Attention: Shoppers

By Win Weber and Brian Ross

As leading retailers intensify their quest for rich, data-driven insights into their best shoppers, manufacturers have a unique opportunity to bring their own analytical strengths to the cause.

Viewing today's marketplace challenges through a common lens – the perspective of the individual shopper – CPGs can collaborate with their retail partners to transform deeper intelligence into higher sales, greater market share and more profitable long-term relationships.

A few progressive retailers are leading the way in this shopper-centric revolution. But there's still plenty of time to catch up.

Already, forward-looking manufacturers are working closely with their key retail partners, shaping more powerful strategies to target highest-value shoppers. In doing so, they're stretching the traditional boundaries of category management.

PART TWO: Beyond the planogram: collaborating to meet shopper needs across product categories

So how should a manufacturer build engagement with a retailer around a joint shopper-focused strategy? Two points are critical to the partnership's success. First, the manufacturer will need to retool its organizational structure and scope of in-house expertise to integrate the new approach. At the same time, there must be a rethinking of the relationship at the highest levels as roles are redefined and tactical efforts are eclipsed by longer-term strategic objectives.

It begins with top-to-top discussions between the two organizations – a dialogue at the most senior level that conspicuously elevates the conversation above the everyday, team-to-team interactions of ongoing initiatives. Rather than just reviewing the annual numbers in a "rearview mirror" meeting, these top-to-top summits should evolve into "windshield" discussions mapping out the strategic road ahead for both partners.

In proposing this kind of top-level discussion, a manufacturer should say: "Here's our vision for the category. Now you tell us your vision from the retail perspective. And then let's look at how we can strategically align our brands with your banners to ensure we both win – by making sure the shopper wins."

What do we need to do that? Better shopper insights. How do we get them? Either by deploying our own analytics teams and developing better tools, techniques and intellectual horsepower on both sides of the table, or by investing in some third-party expertise. However we gain those specific insights, our focus must be on the shopper, not the brand or category. And we need to be looking at tomorrow, not yesterday.

Of course, you can't just unilaterally declare a top-to-top meeting. So how do you make one happen? At a regular meeting with, say, one of the retailer's category managers you propose that for the senior-level meeting in the next quarter, your executive team will spend most of its presentation time mapping out a joint strategy for the future. The detailed annual business review can be covered off in a separate, lower-level meeting at an earlier date. This should motivate the category manager to consult colleagues further up the retailer's ranks, delivering a message to this effect: "Wow – the CPG wants to elevate the discussion that we've been having for the past decade or so. So if that's where they're going, what do we want to talk about?"

We've seen time and again that this approach works. All that's required is for someone to take the first bold step. In a recent meeting with one of the largest U.S. retailers, a global CPG spelled out its

long-term vision for managing its categories to fit the needs of the chain's best shoppers. For the retailer's CEO, it was a game-changing moment that elicited a simple and powerful response: "Whatever you need."

At first glance, retooling processes and reallocating resources to accommodate retailers' shopper data may seem a bit daunting for manufacturers. But it shouldn't be disruptive for organizations that have already spent years developing in-house talent and methodologies to extract the most from their brands and categories. This simply adds a new analytical gear to a well-engineered machine.

Growing category sales by applying shopper insights

To grow sales within a particular category, a CPG armed with a key retailer's shopper insights will work to ensure that high-value shoppers see how well its products meet their preferences. If the category is house paint, for example, the manufacturer can help the retailer craft offers and messaging to highlight, for instance, the product line's trendier color range, or easier application and cleaning – whatever is deemed meaningful to highest-value segments.

Shopper-focused strategies reinforce the most basic truism of loyalty: If you give people what they want, they stay with you. And in this case loyalty becomes all the stronger by extending from shopper to retailer to manufacturer.

This is perhaps the most fundamental difference that comes from placing shoppers at the apex of the triangle. Classical tactical promotions get results – and there will always be a place for them. But if you truly understand how your best prospects shop a category, it takes things to a whole new strategic level. Or rather, it gives you a much more solid footing on the level that all great marketing aspires to. Because when you set out to grow a category, what you're really trying do is change behavior, either in an existing shopper or in a new one. And when a behavioral shift is based on deep insights and not just a quick promotional hook, that's change you can sustain for the long haul.

What's more, by taking the lead and helping to conspicuously grow the category, you solidify your position with the retailer as a source of innovative and effective strategies. That can only bring further benefits down the road.

