

Shopper Structure

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Last week, the director of shopper-marketing for one of America's leading consumer packaged-goods companies called us to ask for help in finding a new job. The company had recently appointed a new vice-president of sales who could see little or no value in shopper-marketing and immediately wiped out an entire Shopper Marketing Department. The trade off was more money for trade promotion, which this vice-president viewed as potentially more effective.

About a month earlier, we were talking with a group product manager of another leading consumer packaged-goods company, which has also structured its shopper-marketing function to report to its Sales Department. This person's observation was that the company is "nowhere when it comes to shopper-marketing" because "sales is really clueless about what to do with it."

In fact, the Sales Department had actually returned the \$500K that this product group had allocated for shopper-marketing initiatives in Wal-Mart because they (sales) were unable to come up with a way to spend it that didn't focus on price reduction and diluting equity.

One of the most important decisions for companies contemplating whether to get into shopper-marketing is where in the organization the shopper-marketing function should report. Let's remember that

when boiled down to its essence, shopper-marketing is brand marketing in a retail environment.

In that context, these examples are instructive because they actually represent two very different situations. The company that allowed its sales vice-president to liquidate its entire Shopper Marketing Department has very strong brand equities—well-known brands, clearly defined consumer segments and a leader in its categories. If one were to cover up the brand names on this company's packages, the company's products would still be recognized by the equities they have built.

On the other hand, the company in the second example is what we would characterize as primarily "trade dependent"—meaning its brands would have difficulty surviving without retailer support. Instead of learning how to excavate the properties of its brands and use these to build solid franchises among loyal consumers through *marketing*, this company has elected to focus most of its marketing dollars competing on a price basis. It is precisely because this company is so sales dominated that if this company's brands were to disappear tomorrow, few would notice.

While these examples are extremes (every company's brands have equities that can be leveraged, whether they act on this or not), they do help provide a framework for judging where in the organization one should structure the shopper-marketing function.

WHEN BRAND EQUITIES ARE STRONG

The companies that are in the best position to reap the full benefits from a shopper-based strategy are those with strong brand equities. This is because building or extending equities in-store is a cornerstone objective of shopper-marketing. Having strong equities to begin with gives these companies a significant and sustainable advantage.

However, maximizing the potential of this advantage requires the application of the full range of

Where you put shopper marketing will seal your success ... or failure.

marketing levers necessary to build equity in-store — namely, targeted point-of-sale and messaging, environmental design, commercial innovation, in-and-out of store retailer-centric advertising, co-marketing, consumer promotion and, most important, packaging. The key to making all of these resources work in concert is obviously cross-departmental collaboration and integration.

Best-practice companies have found that the best way to ensure this collaboration is to structure the shopper-marketing function so that it can access these resources freely and openly on a “level-to-level” basis. These companies have elevated their shopper-marketing functions to the same level of importance they currently ascribe to their Sales and Marketing Departments. This can translate to having the Shopper Marketing Department report to the Marketing Department, in others to the chief marketing officer and in still others, to the general manager.

This structure also ensures that top management support and understanding for shopper-marketing is built-in (or will quickly materialize). As we have pointed out many times before, because of the many departments and disciplines required to make shopper-marketing “work,” this is an essential component.

Against this background, let’s look at what happens when the Shopper Marketing Department reports to the Sales Department — and here we are talking exclusively about companies with strong brand equities. When leading companies allow this to happen, the potential of the shopper-marketing initiative becomes severely diminished for the following reasons:

- **Insufficient top-down understanding and support.** Sales management (at all levels) is not trained or incented to focus on equity-building pursuits. Meeting short-term sales objectives always takes precedence over longer-term shopper-based objectives. The shopper function is therefore always sublimated to these objectives. (“You’re talking to me about equity when I’ve got to somehow find an additional \$2MM this quarter or we are all in trouble!”). This conflict pervades at virtually every junction point within the sales organization on a daily basis and consumes a great deal of wasted energy.
- **Gap widens between marketing and sales.** This happens because the shopper-marketing function

is perceived to be tactical (because it reports to sales). As a result, marketing tends to default all shopper-related decisions to the Shopper Marketing Department and divorces itself from the process — at the very time that both marketing and sales should be drawing closer.

