

The Journey to Strategic Shopper Marketing

Top Ten Findings of a Survey Conducted on
Behalf of ECR Europe

by Oxford Strategic Marketing

May 2008



Shopper Marketing



Introduction

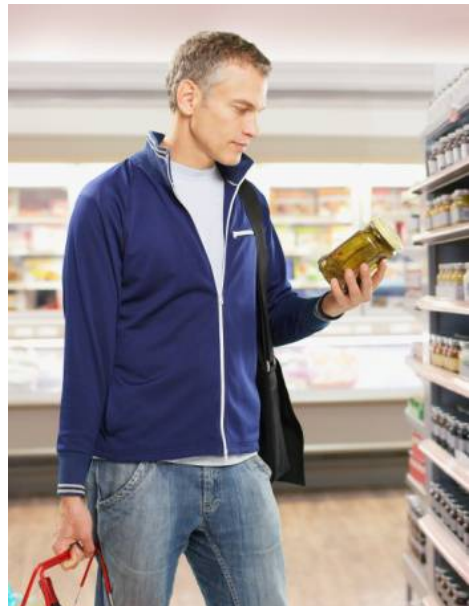
The ability to develop deep insights and build relevant solutions to win at the point of purchase – often described as the first moment of truth – is increasingly seen as a vital strategic growth driver for retailers and manufacturers alike.

Executed successfully, Shopper Marketing can deliver accelerated growth, competitive advantage and more valuable relationships between trading partners. Where manufacturers successfully combine the voice of the shopper with that of the consumer, this can lead to more successful innovation, brand development, category and channel strategies. For retailers, the prizes include increased loyalty and brand differentiation.

Yet the journey to Strategic Shopper Marketing is no walk in the park. During a standard grocery store trip a shopper may encounter between 3,500 and 5,000 pieces of marketing stimuli¹. How do you know what's right for your shopper, your brand and your store? Evidence suggests that, despite considerable investment, efforts to connect with shoppers can fall wide of the mark. Up to 68% of women in one category felt that retailers did not understand what they wanted from their shopping expedition².

In this context, Oxford Strategic Marketing surveyed and interviewed 26 leading Shopper Marketing practitioners, both from manufacturers and retailers, across Europe. We wanted to discover what is actually happening at the coal face today.

The research comprised a 44 question on-line quantitative survey and a follow-up telephone interview conducted by OxfordSM during April and May 2008. We spoke to heads of Customer Marketing, Customer Business Development and Insights.



Footnotes:

1. PRISM News from WRAC, Oct 2007
2. Frank About Women Online Survey, 2003 - 2004

Study Participants

OxfordSM would like to thank the following companies for their time and support given through their participation in this study:



This document summarises the Top Ten findings of the study. All participating companies receive detailed and full findings from the survey.

About OxfordSM:



Established over 20 years, OxfordSM helps organisations achieve sustainable, profitable growth through strategy and capability development. We specialise in consumer and shopper marketing and have worked with many of the organisations surveyed in this report, both manufacturers and retailers. See the end of this report for contact details.

Key Findings Overview

Our survey drew out 10 key findings, which we believe to be important to all with an interest in Shopper Marketing

- 1 Everyone believes Shopper Marketing is important, but there's little agreement as to what it means
- 2 Strategic Shopper Marketing is a journey
- 3 There is significant potential to improve the effectiveness of Shopper Marketing
- 4 Investment is due to increase substantially - despite concerns over how to measure its effectiveness
- 5 Few have a vision for Shopper Marketing and the Voice of the Shopper is often not heard
- 6 New organisational designs can help but developing effective ways of working across teams is the key success factor
- 7 Shopper insight is critical but a weakness for many
- 8 Internal turf wars can be a major issue
- 9 There's a shortage of Shopper Marketing talent
- 10 Manufacturer/Retailer co-operation and strategic dialogue is vital

1

Everyone believes Shopper Marketing is important, but there's little agreement as to what it means

Virtually everyone agrees that shopper marketing is a key success factor and will be increasingly important to drive growth; however, there is far less agreement as to what it actually means.