Pursuing best shoppers across categories

The fact that new strategies for reaching best shoppers may cut across traditional categories – and therefore departments – can pose challenges at the store level. But these are well worth taking on if the new strategy demonstrably reflects the needs of high-value shoppers. For example, a major retailer recently learned through detailed basket analysis that best shoppers' stock-up trips typically included soup, canned vegetables and wine. So the grocer merchandised all three together in a "stock-up-and-save" promotional event – with great success.

No doubt a few tradition-bound managers struggled to understand why those bottles of wine were taking up precious space next to the soup. But shoppers don't think that way. They don't care how the store hierarchy works. If someone in the valuable time-starved segment has to walk all over the store to put a meal together, she may choose instead to walk straight out the door – dialing a pizza place on her smartphone as she goes. To avoid that kind of lost potential, progressive retailers are using shopper data to reinvent not only what items get merchandised together but how they're presented in flyers or flagged on shelves.

Manufacturers face similar challenges in learning to bridge traditional boundaries. If the data points to a cross-category preference in a priority shopper segment, a smart supplier will bring it to the retailer's attention and suggest collaborating on a strategy. The manufacturer may be able to say, "Look – when you run a cross-promotion featuring our product, the analysis shows that you don't have to discount those complementary items – so you gain margin."

Here's a typical example of this cross-category potential in action: A major U.S. grocer was focusing on shoppers with large families, who spent significantly more than other segments and represented the chain's single largest opportunity for future growth. One obvious category of interest was laundry products – but it was highly competitive and heavily discounted by most retailers throughout the year. So the retailer and its analytics partner probed deeper into the data, looking for other key categories that were as important to large families but could be won more easily and profitably.

The analysis yielded an unusual cluster of categories. At the top of the list: yogurt, organic vegetables, sun care products, vitamins and scrapbooking materials. All sold by different departments – and all more than twice as important to large families as they were to other shoppers. Using

these insights, the retailer was able to execute more effective tactics, such as cross-store promotions and end-cap planning, to attract and retain large families – without relying on price as the only lever.

Bringing new precision to special-event promotions

Focusing on the shopper and not the category changes the game at every level, right down to deciding whether a promotion should go on the front of the weekly flyer, or whether a feature price should be $2.99 in one store and $3.49 in another. But a shopper-focused strategy really shows its power during major seasonal events such as the end-of-year holidays and back-to-school campaigns. This is when retailers have always been more adventurous with cross-promotions – creating, for example, student packages combining deodorant, toiletries and razors. With deeper shopper insights, you can take this mass approach and refine it: Maybe the most profitable student shoppers would in fact prefer batteries to razors – or would like a pack of breath mints as well.

To build an effective seasonal promotion, or indeed any kind of promotion, you need insights into the individual preferences and cross-category conversions of priority shoppers. You need to identify what kinds of promotions have worked best with those shoppers in the past – not just promoting one-time cherry-picking, but driving significant behavior change that can be sustained even with less-frequent promotions.

The new analytics show you exactly how a retailer's best shoppers choose items within and across categories. You can pinpoint significant behavioral differences between regions and specific locations. You can combine categories into valuable new definitions that are meaningful to priority shoppers. And with the right desktop tools, you can track and adjust the effectiveness of your programs in real time.

Making the case for more elastic categories

Crossing categories in the store aisles means doing the same within a retailer's organization. Let's say you're in the dairy business and do an analysis indicating that you'll sell more low-fat sour cream by featuring it in the produce section. Before you get your retail partner to commit the necessary resources and footprint, you're going to have to make your case with compelling numbers. You'll also have to get buy-in from the retailer at the right level. Then you have to deliver the win.

If data insights suggest that your product will appeal to a particular kind of high-value shopper, you do controlled research with that segment to corroborate the point – and share the results with the retailer. Then you back it up with projections showing how your product will drive more such shoppers to the category, increasing the retailer's share of wallet. In other words, you make your case in terms that will resonate. Your investment in testing will pay dividends in increased sales and strengthened bonds with your retail partners.

Using shopper intelligence to optimize trade spending

For manufacturers, a shopper-focused strategy also opens up new opportunities to better allocate trade spending. Historically, manufacturers and retailers have negotiated multi-layered agreements that combine, for example, promotional co-op funding, over-and-above merchandising charges, exclusive-listing fees and one-time lump sums for achieving specific sales targets. These various spending buckets all address particular needs but can be difficult to assess in terms of overall return on investment – and that's not good for either party.

