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PRESENT:

Shopper Marketing Best Practices: A Collaborative Model for Retailers and Manufacturers

A report from the Retail Commission on Shopper Marketing

SPONSORED BY:



ACKNOWLEDGMENTS

The Retail Commission on Shopper Marketing was created in April 2009 to develop a new model of effective collaboration for consumer product marketers and retailers. It comprises marketing and merchandising executives from 10 leading U.S. retailers, and is facilitated by the In-Store Marketing Institute and The Partnering Group. Coca-Cola has generously served as lead sponsor. A group of 12 strategic advisors has provided additional input and financial support.

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EXECUTIVE SUMMARY

- **Shopper marketing is the next evolutionary stage in strategic retail marketing, and a mandatory component of effective consumer marketing in general.**
- **The most essential and effective form of shopper marketing involves collaboration between retailers and product manufacturers.**
- **Effective shopper marketing demands a blueprint for collaboration that will help standardize many of the operational processes necessary for the practice.**
- **To date, shopper marketing has been driven primarily by manufacturers. But to fully capitalize on its promise, retailers must play a key role in further developing the concept and the processes required to carry it out.**
- **The Retail Commission on Shopper Marketing was formed to provide a mechanism for the development of effective retailer-manufacturer collaboration that will drive mutually beneficial business results for both parties.**
- **The Commission's objectives also include developing a framework of strategic, operational and organizational requirements that retailers will need to effectively integrate shopper marketing into existing business practices.**
- **Shopper marketing encompasses an array of integrated marketing and merchandising activities that can influence behavior in all three stages of the shopper behavior cycle (planning, shopping and consuming) and at all steps along the path to purchase.**
- **Successful shopper marketing begins with the development of a strategic plan to serve as a blueprint for retailers to follow internally and a guide for their manufacturer partners.**
- **Collaboration may, in certain cases, begin at the strategic planning level, but more often will manifest itself in the joint development of shopper-focused communication platforms and actionable marketing and merchandising programs.**
- **To fully realize the potential of shopper marketing, retailers and manufacturers must establish working relationships that are more open, productive and results-oriented than has been the historical norm, and must develop the organizational capabilities necessary to accomplish this goal.**

STATE OF THE INDUSTRY: EVOLUTIONARY THINKING

Shopper marketing has emerged in recent years as a breakthrough concept in the evolution of consumer communication, as product manufacturers and retailers alike have identified a growing need to influence the shopping experience.

The proposition that product manufacturers should place as much (if not more) emphasis on marketing through retail as they do on mass media initiatives has been a shock to many industry practitioners — and incomprehensible to others at organizations for which media advertising has always been the dominant communication vehicle.

The concept has the potential to be transformative in shaping marketing strategy and improving business performance and, for many organizations, will require a significant realignment of corporate structure and resource allocation. However, the underlying truth is that the rise of “shopper marketing” does not represent

an industry revolution, but rather a natural progression dictated by seismic changes in consumer behavior, mass communication, the retail landscape, and technological innovation.

Consumer/shopper behavior: The differences between today's consumers and those of even the late-20th century are numerous. Twenty-first century consumers have far more media options, and subsequently much greater control over the messages they encounter. They have more retail destinations from which to choose, and consequently less loyalty to any one chain. Their shopping trips typically are much shorter in duration, yet they often require more information to complete them.

The marketing industry's understanding of these "consumers" has changed in kind, through the gradual realization that their needs and motivations often change dramatically when they turn into "shoppers." Further still, the same "consumer" has identifiably different needs and motivations during her pantry-loading trip to ShopRite on Saturday than when she stops at Walgreens after work to pick up a prescription.

Mass communication: The fragmentation of mass media, which began with the advent of cable television in the 1980s and increased exponentially through the arrival of the Internet in the 1990s, has made it far more difficult for marketers to effectively reach large segments of the population. This trend has led packaged goods manufacturers to reassess their marketing budgets to identify other avenues for mass communication, but also to re-evaluate their strategies to focus more on targeted activity. In both respects, the store has been identified as an ideal location, and in-store marketing budgets have risen accordingly.

Elsewhere, the proliferation of cell phones and other personal communication devices, along with the emergence of social media networks, have fostered a "next generation" consumer who gathers information and shops much differently than his predecessors — and whose habits continue to evolve.

The retail landscape: A near relentless focus on growth, achieved through aggressive new-store or acquisition strategies, created powerful national chains whose weekly traffic counts outnumber the viewership of all but the most popular media properties. However, it has also often led to the aforementioned erosion of store loyalty.

This store proliferation, and the intensified competition it has caused, has also led to a blurring of traditional retail channels, as drugstores sought to become convenience stores, c-stores sought to become supermarkets, and supermarkets sought to become mass merchants (at least for a time).

Therefore, retailers have altered their growth strategies in the last few years to place a far greater emphasis on same-store sales and profitability, which demands a deeper understanding of store traffic and shopping behavior. Developing effective strategies for leveraging the potential of key shopper segments has become a business priority.

Technological innovation: Such breakthroughs as portable communication devices and wireless delivery systems have given consumers complete control over their "consumption" of media, but simultaneously — in conjunction with advanced data-capture techniques — made it easier for marketers to collect information about shopping behavior.

These events have intertwined over the last decade to incubate the concept of shopper marketing as a critical strategy for the 21st century.

THE IN-STORE EVOLUTION

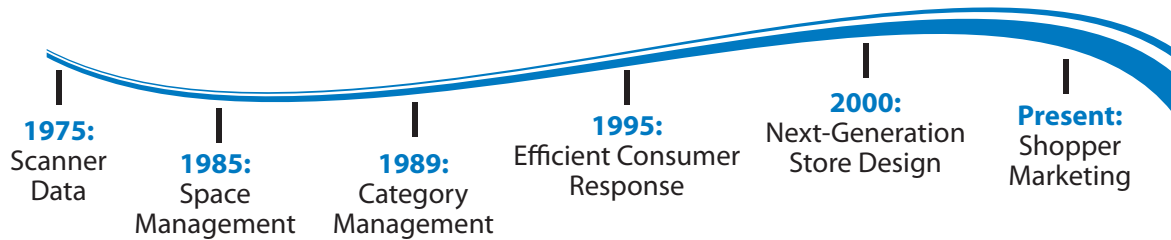
They also have combined to make shopper marketing the next logical step in the evolution of strategic retail marketing, which has been steadily moving toward a stronger shopper focus since Piggly Wiggly first began stocking products in front of counters in 1916.¹

Based largely on the belief that brand awareness and purchase consideration were more than adequately achieved through media advertising, retail has long been viewed by consumer product marketers as a distribution channel for their brands. Their counterparts in sales often thought differently, but tended to focus more on the sell-in, rather than the sell-through. (Thus, trade promotion was born.)

Retailers, historically, considered themselves as merchants, not marketers, and typically viewed media advertising as a way to promote their product offerings, but their stores as simply the place to present them.

These two rather rigid conceptions have been softening for some time, however, as the potential for obtaining shopper insights has grown. The first major evolutionary wave came in 1975 with the widespread adoption of checkout scanner technology (first launched one year earlier by Commission member Marsh Supermarkets). This new ability to analyze sales data in various permutations, refined and expanded over the ensuing decades, let retailers and manufacturers develop insights-based strategies for pricing, promotion and product assortment.

The Evolution of Shopper Marketing



A deeper understanding of how this data could be used led a decade later — after the introduction of personal computers — to the rollout of analytical software tools that let retailers and manufacturers better measure the results of their activity. Inventory management became more science than hunch, as space management tools like Apollo and Spaceman were adopted industry-wide.