When asked to define Shopper Marketing, respondents gave a wide variety of answers. Some emphasised point of sale activities, some brand equity development in store, some category management and others the total shopper experience. Several questioned the phrase "Shopper Marketing" as it might imply specific activities rather than a way of doing business.

A number noted that "Shopper Marketing", as a term, did not have a consistent meaning even within their organisation.

	Average Score*
Effective shopper marketing is increasingly important to achieve success in the marketplace	4.3
Shopper Marketing is poorly defined and not well understood as a discipline across the industry	3.2

* Where: 1=disagree strongly, 5=agree strongly



“There’s not a single, watertight definition even across our own business.”

Manufacturer



2

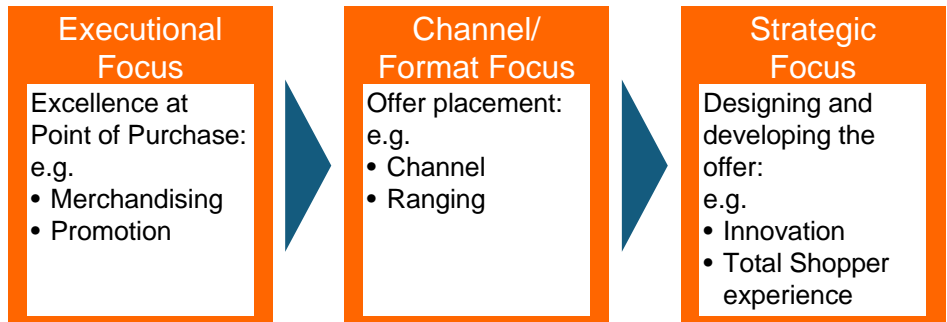
Strategic Shopper Marketing is a journey

There is significant variation across companies both in how widely and how deeply Shopper Marketing influences the business. This reflects where companies are on the “journey” to strategic shopper marketing.

For some companies, Shopper Marketing is about optimising the offer at the point of purchase (or first Moment of Truth) – through pricing, merchandising, display and promotion. For others it is about where best to place the offer, notably ranging, channel and format strategy.

Some companies listen and act on the Voice of the Shopper when taking strategic decisions, including the development of the total shopper experience and innovation.

The Journey to Strategic Shopper Marketing



How much of an advantage do you believe your company can gain by executing Shopper Marketing properly today and in 3 years time

Average Score*

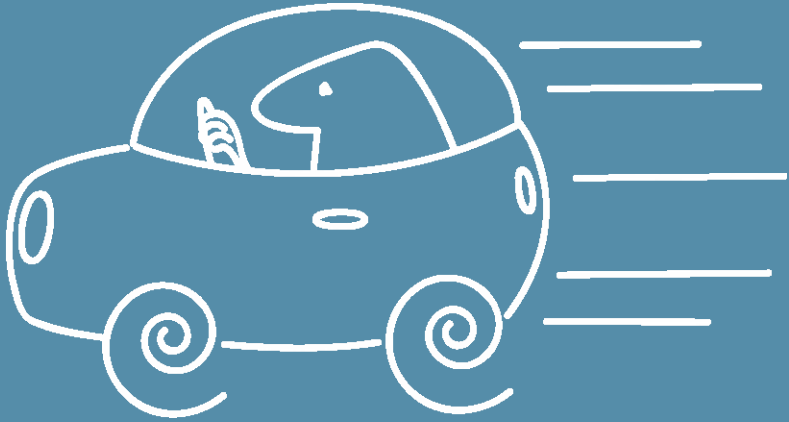
Today?:

3.8

In 3 years time?:

4.4

* Where: No advantage = 1; Significant advantage = 5



“Shopper Marketing is one of the few things left where we can differentiate the offer in the marketplace.”

Manufacturer

3

There is significant potential to improve the effectiveness of Shopper Marketing

Many respondents feel that Shopper Marketing is not executed particularly effectively in their organisations.