In the new shopper-focused world, it's now possible to match trade funds to sales volume in key segments. So promotional investments can be reallocated to those items that priority shoppers really care about. For instance, if it's possible to reach agreed goals for frozen vegetables with fewer but more targeted promotions, or by shifting more attention to higher-potential stores, the savings can be directed to, say, cereals instead. It's not a question of spending less, but simply optimizing total spend to ensure it yields the most profitable outcomes for manufacturer and retailer alike.

Choosing the right outside expertise

An effective shopper-focused strategy depends, first and foremost, on a solid partnership between manufacturer and retailer. But there are other partners who can support both key players with specialized expertise in analytics, strategy development, process re-engineering or change management.

What should you consider in assessing potential allies for your own organization or making a recommendation to a retailer?

Number one, look for an organization that has worked with both retailers and manufacturers, earning their respect and trust. It's crucial that

this third party be an experienced firm, working equitably to achieve everyone's objectives. Ideally, the consultant's team will include veterans with firsthand experience in both retailing and manufacturing.

In the area of shopper analytics, expertise in working with loyalty program data is essential. So too is a set of versatile web-based tools that move insights from the analysts' secure server to the desktops of those who need to put them to use. And of course all of this must be backed by a well-documented track record that clearly demonstrates success in converting shopper insights into quantifiable results.

This is still a relatively new area, but the experts you want to work with already have some solid engagements under their belts and can share the benefits of that experience. Just as important, they should be able to show your retail partners the proven value that manufacturers bring to the table in helping shape an effective shopper-focused strategy.

Redefining manufacturer-retailer partnerships

Consumers don't think about categories, any more than they follow planograms. They make lists of things they need, identify problems they want to solve, walk into stores and become inspired. In other words, they make the transition from consumers to shoppers – and in doing so, they tell us a lot about themselves. We just need to translate those behaviors into insights we can act upon.

A few progressive retailers have already been aggressively developing and implementing shopper insights. And their numbers are growing fast. In a retail landscape where competition is only going to grow fiercer over the next five years, no retailer can afford to let its vast databases of shopper information sit untapped.

Smart retailers also recognize, as they lead this new drive to see the world as shoppers see it, that manufacturers can be incredibly valuable allies. CPGs have complementary resources and expertise they can draw on. And, rising above the old wariness around brand-centric biases, both sides share the same ultimate goal: to grow the category, increase overall sales and forge valuable, long-term shopper relationships.

Now the onus is on manufacturers to live up to that challenge. Many CPGs are already putting shopper-marketing teams in place and developing their analytics capabilities. These moves will only gain added momentum as manufacturers recognize that if you're going to talk at the highest level about crossing category boundaries, you'd better get educated.

There's general acknowledgement that the old ways of marketing will not suffice anymore. As retailers and manufacturers work together to meet new marketplace realities, they've begun redefining their own partnerships. Together, they're finding new ways of aligning brand strategy with retail strategy to realize exponential gains – all thanks to a simple but monumental change in deciding which question comes first.

Retailers used to ask, "What do the weekly sales reports show?" Manufacturers would come at it from their angle: "What does the research suggest?" Now they ask together, "What will get the attention of the shoppers who matter most – to both of us?"

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Win is Chairman and CEO of Winston Weber & Associates (WWA), a management consulting firm that provides a wide range of consulting services to manufacturers and retailers in the consumer products industry. He is recognized as one of the original architects of category management and for introducing retailer/supplier partnering to the U.S., Mexico, Australia and Asia. He is also known for his leading edge thinking and expertise relative to category management evolution to shopper centric retailing as well as shopper marketing transformation.

Prior to entering the consulting profession twenty-five years ago he held various executive positions with major consumer products companies. He has authored numerous articles on partnering, category management, shopper marketing and related subjects and continues to be a guest speaker on these subjects for numerous industry associations and corporate gatherings. Win is on the Associates Member Council of the Grocery Manufacturers Association and Chairman of the College of Arts and Science Board of Visitors, Syracuse University.

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Before joining Precima, Brian held a series of positions in LoyaltyOne businesses, notably providing client management and analytics for key Sponsors of the AIR MILES Reward Program. He has used data-driven customer insights to help shape successful business initiatives for clients in grocery, pharmacy, department store and specialty retailing, as well as financial services and consumer packaged goods. Brian shares his expertise in regular articles for marketing publications and is a frequent speaker at industry events and forums.

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