Success in that area inspired retailers and manufacturers to broaden these analytic capabilities to product assortment, price, promotion and other tactics, which opened the door for the introduction of category management in 1989.² This concept was designed to provide the strategic framework needed to effectively implement the insights that would be derived from such data analysis.

The adoption of category management was a watershed event in the evolution to shopper marketing, because it moved the industry from a strict focus on individual products to a far more consumer-focused emphasis on product categories. It also provided manufacturers and retailers with their first common platform for mutually beneficial collaboration, a significant step forward from previous seller-buyer negotiations.

What's more, work on category management soon triggered the realization that deeper insights into consumers and shoppers could significantly improve business results and deliver a competitive advantage. Manufacturers and retailers responded accordingly, with some in the latter group laying the groundwork for developing consumer-focused marketing capabilities.³

The concept of collaboration was institutionalized in the mid-1990s with the "Efficient Consumer Response" (ECR) movement, which sought to establish consumer understanding as the foundation for improved demand management and supply chain efficiency. But while ECR's mission has always been to improve consumer value and choice at the store level, its attention to reduced costs and streamlined processes has had a debatable impact on marketing and merchandising innovation.

By the turn of the century, many of the factors discussed above led retailers to identify store design as an integral part of the "shopping experience," in terms of both utilitarian features (such as ease of navigation and product adjacencies) and overall atmosphere. A shopper-friendly environment, in short, could differentiate a retailer from its competitors and engender shopper loyalty.

Forward-thinking retailers also began looking at in-store strategies that went beyond category definitions to offer multi-product, consumer need-based "solution centers" and considered the store in its entirety. This step was an even stronger move toward customer-centric merchandising that can even be identified as "shopper marketing" — albeit before the term itself was in vogue.

A final driver of the evolution has been store loyalty-card programs, which provide data that enable retailers to analyze the unique purchase behavior of each shopper. Although these programs have been in place for decades, it has only been over the last 10 years that retailers have begun to strenuously mine the data, which now serves as a key element of shopper segmentation and targeted marketing activity.

SHAPING THE PRACTICE

The stage, therefore, has been set for industry-wide adoption of shopper marketing as an essential go-to-market strategy, in a manner similar to the acceptance of category management some 20 years ago.

This "evolution" has already begun, as a number of companies have initiated the process of realigning as shopper-focused operations.⁴ Many others are at least devoting more resources to shopper research and insights-based planning, creating in-store marketing campaigns that are more relevant to the target audience.

Until this point, however, there have been several significant obstacles to widespread adoption. The first is that the industry has yet to settle on a unifying definition of “shopper marketing” that can serve as the foundation for all activity and set the parameters for the work involved. That has led to the formulation of different — and sometimes divisive — definitions from one organization to the next.⁵

For some, the practice has been identified as an advanced form of “category management,” and therefore places a heavy emphasis on merchandising. Other companies view it as a more sophisticated, insights-driven version of retailer co-marketing or in-store marketing (or even trade promotion). Organizations with a greater marketing slant consider it to be an entirely new way to reach consumers “as shoppers” along the entire path to purchase.

Such lack of clarity has made it difficult for some organizations to fully embrace the concept, because its full potential has not been made clear. The situation is similar to the early days of category management, when the benefits of the practice weren’t completely understood by the industry as a whole.

Category management’s benefits were, however, understood by retailers, who quickly recognized its potential for increasing sales and profits and, therefore, were willing to adapt their existing business practices to accommodate the new strategy.

What differs in the case of shopper marketing is that, so far, product manufacturers have been the primary drivers. And while they have the motivation and resources needed to develop effective shopper-focused campaigns, manufacturers do not as yet have an identifiable connection point within most retailers for having those ideas evaluated and executed effectively.

Without a full commitment from the retail community, and the development of a framework through which retailers and product manufacturers can collaborate on targeted initiatives, shopper marketing’s potential will not be fulfilled.

PURPOSE OF THE COMMISSION

With the goal of addressing those needs, the Retail Commission on Shopper Marketing was formed by the In-Store Marketing Institute and The Partnering Group (TPG) in April 2009. The objective was to develop guidelines for a rational, deliberative process that enables retailers to leverage manufacturer insights and other resources in transformative initiatives that enhance the shopping experience and increase customer loyalty — while driving sales and profits for both parties.

While the full scope of shopper marketing encompasses a much wider range of strategies and tactics that, basically, mirrors the entire field of consumer communication, the Commission has focused its work on this concept of collaboration, which its members believe is the most essential aspect of the practice.

The Coca-Cola Company generously agreed to be lead sponsor of the project, which soon gained the support of marketing and merchandising executives from Food Lion, Giant Eagle, Marsh Supermarkets, ShopRite, Meijer, Schnuck Markets, Supervalu, Walgreens, Wegmans and Walmart. Members of these companies convened for several meetings over the course of one year, and also met individually with TPG for in-depth, proprietary discussions.

In late-summer 2009, representatives from Campbell Soup Co., Clorox Co., Hershey Co., Kellogg Co., Kimberly-Clark, Johnson & Johnson, Sara Lee, Hewlett-Packard Co., Chiquita Brands, Mars Advertising, Arc Worldwide and TPN came on board as strategic advisors. These companies were instrumental in helping the Commission develop a full understanding of the overall industry’s needs.

The full Commission thus comprises executives from 23 leading companies representing all key sectors of the retail marketing community. Their willingness to dedicate time and resources to the Commission’s work is testament to their belief that shopper marketing is a key strategy for future business success.

The tangible goals of the Commission were four-fold:

1. Create a concise definition for “shopper marketing” that would address the potential benefits for both product manufacturers and retailers.
2. Present a set of key principles to serve as a foundation for all collaborative shopper marketing activity.
3. Develop a basic framework for the collaborative process that can be a “starting point” for efficient and effective planning.
4. Identify the strategic, operational and organizational capabilities that best-practice companies will need to successfully implement shopper marketing.

1. DEFINING SHOPPER MARKETING

Within all the various perceptions about shopper marketing discussed earlier sits one irrefutable objective: to inspire a targeted group of shoppers to select a particular product in a specific store, thereby building loyalty for both retailer and brand.

In that vein, the Commission devised the following definition:

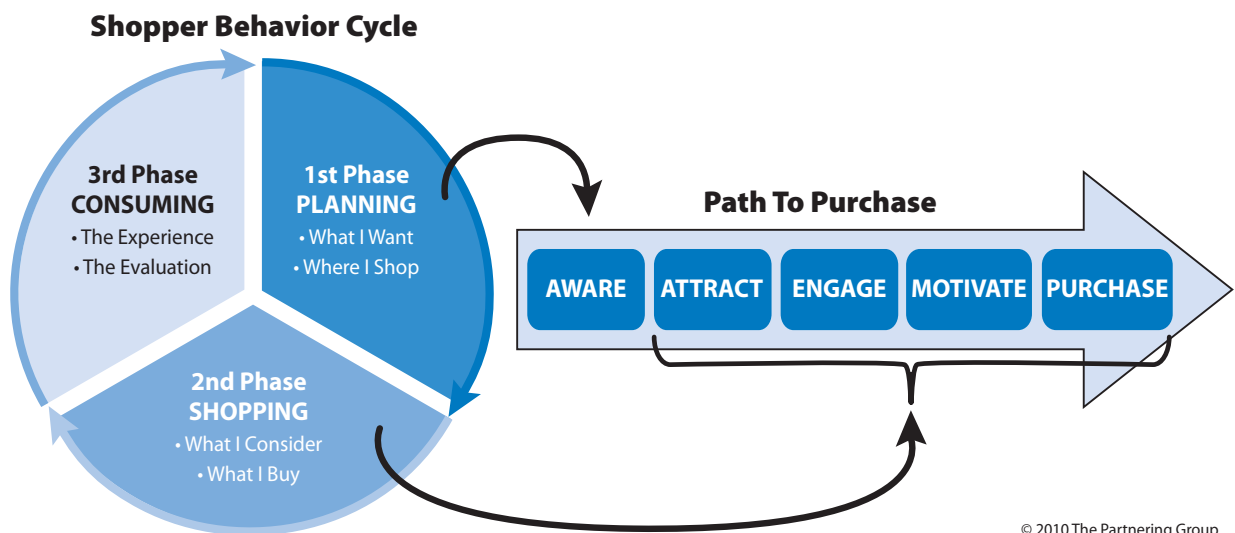
“Shopper Marketing is the use of *insights-driven* marketing and merchandising initiatives to satisfy the needs of *targeted shoppers*, enhance the *shopping experience*, and improve *business results* and *brand equity* for retailers and manufacturers.”