Shopper Marketing is having most impact on merchandising and display and point of sale material. It is having considerably less input on the overall shopper experience. In addition, retailers feel it is effective in driving their shopper loyalty programmes. In general, shopper marketing is having less impact within strategic processes. Its strongest influence is in category and channel strategy; it is weakest in influencing supply chain and innovation strategy. Responses were mixed as to how well it influences brand and marketing planning.

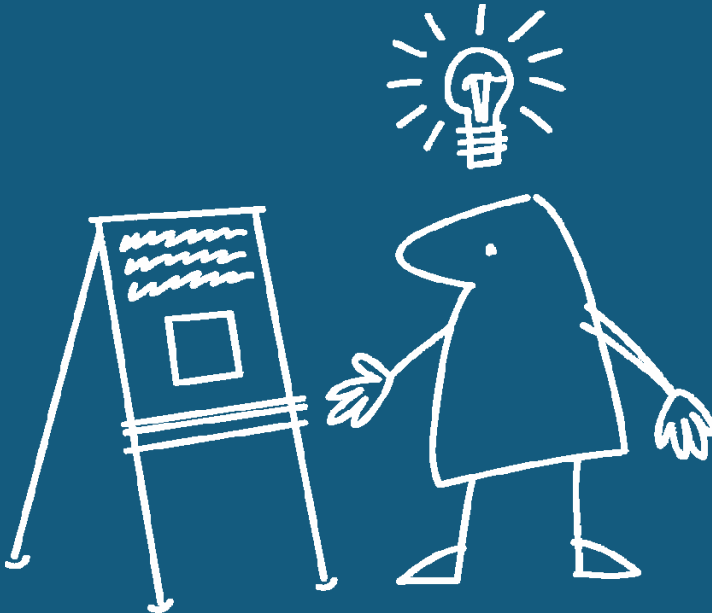
<i>Score your company in terms of how effectively it uses Shopper Marketing for:</i>	Average Score*
Supply chain strategy	2.2
Point of sale material	3.3
Merchandising and display	3.3

* Where: 1 = poor and 5 = excellent



“Currently, there is no clear line from shopper insight into innovation, development and back out to execution.”

Manufacturer



4

Investment is due to increase substantially - despite concerns over how to measure its effectiveness

We asked respondents to provide estimates of spend by key marketing activity. The absolute numbers should be treated with extreme caution – not least due to sample size and definition issues. Relative percentages and trend data do, however, provide useful indications.

Respondents' estimates of Shopper Marketing as a percentage of marketing investment averaged around 5% in 2007 and this is forecast to rise to over 12% by 2010. This was the fastest growth rate of any spend area, even outpacing Internet and digital.

This investment growth is predicted in spite of widely held concerns over measuring Return on Investment and inadequate performance metrics.

	Average Score*
Shopper marketing programme performance is actively measured and evaluated	2.5

* Where: 1 = strongly disagree and 5 = strongly agree





“If we see an opportunity we just get on with it and even if we set up a tracker, we go too deep.”

Retailer

5

Few have a vision for Shopper Marketing and the Voice of the Shopper is often not heard

Leadership, in general, recognise the importance of Shopper Marketing and many have supported increased investment and driven organisational change.

In a significant minority of companies, leaders do not currently support Shopper Marketing. Typically these leaders have not come from a sales or retail background and remain more supportive of traditional brand activity and investment.

In companies where the leadership is supportive, there is a mix of those who believe they are investing sufficiently and have built new organisational structures and those where change is in the relatively early stages. This reflects companies being at different stages on the Shopper Marketing journey.

	Average Score*
The Executive leadership of my company supports shopper marketing	3.7
My company has a clear vision for shopper marketing for the next 3 years	2.8
My company listens to the voice of the shopper as much as to the voice of the consumer	2.1

* Where: 1 = strongly disagree and 5 = strongly agree



“Top leadership was vital in the early stages when Shopper Marketing became strategic.”

Manufacturer



6

New organisational designs can help but developing effective ways of working across teams is the key success factor

There is a fairly even spread as to which function leads responsibility for Shopper Marketing – marketing, sales, joint marketing and sales, category management – though there is a small bias towards sales. Some companies have established dedicated resources for Shopper Marketing. The more leading edge, best practice companies have built new organisational structures for Shopper Marketing and have put dedicated resources in place.

