sales Objectives by Account

A leading brand of mouthwash used the new in-store metric to measure its in-store marketing performance at key retail accounts to hone its promotional strategy by customer, improving results for retail partners as well as brand as a whole.

By comparing gross impressions against audience conversion, the manufacturer was able to determine what tactics should be used at each retailer to drive improved total performance. At Retailers C, D, and E (see chart below), Mouthwash Brand X has high gross impressions, but audience conversion is low. Therefore, in-aisle promotions and shelf displays might be an effective way to drive incremental sales. On the other hand, Retailer B has an extremely high audience conversion rate, yet gross impressions are low, compared to other retailers. Retailer B's account team should consider secondary stocking location displays and signage to drive consumers to Mouthwash Brand X's primary stocking location.

Mouthwash Category Analysis by Retailer



Advanced analytics — determining the lift generated from each specific in-store activity — can further help to sharpen strategies even for top performing accounts. Retailer A, with strong gross impressions and conversion, saw very different results by type of in-store activity: endcaps in both the front and rear runways provide an impressive 500 percent sales lift for Mouthwash Brand X; however, their pallet displays result in only 100 percent lift. In-store measurement data can also be used to optimize the actual placement location of pallets by analyzing gross impressions for different store zones by target age and gender.

The ability to accurately measure the effectiveness of in-store activities is a critically important capability in allowing companies to more confidently build their 360-degree shopper marketing strategy.

Source: Nielsen In-Store

Build the Right Talent

A real struggle for manufacturers and retailers is building the talent base for shopper marketing. In fact, our survey respondents agree this is one of the most significant gaps in their organizations.

Among the skills reported missing by the study participants are two that were deemed the most critical across all phases of the lifecycle: collecting data/insights and applying shopper insights to programs. As a company advances through the shopper marketing lifecycle, other skill gaps come to the front. In the incubating stage, manufacturers need skills in selling the value of their shopper marketing programs to retailers. In the scaling stage, it becomes even more important to effectively measure results. Once an organization reaches the culturally embedding stage, skills in collaboration leap to the forefront.

Top Five Skillsets in Demand for Shopper Marketing

Top Manufacturer Skillsets	Top Retailer Skillsets
1. Applying shopper insights to programs	1. Applying shopper insights to programs
2. Collecting shopper insights	2. Executing shopper marketing
3. Collaborating with partners	3. Collecting shopper insights
4. Executing shopper marketing	4. Addressing consumer trends
5. Annual planning	5. Measuring results

Source: 2008 GMA/Shopper Marketing Study

Given the shortage of people trained in shopper marketing, companies need to educate their own internal staff, at minimum through formal training programs and conferences, but also through a culture and incentives that encourage on-the-job experimentation. An organization that expects its shopper marketing staff to have it all figured out on day one will miss opportunities to grow and enhance their shopper marketing capabilities.

Use Agencies Wisely

No organization can be good at every component of a shopper marketing effort. Third-party agencies enhance the effectiveness of many organizations' shopper marketing programs. They can provide experience on insight collection and analytics, program testing and evaluation, creative design, and execution. They fill key competency gaps in the pathway from insight development to in-store execution of programs.

However, too many companies skip the crucial step of defining their strategic positioning and platform, and jump directly into hiring agencies for tactical implementation. In effect, they abdicate their strategy – and at times, even their relationships with priority partners – to third-party agencies. Several of the retailers we spoke to expressed frustration with manufacturers who use their agencies as a crutch, effectively turning over the presentation to a third-party vendor who may simply dish up the same tactical recommendations given to the rest of their clients.

Agencies' views of shopper marketing are often (but certainly not always) limited to the in-store visual communications component of the solution versus the strategic alignment, commercial realities, and source of value creation. Over-reliance on agencies who seek to define shopper marketing according to their own capabilities can limit a manufacturer's prospects for shopper marketing advantage.