Several key phrases within that definition require additional discussion:

Insights-driven: Perhaps the most significant differentiator between shopper marketing and the collaborative practices that preceded it is the consistent, strategic use of research-driven knowledge about consumers and shoppers to inform its development.

These insights can be derived from a variety of sources and obtained through numerous means, including scanner and loyalty-card data, store intercepts, ethnographic research, online surveys, consumer panels and focus groups. The only criterion is that they provide actionable data for influencing behavior in the phases of the shopper behavior cycle and along the path to purchase.

Shopper Behavior Influence Road Map



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Targeted shoppers: Certainly, there are some universal characteristics of shoppers that can be leveraged to design successful shopper marketing programs that are broad in scope but otherwise adhere to the definition.

But the true strength of the practice resides in identifying the purchase influencers of specific groups of shoppers in order to make a stronger, more lasting connection. Targeting also helps establish the common ground on which retailers and manufacturers can align their respective objectives. In this context, shopper segmentation becomes a critical element of the practice.

The shopping experience: At the most basic level, this phrase refers to the stimuli encountered and perceptions created in bricks-and-mortar stores, as well as retail websites and other e-commerce formats. But it goes well beyond such transactional occasions to encompass all activity along the path to purchase designed to influence brand awareness and preference, store selection, consideration, in-store experience and, ultimately, post-purchase evaluation (see chart above).

Improve business results and brand equity: The potential benefits of shopper marketing extend well beyond short-term incremental sales to include cost reduction, profit growth and long-term revenue gain, among other financial and operational benefits.

They also include improved customer loyalty, shopper satisfaction and brand equity, efforts that historically have not been associated with in-store marketing but for which the retail environment has emerged as an ideal vehicle.

THE UNNAMED INGREDIENT: COLLABORATION

One word missing from this definition is, ironically, the one that the Commission identified as most essential to effective shopper marketing: “collaboration.”

The word was included in early versions of the definition, but later removed to recognize the fact that shopper marketing’s full scope covers a wide range of activity typically conducted individually by manufacturer or retailer in order to effectively communicate with targeted consumers. Among the more obvious examples are package design (or even product efficacy itself) on the part of manufacturers, and similar private-label development by retailers.

In reality, however, nearly all consumer-focused activity has collaborative potential, because any tactic designed to influence the shopper behavior cycle and the path to purchase may be enhanced through the joint efforts of retailers and manufacturers.

Through analysis of loyalty-card data and other means, retailers can develop a rich understanding of their own shoppers — their product preferences and purchase habits, shopping behaviors and promotional drivers — that product manufacturers cannot gain on their own. Manufacturers, on the other hand, offer retailers a broader, deeper understanding of consumers as it pertains to their product categories — not to mention a far greater understanding of the competitive retail landscape — that retailers typically don’t have the resources to gather on their own.

The collaborative approach also simply brings more resources to the table in terms of research capabilities, analytical prowess, financial resources, execution competence and other vital functions. The retailers on the Commission were unanimous in their assertion that manufacturers will play a vital role in their development of effective shopper marketing practices. Representatives from product manufacturers similarly stressed the need to partner with key retail accounts to ensure future success.

Although it has transformative potential, shopper marketing is not a radical new way of doing business, but rather a natural step in the evolution of retail marketing (although spurred on by radical changes in media, technology and consumer behavior, as discussed above). It unites all the best aspects of long-standing industry practices such as customer marketing, trade promotion, consumer promotion and in-store marketing through a formal process that makes shopper value the ultimate goal.

2. KEY PRINCIPLES

The Commission identified six underlying principles that further define and guide collaborative shopper marketing. They are:

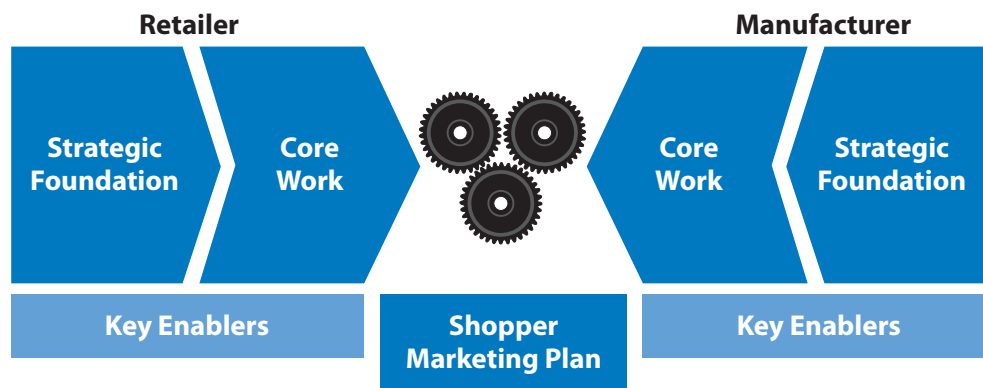
Focuses on the Shopper/Consumer: Lip service has long been paid in the marketing community to the idea that activity must be focused on the consumer. Here, however, the concept is essential to ensure partner alignment and campaign effectiveness.

To achieve this focus, shopper marketing must *leverage research and insights* to develop strategies and concepts that will resonate with targeted shopper segments. It will *recognize and identify different shopper segments* to address the wide disparity of needs and influences found among today’s consumers. It will produce *differentiated, personalized messages* that speak directly to the target audience. And it will *deliver a value-added offer and experience* that truly distinguishes the brand and retailer in the minds of shoppers.

Sponsored and Enabled by Retailers: In effective partnerships, product manufacturers will take the necessary steps to *align with the retailer’s marketing and shopper segmentation model* to develop strategic programs rather than merely offering tactical campaigns. They will help the retailer present a *consistent brand message* and a *clear, consistent message to shoppers* across all touch points — understanding that the store environment, while essential to success, is not the only medium that can be leveraged.

Delivers Execution Excellence: Retailers must adopt procedures and measurement systems to ensure functional alignment internally. It is vital for the historic shortcomings of in-store marketing — namely, poor execution — to be improved through the collaborative process. One key area to address is the *critical linkage between category management and shopper marketing functions.*

Collaborative Shopper Marketing Framework



Driven by a Strategic Planning Process: Successful partnerships will combine the partners' respective intellectual and organizational strengths for maximum effect, *sharing shopper and consumer insights and leveraging the brand equity of each.* They will link to the business plans of both retailer and manufacturer, who will work together to ensure operational alignment and in-store excellence and develop a shared scorecard of mutually understood performance metrics. Named "shopper marketing planning" by the Commission, this process will be a key deliverable of the practice and the manifestation of collaborative activity.