- **Sales is the wrong place for shopper-marketing.** Being capped under the Sales Department is not a good vantage point for the Shopper Marketing Department to fully tap into the various corporate resources necessary to building equity and maximizing the potential of the function (as noted above). This is because the Shopper Marketing Department lacks credibility as a corporate-supported strategic entity.
- **Budgets go missing.** Securing reliable and adequate shopper-marketing budgets becomes a hit-or-miss proposition. Sales will not give up a dime of its trade budget (different success metrics) while marketing lacks the understanding or inclination to commit. Companies who have attempted to solve this via a corporate tax have only exacerbated the situation by further alienating marketing (which already feels ripped-off by the trade budget). The alternative is *ad hoc*, or opportunistic budgeting, which, in effect, means that one has no meaningful shopper-marketing effort at all.

The result in these companies is that the shopper-marketing function is allowed to deteriorate to just an extension of category management. Without equity-focused initiatives, nothing meaningful changes over time except for the substitution of the word “shopper” for “consumer” in retailer presentation materials. Why, then, is Deloitte reporting that 45 percent of companies have their shopper-marketing function report to their Sales Departments?

STRUCTURE FOR STRATEGIES

The answer is that for most companies, this is how shopper-marketing starts out. It can actually sneak up on you. Pressured by multiple retailers to begin aligning with their shoppers, sales vice-presidents respond by creating a shopper-marketing function. Having little understanding of the potential

of shopper-marketing as a corporate strategy, these folks conclude that it should properly be positioned in sales. Others in the company rarely question this because the word “shopper” immediately leads most to conclude that the function is primarily tactical.

Some companies try to make shopper-marketing work by using category management as the jumping-off point. In these companies, shopper-marketing is positioned as an extension or even a sub-set of category management. The problem with this is that best-practice shopper-marketing has very little to do with category management because the whole point is to leverage individual brand equities by targeting individual shopper segments.

While category management is an important component of shopper-marketing, it is not the tool for companies to use in doing things like overcoming purchase barriers or leveraging “need states” on an individual brand basis. Companies that understand this—like Unilever and ConAgra—have moved their category management functions out from underneath sales and made them a sub-set of their (headquarters-based) shopper-marketing initiatives.

Now if we dial back to the examples we cited at the beginning of this article, here’s what we would conclude in light of these findings:

- The sales vice-president in company “A” (the company with strong brand equities) probably made the right decision in liquidating the shopper-marketing function and converting those dollars to trade. Obviously, there was no top-down support and consequently no immediate benefit in the context of relatively short-term sales objectives.
- The company that allowed this to happen, however, would do well to revisit its decision. Given that it has a portfolio of well-known brands with strong equities, there is little doubt that shopper-marketing—structured properly and properly supported—could enable this company to leverage these strengths into a significant and sustainable advantage. It is unfortunate that this company’s top management did not take the time to understand this.
- In company “B” (the company focused on price-based merchandising) the shopper-marketing function is probably where it should be—in sales. Without strong equities—and with only cosmetic emphasis on “marketing”—there is little point in doing the organizational reengineering and

investing in training to maximize the potential of shopper-marketing in these types of organizations. At least, this company has satisfied the trade by creating the impression it is doing shopper-marketing, despite the fact that it was unable to figure out how to spend \$500K with Wal-Mart.

One of the issues for companies that sit in between these extremes is that shopper-marketing is proving to deliver significantly better results than traditional trade promotion alone, even when the function does report to the Sales Department. As compared to an average ROI of 0.55-0.65:1 for “straight” trade events (feature/display/TPRs), when these events are coupled with shopper-marketing overlays, the ROI rises to between 0.99 and even as high as 1.10:1.