The benefit of working with the right agencies should not be understated. The best agencies understand their client's strategic platform, and use their specific knowledge base to help make shopper marketing programs more effective. However, companies need to use third parties carefully, focusing on where the agencies can fill skill gaps and enhance their own strengths, while holding onto areas of competitive advantage. For example, one manufacturer enhances its shopper marketing capabilities through a portfolio of agencies (program development, creative and execution), but retains its shopper insights and analytics in house as a source of competitive advantage.

Align Your Organization

Most manufacturers still struggle with aligning their marketing plans to the retailer planning cycle. As a result, shopper marketing teams must submit their in-store proposals for approval long before the full marketing plan is developed – meaning new marketing messaging and materials do not show up in in-store campaigns. Manufacturers must then attempt to quickly align in-store promotions through ad hoc tactical signage. Given limited time and resources, retailers are beginning to focus their efforts on manufacturers that align their internal planning to integrate in-store plans into larger 360-degree marketing efforts.

In the short-term, shopper marketing programs can continue to develop their plans independently of the larger marketing effort by focusing on regular seasonal campaigns, and orienting campaigns around their base value proposition. In order to lock in key relationships over the long-term, manufacturers must begin the long process of organizational change needed to realign and refocus marketing planning around retailer schedules.

Make the Most of Strategic Partnerships

Establishing close, committed collaborative relationships with the most important partners requires an advanced level of trust and transparency. This requires planning and ongoing, consistent interactions—and sometimes wholesale changes to existing systems.

From our discussions, we identified the following effective tactics that can help build the foundation of a successful collaborative relationship:

- Signal interest in a more transparent relationship by openly sharing proprietary data and insights with target partners
- Consider colocating staff to deepen understanding of key partners and provide opportunities for feedback and collaboration
- Relinquish control over ideas; some of most effective programs are those that evolve during the collaboration process
- Invest in understanding partners' segmentation models and platforms to bring forward ideas relevant to their objectives and positioning
- Invest in measuring and demonstrating performance, both for manufacturer and retailer

In the end, success in shopper marketing does not involve just data and tools. It does not involve just clever communications or creative displays. In the end, success is about transparency, trust, and consistent performance that benefit manufacturers and retailers alike. Organizations that get execution right will be well positioned to build relationships and achieve performance that generates long-term growth and disproportionate returns.

Looking Forward: The Future of Shopper Marketing

The growth of shopper marketing has been accelerating, and it will continue to grow rapidly. The potential gains are too compelling. Not only does it drive top-line growth in a mature industry, but it helps manufacturers and retailers alike to build and maintain brand and banner equity at a time when the effectiveness of mass media continues to wane.

Today's frenzy of shopper marketing activity is not yet achieving its full potential impact. That will soon change. Most companies are at an early stage of development, only experimenting with ad hoc programs. Few have advanced far enough to truly build strategic advantage. But as marketers learn how to clarify strategic positioning, conquer the organizational hurdles, collaborate, measure performance more effectively and execute at scale, shopper marketing will grow to become an increasingly important source of advantage for those who do it well.

In the long term, we believe that shopper marketing will fade as an independent concept. Companies will infuse shopper-centricity across their marketing and sales organizations. All activity that is meant to drive sales, brand and banner equity will incorporate both the consumer and shopper viewpoint. All the relevant insights, positioning, metrics and organization will evolve to support a single 360-degree marketing perspective.

In the near term, we believe that shopper marketing will be shaped by a number of emerging trends:

1. **The shopper marketing gap will continue to widen.** Forward looking companies have learned to execute shopper marketing effectively and are already embedding it into their cultures. They will continue to race ahead along the learning curve. Many of those who are still incubating shopper marketing programs will struggle. As the leaders and fast followers establish themselves with key retailers and improve their performances, laggards in shopper marketing will find it increasingly difficult to catch up. Laggards also risk being “locked out” of emerging markets as leaders apply their knowledge to emerging trade channels – potentially skipping the brand and category management phases and turning immediately to shopper marketing as the model for consumer marketing.