Delivers Real Shopper Value: Effective shopper marketing looks beyond short-term incentives to enhance the shopper's experience and deliver the promised value, thereby fostering loyalty to both store and brand. While this doesn't exclude temporary price reduction and other basic promotions from the options, it does require such tactics to be more strategically focused on specific shopper segments and stores.

Creates Efficiencies and Improved Returns: To justify the organizational realignment and ongoing enhancements to current business practices that will be required, collaborative shopper marketing must deliver more efficient ways to reach targeted shoppers. That entails improved shopper satisfaction on one hand, and a better return from related investments on the other.

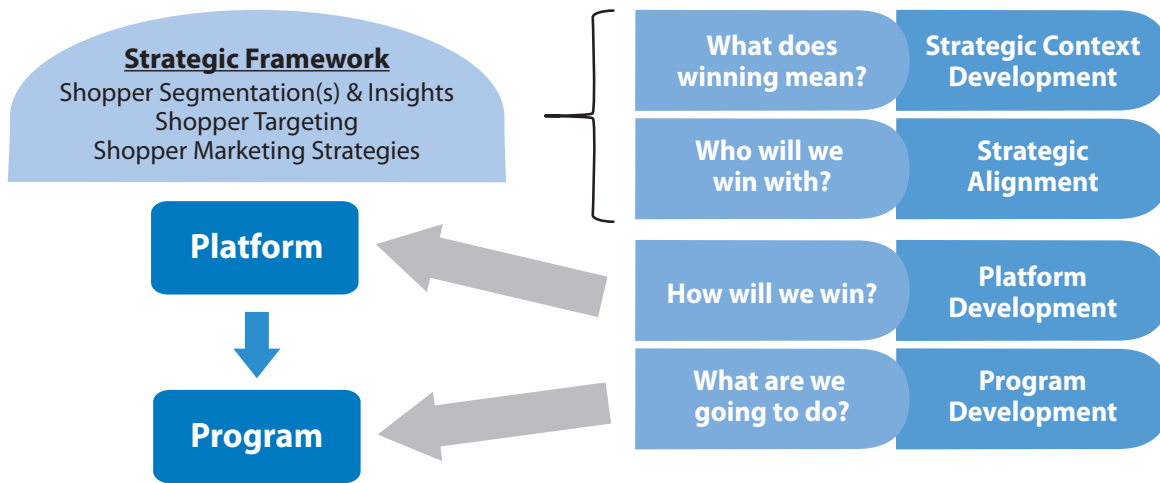
3. A FRAMEWORK FOR COLLABORATIVE SHOPPER MARKETING

These principles were established by the Commission to serve as the philosophical underpinnings of a more formal process in which retailers and manufacturers will jointly develop and document a Shopper Marketing Plan to direct their collaborative activities, helping them align on objectives and expectations, assign roles and document all the necessary parameters of the work involved.

The model devised by the Commission consists of three levels of development that guide the Shopper Marketing Plan down the path from strategic concepts to tangible, shopper-facing activity. Briefly, they are:

1. Development of a Strategic Framework that ensures the Shopper Marketing Plan is linked to the retailer's go-to-market strategies and is aligned with the target shoppers and consumers of the retailer and partnering manufacturer.
2. Development of a Platform that describes the Shopper Marketing Plan's key communication strategies.
3. Development of Programs that deliver the Platform's message to target shoppers.

Shopper Marketing Plan Development



In terms of specific deliverables, the shopper marketing plan will be a physical document that addresses four core business areas:

Strategic Context Development (What does winning mean?) What are the company’s objectives and strategies at the corporate, store banner and department level? What is the rationale behind them? How is success measured? What are the applicable policies and guidelines?

Strategic Alignment (Who will we win with?) What are the company’s shopper segments? How valuable is each segment to success? What are the key expectations of these segments? How important is each expectation? How do they align with the shopper segments of key manufacturers? Which segments represent priorities and why?

Platform Development (How will we win?) What do these segments expect from the retailer? What departments, categories and brands are important to them? What strategic platforms will satisfy these expectations? How will they be communicated? What are the desired results?

Program Development (What are we going to do?) What programs will effectively communicate the platforms to the targeted shoppers? What tactical elements can be utilized? How will they be deployed? How will results be measured? Is the plan delivering the desired results? What modifications may be needed?

THE STRATEGIC FRAMEWORK

The foundational piece of the Shopper Marketing Plan is the development of a Strategic Framework that details the retailer’s overall Strategy and the processes that will be required for its implementation. One of the most important goals in establishing the framework will be to connect shopper marketing activity to the retailer’s other business strategies. Failure to accomplish this step could reduce the work’s scope to tactically focused events that won’t improve long-term performance.

Establishing a framework for the plan also will provide the basis for an essential piece of collaboration: the alignment of the retailer’s target shopper segments with the target consumer (or shopper) segments of its manufacturer partners. By defining and prioritizing its own segments, the retailer can then work with manufacturers to identify common opportunities for reaching targeted groups that satisfy the objectives of both partners.

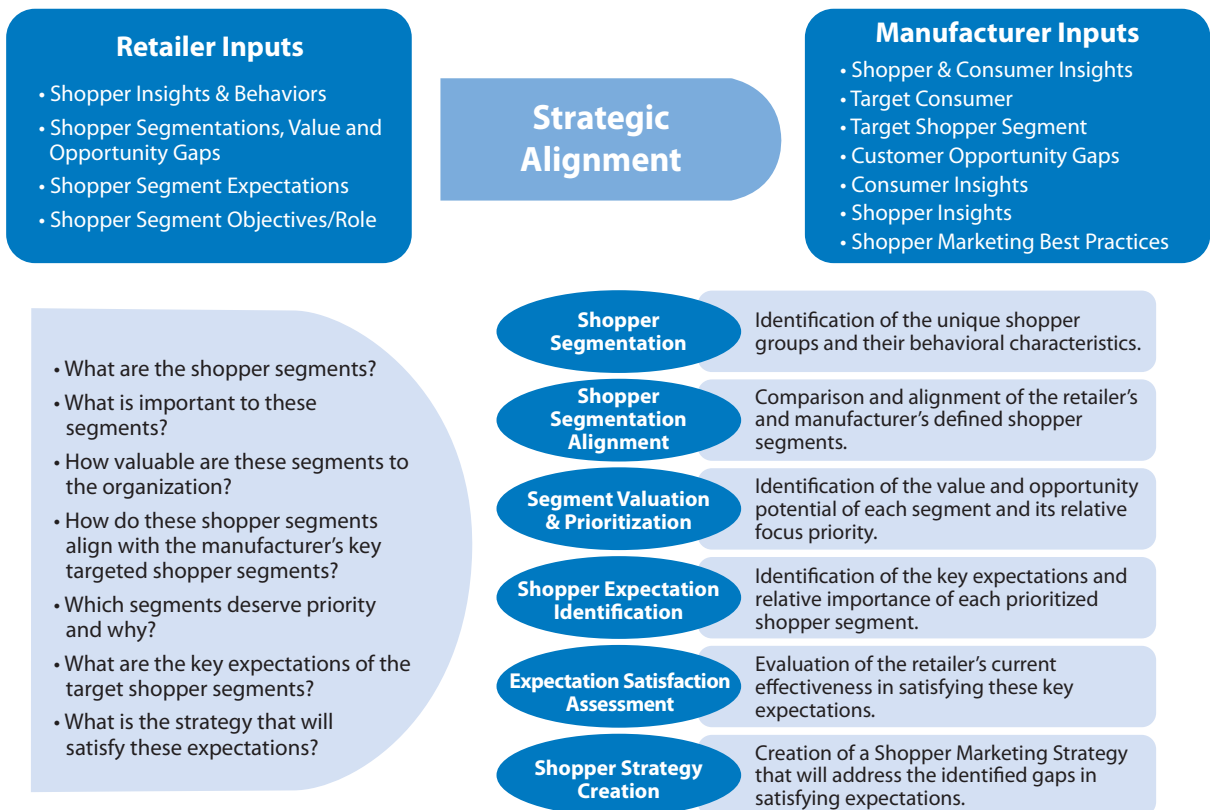
For maximum success, the Commission determined that the Shopper Marketing Plan should possess the following characteristics:

- It must be *shopper-centric*, based on actionable insights and delivering real shopper solutions. It must *differentiate* the retailer and partnering brand in the eyes of shoppers by presenting a unique experience. And, it must leverage and *reinforce the brand* positioning of both retailer and brand.