The problem is that these results tend to convince these companies that shopper-marketing is really working for them when, in fact, those companies that have elected to position shopper-marketing as a corporate strategy—and that have structured it as an extension of marketing—are now consistently delivering returns averaging between 2.5-3:1. That is more than twice the return when the function reports to sales.

PREPARE FOR DISRUPTION

The question is whether it is worth it to invest the time and money required to reposition the function as a corporate priority, as some have already elected to do. While we obviously can’t answer this for you, we can tell you that the companies that have done this all have strong and highly leveragable brand equities. Although shopper-marketing may have started out in their Sales Departments, they wasted no time in repositioning it once they understood its potential for their particular brands.

For these companies, the choice between whether a particular shopper-based initiative should focus on extending equities or on overcoming purchase barriers or on leveraging need-states is now a choice they are happy to have, if only because they realize that making these choices was unnecessarily difficult when the function resided in their (category-focused) Sales Departments.

Despite the potential upside, one of the reasons many companies elect not to make this choice is that it involves disruptive changes. For example:

- Assigning brand managers or marketing directors to customer-account teams for a couple of years as

shopper-marketing managers. Many don't want to even think about doing this because of the fear of Marketing Department turnover. However, reality is that unless this is done, there will never really be any "marketing" in the shopper-marketing function. (In addition, the potential long-term corporate benefits of doing this are well worth the price of entry).

- Programming the brand groups for 360-degree marketing — which nets down to budgeting for shoppers and key retailers in the annual brand plan — as well as traditional marketing elements. However, as many have found out, providing the training and education necessary to enable this is not simple because of the cultural barriers that must be overcome.
- Getting a process in place that integrates and coordinates all of the many cross-functional disciplines involved in planning and implementing best-in-class shopper-based initiatives. This is a challenge which even the best find difficult to address because the process is not simple and has so many moving parts that it must be spelled-out in detail for everyone to understand their respective roles. In today's fast-moving environment, many are just not willing to sit still for this.

BUILD YOUR DATABASE

Another reason companies have been reluctant to commit top-level support for shopper-marketing is measurement. This, for many, is still the biggest stumbling block because there are still no industry-standard benchmarks that enable one to accurately assess the ROI on shopper-based investments versus traditional marketing investments (TV/Radio/Print).

Those companies that have been involved with shopper-marketing for four or five years have been able to build internal databases that help them answer these questions for themselves.

However, these are obviously proprietary to their brands and their retailers, and therefore may not translate for others.

For those just beginning, the lack of available data is hardly a confidence-builder, particularly given the enormity of the changes required. Eventually, the advent of PRISM promises to address (some of) these concerns, but for now those contemplating the degree to which they commit to building their own databases must do so largely on judgment.

The path that most companies have chosen is simply to evaluate the opportunity on a purely strategic basis. In the absence of hard data, they are looking at the broad picture and formulating answers to questions like the following:

- Do our brands have strong equities that we can leverage at retail? If so, will shopper-marketing enable us to capitalize on these strengths to gain a peremptory competitive advantage?
- To what extent are our competitors committed to this and at what levels? What, specifically are they doing and how are *they* structured?
- We know we have to have shopper-marketing (as Deloitte puts it, "The train has definitely left the station!"), but how far do we take this before diminishing returns? What criteria do we use to determine this?
- Is shopper-marketing going to be another industry "fad" or does it have legs? What happens when everybody is doing it and it defaults to commodity status? What advantage will our intrinsic strengths give us if this happens?
- How in the world do we get started?

MORAL OF THE STORY

If your company is already into shopper-marketing (as most are by now), and if your shopper-marketing function still reports to your Sales Department, you may wish to re-evaluate.

Consider what you may be leaving on the table (either presently or potentially) and the difficulties this configuration may be causing you in planning and implementing best-in-class shopper-marketing initiatives.

On the other hand, if your company is contemplating getting into shopper-marketing and wrestling with the decision of where to structure this function, we hope that some of the points in this article will convince you that this is not a decision to be taken lightly. ■



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