Optimal organisational design will depend on the nature of the company's business – their degree of centralisation, nature of the business, category complexity, etc.

The real issue to crack is ways of working: strategic Shopper Marketing excellence requires a true cross-functional approach. Very few respondents, whether retailers or manufacturers, felt that Shopper Marketing was consistently understood and supported across all functions.

	Average Score*
New organisational structures have been put in place for Shopper Marketing	2.8
Shopper Marketing is supported across my company's functions	2.6

* Where: 1 = strongly disagree and 5 = strongly agree





“It’s not well understood in marketing teams. Why? . . . Because we were not brought up that way.”

Manufacturer

7

Shopper insight is critical but a weakness for many

In general, retailers scored themselves higher than manufacturers on shopper insight performance.

Respondent views were polarised as to whether their company invests sufficiently in shopper research. A number of manufacturers and most retailers felt they invested enough – others felt they significantly under-invest. Spending more money on research is relatively easy to tackle with leadership support, but is of little value if this is not distilled and acted upon.

There was general agreement that not all data sources were being harnessed effectively (especially amongst manufacturers).

	Average Score*
My company put sufficient investment into shopper research	3.0
Shopper insights are applied effectively in my company	2.7

* Where: 1 = strongly disagree and 5 = strongly agree



“Data, there’s reams of the stuff –
but we find it difficult to turn it into
useful insight.”

Manufacturer



8

Internal turf wars can be a major issue

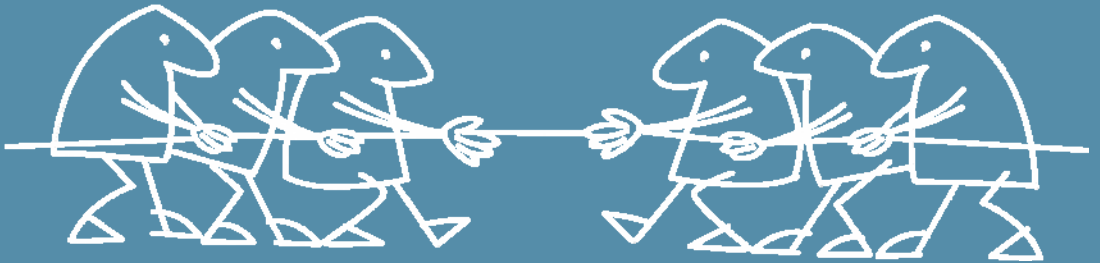
Many respondents referenced internal debates about where “Shopper” starts and stops versus “Consumer” and were not at all clear about who “owned” the shopper agenda. Investment decisions can become difficult depending on who owns budgets and the process for budget allocation.

This is a particular risk in manufacturers where consumer and brand marketing have historically been strong and investment decisions are viewed from the perspective of an individual brand.

	Average Score*
Shopper Marketing is clearly understood by all the relevant functions	2.2

* Where: 1 = strongly agree and 5 = strongly disagree





“I spend too much time in turf wars arguing over who is paying.”

Manufacturer

9

There's a shortage of Shopper Marketing talent

Amongst manufacturers, there is a key talent gap of managers and leaders who understand the retail perspective and who have strong strategic skills.

Many companies are encouraging cross-functional career progression - making it clear that to be a future leader requires breadth of experience - and some are investing in skill build programmes. However, the talent shortage will not be solved quickly - not least as most are expecting to expand their shopper headcount substantially in the next few years. To achieve effective team working in the short term, it will therefore be critical to blend and maximise the benefit from individuals' specific experience.

Average Score*

There's a shortage of shopper marketing talent today

4.1

* Where: 1 = strongly disagree and 5 = strongly agree



“It’s so hard finding the right people with hybrid experience.”

Manufacturer



10

Manufacturer/Retailer co-operation and strategic dialogue is vital

Retailers score current co-operation levels ahead of manufacturers but both see this improving substantially in the future.