- It also must be truly *collaborative*, not just in terms of pooled resources but through mutually developed expectations, aligned objectives and success measures. Retailers and manufacturers currently spend too much time and effort deciding “how” to collaborate. Having a predetermined “plan of attack” will let the partners devote their energy to creating effective programs.
- The plan should be *comprehensive and robust* enough to provide guidance for companies that already have reached some level of shopper marketing expertise, but also *fundamentally clear* enough to be used by less-advanced practitioners.
- While the plan should be developed through a formal process of collaboration, it must be *flexible* enough to let partners leverage their unique capabilities. Creating too rigid a template runs the risk of limiting innovation and, with it, potential success. Shopper marketing will not flourish if innovation is hindered.

It’s important to remember that a key aspect of shopper marketing is the creation of programs that will differentiate a retailer from the competition. Indeed, a limitation of category management was the way in which the process led to similar planograms across the industry, making retailers virtually indistinguishable from each other at the shelf level. Therefore, while the Commission is offering these guidelines, each retailer will be responsible for developing plans that lead to differentiation.

Retailer-Manufacturer Strategic Alignment

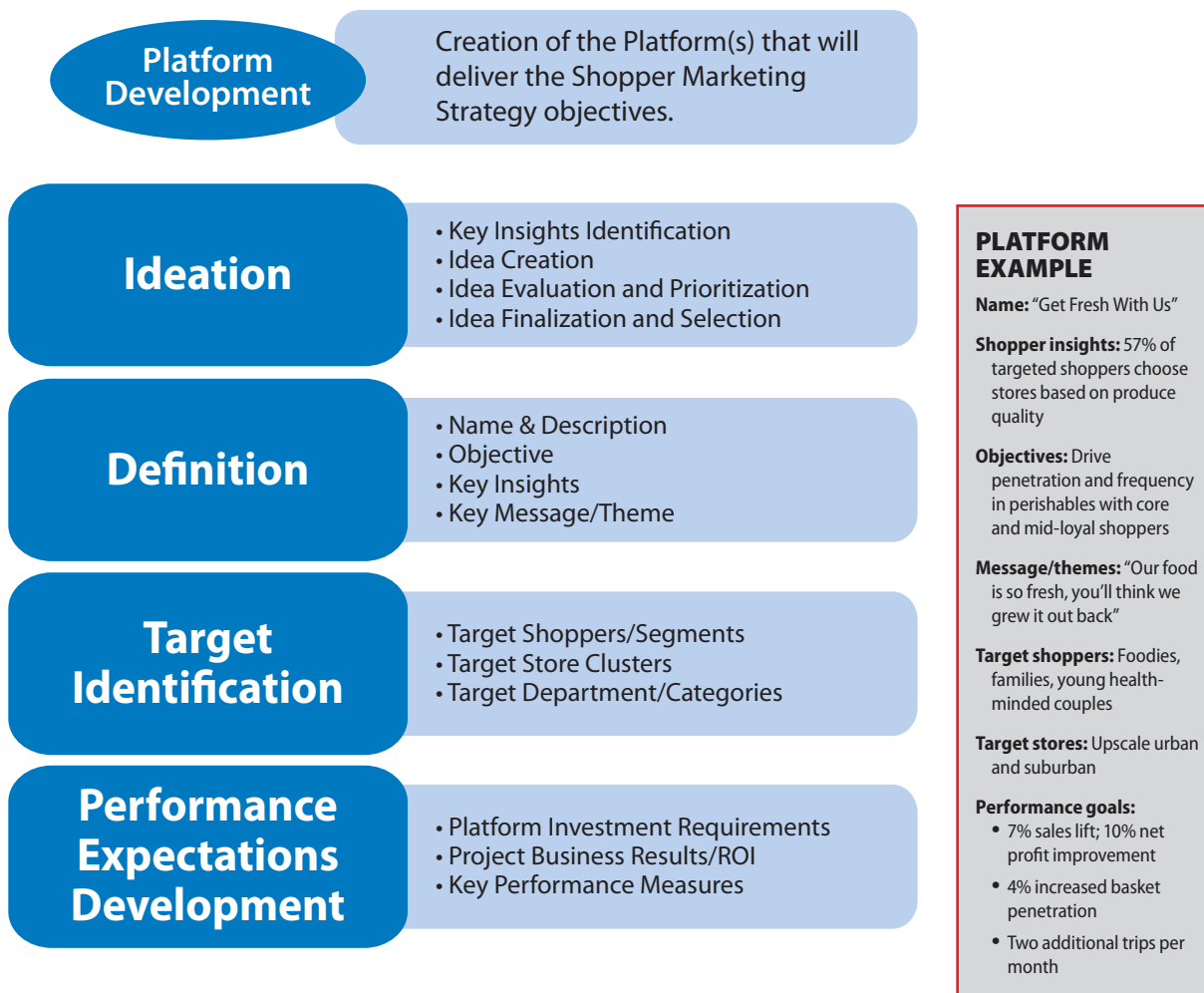


PLATFORM DEVELOPMENT

Platform development is designed to create a “game plan” for achieving the retailer’s shopper marketing Strategy as outlined in the plan. In this stage, the retailer will work independently or with manufacturer partners to specify the target shoppers and stores (and/or departments), create key messages and themes, outline objectives, and set performance goals and measures. They also should document the key shopper insights on which the Platforms are based.

The process begins with the ideation, evaluation and selection of potential concepts. Among the criteria to consider are the degree to which the platform aligns with Strategy, whether it delivers unique shopper benefits and competitive advantages, the amount of growth potential it offers, the synergies it creates with other core competencies, the complexity of implementation, and the risk vs. return.

The example below (at right) presents a shopper marketing Platform at a retailer for which product freshness is a key go-to-market strategy.



PROGRAM DEVELOPMENT

Program development creates the marketing and merchandising campaigns that will present the retailer's platforms to the target shoppers. It will borrow many of the inputs from Platform development, but drill down to identify specific tactics, categories and brands that will be utilized. It also may narrow the focus to a subset of target shoppers or fine-tune performance goals.

It also will include a list of the key tasks necessary to execute the program, identify the "owners" of each task, and establish a reasonable timeline to ensure effective planning and execution. This area, too, is critical to the future of shopper marketing, which must overcome what until now has been a stumbling block in manufacturer-retailer collaboration: the lack of accountability for in-store execution levels, which historically have been inconsistent.

The example below (at right) presents a sample Program for a retailer whose key communication points include the previously discussed Platform of product freshness. (A more detailed example can be found in the chart on page 14.)