Becoming a top shopper marketing performer requires a cultural change that typically takes consumer products companies five years or longer, but it must be done to stay in the game. Starting quickly with strong leadership and thoughtful planning will accelerate the process.

2. **Shopper insights will become more closely linked with consumer insights through better organizational alignment and development of shopper-centric skillsets.** Combining shopper insights and end consumer insights will provide a more powerful tool for improving the relevancy of product development as well as shopper/consumer programs both in-store and out-of-store. Companies will invest in the knowledge management technology required to make scalable insights available across the organization.
3. **Shopper marketing will play a crucial role in a holistic, 360-degree marketing approach.** As companies develop effective, comparable measurements for in-store marketing, companies will optimize and continuously improve their mix of all elements of the marketing wheel. Shopper, mass, trade, online and other marketing elements will have to compete for investment by performing against marketing objectives. Traditional functional walls will be broken down and we will see a convergence around planning and investment decisions to drive efficiency in brand and banner development.
4. **Retailers' clean store policies will drastically reduce the opportunity for manufacturers to use displays and other visual marketing stimuli at the point of sale.** Since there will be fewer in-store opportunities available, retailers will become even more selective in partnering. Manufacturers that view shopper marketing as solely in-store visual messaging will struggle to find room to play in this environment. Those that view it through a broader lens as a way to connect with shoppers (including the use of merchandising, package design, labeling and shelf layout) and are able to deliver the most consistent and holistic relevance to the retailer's core shoppers will have the advantage.
5. **Retailers will divide into camps based on their collaboration strategies.** One group will embrace shopper

marketing as a way to work with manufacturers to improve the shopper experience and drive revenues through increased trip frequencies and basket sizes. They will share shopper data and develop deep relationships which are rewarding for both sides.

The next two camps of retail strategies are dangerous for retailers and manufacturers alike.

The second group will listen to manufacturers but take sole responsibility for their in-store strategies without truly giving manufacturers a seat at the table. Listening to manufacturers but excluding them from the final strategy risks alienating them and losing out in the future. Alienated manufacturers may take their most valuable insights, funding and programs elsewhere.

A third group will see shopper marketing primarily as a way to extract revenues from manufacturers by “selling real estate.” Using new tools and technologies to better understand the value of store parts and working with manufacturers to improve shoppers’ experience is a sound strategy. However, when retailers use these tools to purely monetize the store, they are essentially abdicating control over the shopper’s in-store experience. This strategy is sure to deliver a short term profit boost but is unlikely to be a winning strategy in the long-term.

Many companies will struggle to adapt to these challenges. However, for those companies that move quickly and thoughtfully, building the organizational capabilities and commitment to succeed, shopper marketing will be a powerful source of sustainable strategic advantage.

A Call for Industry Cooperation

Shopper marketing promises great returns for the entire industry – manufacturers, retailers and agencies. While both manufacturers and retailers are clearly aiming to develop competitive advantage through differentiation, shopper marketing is not just about shifting share. It is also about raising the tide within expandable categories and delivering incremental growth for all participants.

To accelerate and multiply the promise of shopper marketing for all stakeholders, the industry should work together towards the development of standards, benchmarks and best practices.

Nielsen In-Store’s P.R.I.S.M. consortium and others have begun to define industry-wide standards for metrics such as in-store gross impressions. The industry needs to continue to build upon these efforts to prove out existing metrics and develop new ones so that marketers can focus on effectively allocating resources and creating value, not guessing at the effectiveness of programs.

The industry should also work to develop blinded benchmarks on shopper marketing impacts and processes. By improving the process and better understanding what works and what does not across the board, it will be easier for retailers and manufacturers to work together on the activities that drive the most shopper relevance.

Finally non-competitive industry players should establish shared interest groups to exchange ideas and best practices. This will accelerate the sophistication of shopper marketing across the industry, growing the pie for all.

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The Grocery Manufacturers Association

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