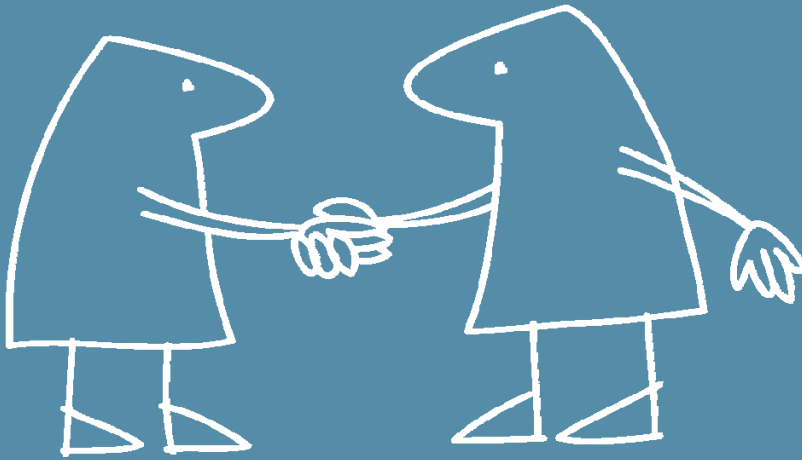
There are concerns from some manufacturers that certain retailers will always be 'deal focused'. Any initiatives in one year are seen as the base level for spend the next year – making it difficult to revise the approach to investment. Some respondents noted how restrictive some retailers are, making it difficult to achieve 'in store theatre' or help the shopper navigate the fixture.

Both Retailers and Manufacturers reflected that National Account Managers and Buyers do not necessarily have the required skills or perspectives. Manufacturers do not always understand fully or take sufficient account of retailers' agendas - their target shoppers, their brand development and differentiation agenda as well as retailers' broader commercial goals and strategies.

	Average Score*
Current co-operation between retailers and manufacturers in shopper marketing is generally good	2.7
Co-operation between retailers and manufacturers in shopper marketing will be significantly better in 3 years	3.7

* Where: 1 = strongly disagree and 5 = strongly agree





“I’d love to sit down with a retailer with a blank sheet of paper and decide what’s best for the category . . . But there’s always a fear factor.”

Manufacturer

Where Next? Shopper Marketing Evolution

Given the current range of Shopper Marketing maturity, many companies are focussed on a 12 to 18 month horizon on simply building their capability. Nevertheless, a number of common “views of the future” are emerging.

Total Store Focus. Early forays into Shopper Marketing have typically been at the category level. However, some leading companies are moving to a view which encompasses the full shopping mission or occasion. As they do this, they increasingly look for partners who can share, and deliver against, this broader vision.

Catalyst for Change. Some companies predict that the integration of shopper will drive wider functional and organisational change. As more brand development moves to global teams, at country level the marketing focus shifts to store. In this context, new Shopper Marketing capability can re-ignite the local agenda. The strategic skills requirement for Shopper Marketing also has the potential to accelerate change within the sales function.

Shopper Drives Future Brand Development. Today's most advanced companies are actively seeking new ways to embed Shopper Insights into their full business activity, to drive future growth. This requires trained brand builders to become adept in understanding the purchasing process and relate this to the full innovation process. Both leading edge retailers and manufacturers share this vision:

“We want shopper insights to become the motor of innovation”

Retailer



Summary - The Five Core Issues to Address

Established over 20 years, OxfordSM has helped many manufacturers and retailers to develop their Shopper Marketing Capabilities and build Insight led Shopper Strategies.

Through our experience and award winning practice, we believe there are 5 core issues for organisations to address:

- 1. *Setting a Breakthrough Vision***
- 2. *Building Effective Ways of Working***
- 3. *Generating, Sharing and Applying Insight***
- 4. *Hardwiring Shopper into Core Processes***
- 5. *Achieving Strategic Dialogue between Retailers and Manufacturers***

If you would like to discuss how your business can accelerate progress on the journey to Strategic Shopper Marketing please contact:

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For more information on our approach to consumer and shopper marketing, please consult our website: www.oxfordsm.com