PROGRAM EXAMPLE

Name: "Fresh & Ready To Go"

Shopper insights: 48% of targeted shoppers plan dinner that day; 32% eat out two or more times weekly.

Objectives: Drive increased purchases in Fresh departments among loyal shoppers and increased penetration among less loyal shoppers.

Target shoppers: High Loyal & Mid-Loyal Time-Starved Families

Target stores: Upscale urban and suburban markets

Communication: Simple meal solutions your family will love, made from quality fresh products in less than 20 minutes

Target brands: Market-leader premium brands and own brand

Tactical elements:

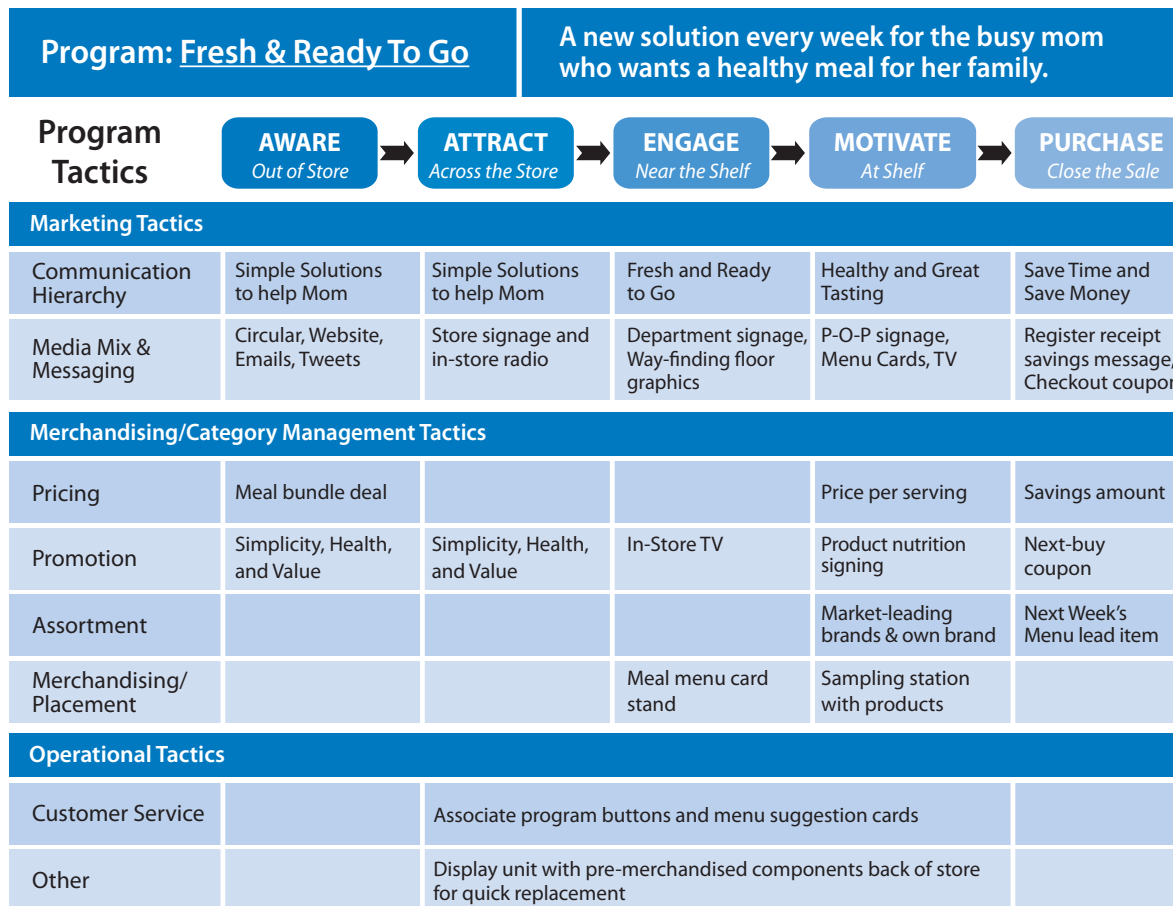
- Circular
- Website menu planning
- Mom's discussion blog, Facebook posts, Twitter tweets
- Email "meal of the day"
- In-store way-finding signage
- Solution tables with sampling
- Meal bundle promotional pricing
- Menu cards and meal planning guides

Performance targets:

- High-Loyals: 3% basket size increase and 1 more trip per month.
- Mid-Loyals: 8% penetration increase in Fresh departments, 5% basket size increase, 1.5 more trips per month

The Commission also recognized the potential for scenarios in which the manufacturer would lead the process by largely constructing Programs or even Platforms for retailers lacking the internal resources to do so. Shopper marketing also offers the possibility for manufacturers to develop national programs individually, and then work with retailer partners to modify messages, tactics and other components to align with the retailer's Strategy plan and/or fit the constructs of its Platform.

Shopper Marketing Program



PLANNING FOR COLLABORATION

Once the retailer has developed its strategic plan for meeting shopper needs, it will be equally important to align the objectives, goals and strategies of partnering manufacturers to ensure that the collaboration will be mutually beneficial. Manufacturers will need to present their objectives, goals and strategies from the corporate, business unit, category and brand levels, as well as in the context of their category management strategy.

While there is room for discussion/negotiation at this stage, it is extremely important for product manufacturers to understand that they may often need to adjust their strategic thinking in order to align with their retailer partners.

One obvious example is the understanding that shopper marketing programs will more often be designed to improve performance at the category level (or higher), rather than for any specific brand. (A number of manufacturers, in fact, have already adopted this idea.) While well-planned and executed programs should produce immediate business benefits, the full "payoff" for shopper marketing has "a long fuse," as one Commission participant described it.

The Commission identified three levels of potential collaboration: Strategy, Platform and Program. These points of collaboration correspond with the three levels of Shopper Marketing Plan development previously discussed in this report.

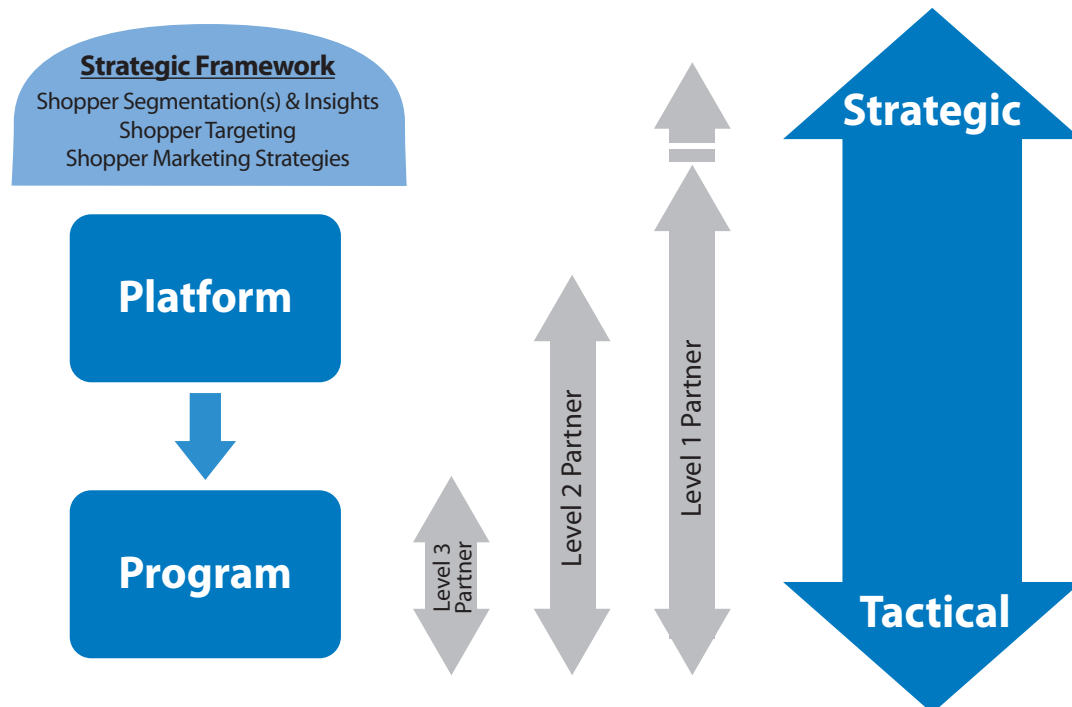
There is potential for retailers and manufacturers to work together at the **Strategy** level to develop their overarching shopper marketing strategies. For the most part, however, the Commission concluded that this work, which involves establishing a company's core mission and go-to-market strategies, will be primarily an internal function, with input from key partners obtained on an as-needed basis rather than through joint development. (The suggestion was even made that organizations needing assistance at this level might lack some of the resources necessary to be strong collaborative partners.)

There have been many examples in recent years of manufacturers and retailers joining forces to reinvent store departments or category sets for mutual benefit.⁶ And that type of work will increase in intensity as shopper marketing continues to gain acceptance. But such store-level Strategy development is better ascribed to the next level of collaboration: Platform development.

The **Platform** level involves the joint development of umbrella themes and marketing concepts that will allow the retailer to communicate its most important messages — as determined by the Strategic Framework — to its target shoppers. Most retailers have multiple platforms through which they conduct a variety of shopper-facing activities.

Collaboration at the Platform level requires manufacturers to demonstrate significant insights and other resources in order for retailers to identify them as key strategic partners. However, not all manufacturers have the requisite capabilities to work with retailers at this level; conversely, not all retailers have a need for assistance in developing platforms.

Collaborative Manufacturer Partner Involvement



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The **Program** level entails specific marketing and merchandising campaigns that serve as the activation mechanism for the retailer's platforms. These programs can provide an ongoing vehicle for effective communication, or in some cases may involve one-time campaigns.

The less-intensive nature of programs allows for participation from a greater number of manufacturers, often in a partnering capacity after the retailer's platforms have been developed, or even after the programs

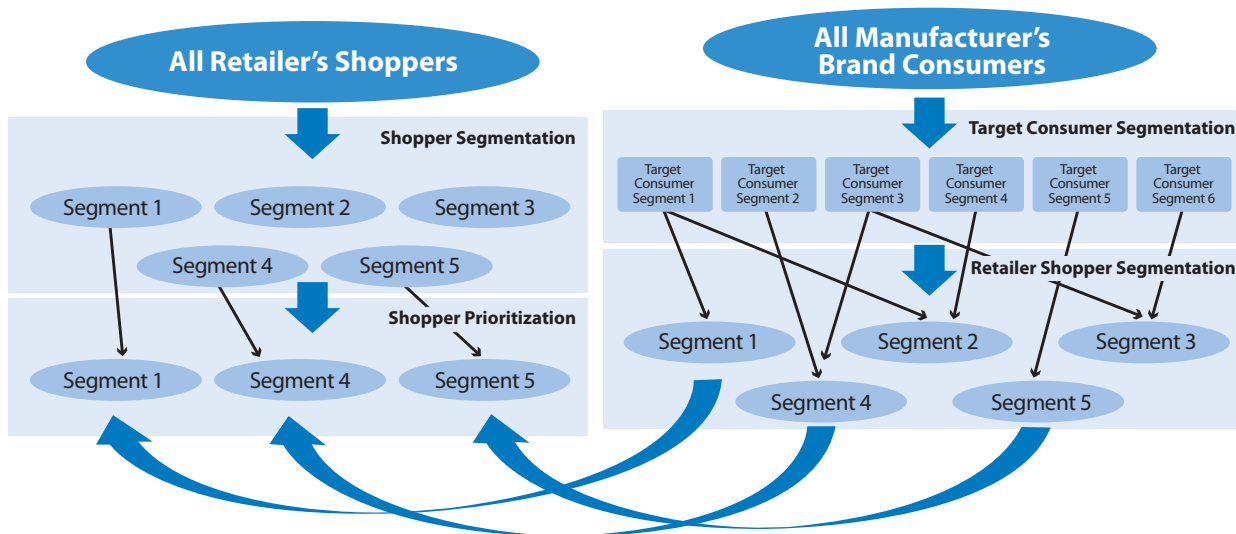
themselves have been planned. Once they have an understanding of the retailer’s shopper marketing strategies and platforms, many manufacturers would also have the capabilities to present program ideas that fit into the retailer’s strategic model while aligning with its own brand and category strategies.

Chief among the contributions that manufacturers will bring to the collaboration are broader consumer and shopper insights that can be aligned with the retailer’s internal data to create more effective programs, as well as the best practices that they have developed through the course of their work (see chart on page 11).

While it may appear to be a daunting task, the alignment of a manufacturer’s target consumer/shopper segments with the retailer’s own target shopper segments is a vital aspect of the collaborative process. Comparing and overlaying these respective models will identify the most lucrative shopper targets in terms of value and opportunity, uncover key behavioral characteristics, and help the partners prioritize the importance of each segment.

The chart below illustrates this process, through which a manufacturer aligns its target consumer segments to match the key shopper segments of the retailer. The partners are then able to identify the “sweet spots” for collaborative activity that will optimize mutually beneficial results.

Shopper Segment Alignment



4. ENABLING CAPABILITIES

The Commission identified the following four areas of capabilities as “key enablers” that best-practice organizations will develop in order to achieve the full potential of shopper marketing.

Strategy: The company has a clearly articulated vision and strategy for shopper marketing that permeates from top management throughout the organization and is incorporated into all other business planning. It understands that the practice requires adoption of longer-term expectations and strategies designed to benefit the manufacturer or retailer partner equally. It is committed to dedicating sufficient resources to the practice (which, for manufacturers, would include a focus on specific retail channels and customers).

Process Excellence: The company has established a multi-functional planning process that integrates its shopper marketing objectives with its (where applicable) marketing, merchandising, sales, customer management, category management and store operations objectives. This process will be adaptive to enable different levels of collaboration, and will include mechanisms for directing and deploying shopper research. It also will encompass store-level activation procedures and measures.

Key Enablers for Shopper Marketing

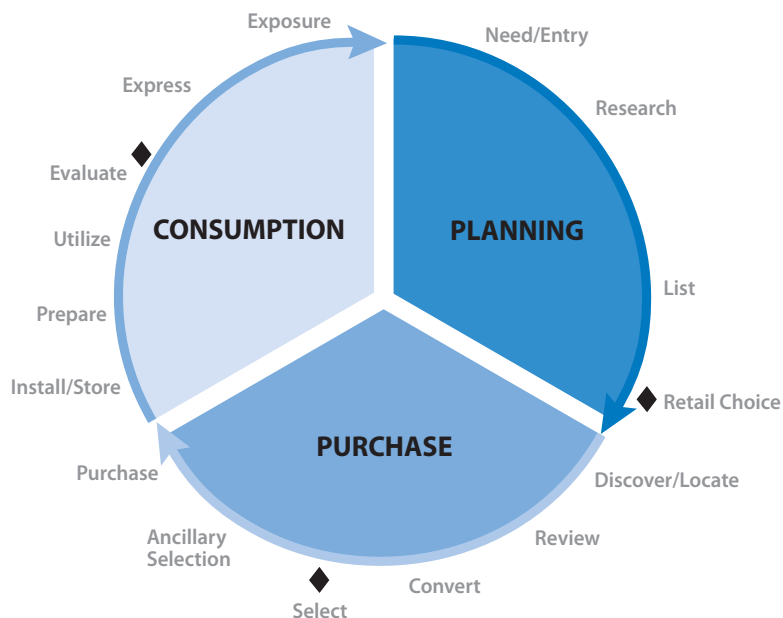


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Organizational Capabilities: Its status within the organization gives shopper marketing an appropriate level of authority and control, and clearly positions it as a stepping-stone for career advancement. Core practitioners ideally will have varied experience in marketing, sales, research and other functions. Capabilities will be deployed effectively at the partner-facing level and will intelligently leverage the assets of marketing agencies and other outside services.

Information/Insights/M Measurement: All functions within the company have established and accepted a comprehensive, balanced set of metrics that includes clear measurement of partner benefits. The company's traditional sales-based metrics have been supplemented with brand equity and/or shopper loyalty measures, and will evolve to evaluate all aspects of shopper behavior and the shopping process (see chart below). Manufacturers will develop methods for translating consumer insights into actionable shopper insights and tools for sharing these insights with retail partners.

Shopper Behavior Cycle



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REQUIREMENTS FOR SUCCESS

The Commission also identified a number of issues that can either be viewed as “requirements for success,” or more pessimistically as “potential obstacles.” To practice the spirit of collaboration with which this paper is being presented, these issues will be discussed with a focus on “success.”

Internal Acceptance: Although the belief that shopper marketing is a key business strategy for the 21st century is now commonly held within the packaged goods industry, there still are more than a few organizations that have not embraced the concept. (This fact, truth be told, was a catalyst for the Commission’s formation.) The collaborative process outlined in this paper presupposes that the involved parties already understand the importance of shopper marketing at the highest management levels and have made a commitment to dedicate significant resources to the practice.

Internal Alignment: Such existing lack of commitment derives in many cases from the presence within product manufacturers of distinct business units and functional silos that, historically, have taken a different view of retailer relationships. In other words, the brand management, sales and customer marketing teams still aren’t always on the same page in terms of objectives.

Similarly, some retailers operate their merchandising, marketing and operations functions as distinct units that — far from working together — are often at odds in terms of goals. Thus, corporate-level initiatives are not aligned with category programs, buyers approve brand promotions without understanding overall business goals, and neither type of program is supported well in stores.

Therefore, an unprejudiced alignment of business units and functions around the concept of shopper marketing is a critical requirement for success. From a different viewpoint, in fact, it also can be considered a primary benefit of adopting the practice, since it could finally tear down the legendary “silos” that often have impeded effective marketing.

External Alignment: The importance of effectively aligning the retailer’s key shopper segments with the consumer/shopper segments of partnering manufacturers cannot be overstated. It is only through the successful identification of mutually beneficial shopper targets that the collaborative process will realize its full potential.

Ownership: Specific individuals within each organization must assume stewardship of the shopper marketing process, and the designation must be communicated clearly both internally and with outside partners. Since shopper marketing is a cross-functional activity, clear ownership must be established to make sure that the process isn’t “lost” in the cracks between functions.

Understanding that the determination of “ownership” is an internal decision based on business goals, pre-existing structure and other factors, the Commission is not making recommendations on which functions or departments should be granted this stewardship.

But it does strongly advise against the creation of an entirely new function that would operate distinctly from marketing, merchandising and other existing business units. That option may do more harm than good by creating additional layers of bureaucracy through which to work. (As noted earlier, one of the strongest benefits of shopper marketing may be its ability to “bridge” formerly disparate functions through mutually beneficial planning.)

Commitment: The collaborative process is based on the understanding that the partners have reached the necessary level of alignment and organizational commitment before moving into the detailed planning of Platform or Program development. This upfront alignment is crucial to ensure that resources will not be wasted and a common focus exists.

Funding Expectations: Contrary to popular speculation, shopper marketing should not be viewed by retailers primarily as an additional source of vendor funding, or by manufacturers as an opportunity to increase their departmental budgets (perhaps at the expense of other units). Doing so devalues the practice, distracts from the core goal of shopper-centricity, and threatens the collaborative process.

Instead, it should be viewed as an opportunity for organizations to better leverage existing assets and optimize available funding to change shopping behavior in ways that will benefit both partners. This issue should, however, be discussed openly early in the process, with both retailer and manufacturer disclosing their expectations and the resources they have available.

Confidentiality: Truly collaborative shopper marketing will require retailers and manufacturers to share potentially sensitive information about their businesses and go-to-market strategies. The partners should therefore establish and maintain confidentiality agreements that will foster an atmosphere of confidence and

trust. This will facilitate the exchange of information that, historically, some organizations have been reticent to share with outside companies.

The flipside of this issue is, of course, transparency. Partners must be ready, willing and able to share all the information and resources needed to implement the collaboration.

Follow-through: As noted earlier, one of the more frustrating realities of retail marketing has been historically weak store-level execution of marketing and merchandising programs that were developed and/or approved at the corporate level. The collaborative model assumes that the work will not end with approval of the plan, but continue through high-level execution in the field and post-program evaluation.

NEXT STEPS

While the fact-finding and discussion phases of the Retail Commission's project are complete, members of The Partnering Group continue to shape the findings into a detailed report that will be presented to the industry in fall 2010.

In addition to providing greater detail on the areas covered in this paper, the final report will include an in-depth discussion of the enabling capabilities required of both retailers and manufacturers, as well as an "implementation road map" that will guide organizations on the steps needed to begin the process.

The report will also include case studies from pilot programs that are currently in the field. Undertaken by retailers and manufacturers that served on the Commission, the pilots are designed to validate and make any necessary modifications to the collaborative model recommended here.

FOOTNOTES

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3. Harris, Brian. "Bringing Shopper into Category Management," *Shopper Marketing: How to Increase Purchase Decisions at the Point of Sale* (Kogan Page Ltd., January 2010)
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5. In-Store Marketing Institute. "Defining Shopper Marketing," *Shopper Marketing* (August 2008)
6. In-Store Marketing Institute. "Collaborative Store Design: A Case Study" (April 2003); "Kroger, P&G Put Shoppers First" (December 2008); "A Rising Category Lifts All Brands" (May 2009)



ABOUT THE COCA-COLA COMPANY

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IN-STORE MARKETING

INSTITUTE

ABOUT THE IN-STORE MARKETING INSTITUTE

The In-Store Marketing Institute is a global association serving the needs of retailers, brands, agencies, P-O-P firms, research organizations and other solution providers along the path to purchase. The Institute is committed to fostering best practices and advancing the understanding of all marketing efforts that culminate at retail. To achieve this mission, the Institute provides members with an ever-evolving variety of resources including robust websites and databases of shopper marketing information, industry-leading publications, world-class education, innovative business forums, and groundbreaking research. For more information, visit www.instoremarketer.org.



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ABOUT THE PARTNERING GROUP

The Partnering Group (TPG) is an international strategy and management consulting firm whose mission is to build sustainable value for leading consumer product companies worldwide. Since 1990, TPG has helped business leaders address their greatest challenges, from developing and deploying strategy to reorganizing for improved productivity and maximized revenue. Dr. Brian Harris, TPG's founder and chairman, is acknowledged internationally as a thought leader in the field of retail management and is credited with pioneering two of the most significant developments in the field: Computerized Space Management (in 1985) and Category Management (in 1989). For more information, visit www.thepartneringgroup.com.