Cracked *Rear View*

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One of the most important potential advantages of shopper marketing is that it offers brand marketers the almost perfect antidote to the anonymity of category management—in ways that are acceptable to retailers.

Clearly, based on the results of the past 18 months, pandering to retailers by doubling-down on "partnering" and pretending that one's tactically-focused category management program is a new form of shopper marketing isn't working.

Pressed on all sides by nuclear competition and rapidly declining prices and margins, your retail "partners" have hunkered down and begun ruthlessly implementing their own strategies for survival—and pleasing suppliers is absolutely the last thing on their minds. As *Advertising Age* put it, "From CVS to Costco, retailers put the screws to brands…" (11/30/09)

Putting category before brand is like driving in reverse.

Nevertheless, we still have a hard-core group out there who persists in advocating the point-of-view that they are actually adding value to the equation with a form of shopper marketing that is entirely category-focused and devoid of marketing input.

"Category strategy drives brand strategy," says one of these enthusiasts, "not the other way around." Okay, tell that to the makers of Hefty and Glad food storage bags, who are the latest casualties of Walmart's *Project Impact.* Now the Walmart shopper's choice in the food storage category has been reduced from four to two brands: What's left is Ziploc and, of course, Walmart's own Great Value. So much for "category before brand."

What the proponents of the "category before brand" approach don't appear to understand is that for best-practice marketers, shopper marketing doesn't start in the store, it starts in the home—specifically, the minute one's target consumers morph into shopper mode and get into their cars to go shopping.

In this context, "category before brand" becomes the equivalent of driving the car backwards from the category to home, using only the rear-view mirror as guidance.

When one uses the category as the starting point, there is no real consumer-as-shopper understanding on a total-store basis. There is no focus on pre-store, no integration with positioning, advertising or national copy.

There is no attempt to capitalize on the predisposition to buy, no attempt at one-to-one marketing along the path-to-purchase and no strategic framework in which to plan and implement various total-store shopper initiatives.

Nor is there any coordination or even communications with the customer-marketing agency responsible for developing these initiatives.

As we were told by 14 category managers with whom we recently discussed this subject: "We don't have any contact with agencies; that's the brand's responsibility." They didn't fully realize the import of what they were saying.

Without brand marketing perspective and input—and without any coordination or integration with the agency that is responsible for developing the shopper-based initiatives—our question is: "What's left that hasn't already been said in 20 years of

Chart 1

Benchmarking the Different Positionings: How Support and Approaches Vary

	Rate their company's SM efforts as "excellent"	When SM is positioned as corporate strategy	When SM is positioned as function of CatMan/Sales
Length of time in SM = 5+ years	72.0%	43.4%	33.7%
SM dept. headcount = 20+ people	53.8%	21.7%	16.7%
Budgeting, ad hoc	7.7%	19.8%	37.8%
Budgeting, 10%+ of mktg. budget	54.2%	32.8%	18.1%
Budgeting, expect increase over next 3 years	92.0%	85.9%	66.3%
Reports to mktg. or gen'l mgt.	84.6%	82.6%	53.6%
Integrated process in place	92.3%	65.1%	44.0%
Retailer mktg. dept. is primary contact	57.7%	40.0%	26.7%
Retailer category manager is primary contact	15.4%	28.9%	42.2%
Dominant initiative type, participation in retailer-developed programs	4.0%	7.3%	15.5%

SOURCE: *Hoyt & Company /* Hub Magazine; *Shopper-Marketing Best-Practices Update Survey, 12/12/09-1/11/10*

relatively narrow, tactically-focused category-based discussions and presentations?"

To find out, Hoyt & Company partnered with the *Hub* and Jason Buschlen's Shopper Insights & Marketing Group on LinkedIn to field our annual *Shopper Marketing Best-Practices Update*, which ran from December 12 to January 11.

Despite the timing — smack in the middle of the holidays — respondents representing approximately 200 different marketers, customer-marketing agencies and consulting organizations took the time to complete the survey. Of these, 72 percent are in CPG, 75 percent have more than 10 years in marketing and 31 percent (58 respondents) work for companies larger than $5 billion-plus.

Sample participants on the marketer side included: Coca-Cola N.A., Anheuser-Busch, Diageo, Campbell Soup, SC Johnson, Pepperidge Farm, ConAgra Foods, Johnson & Johnson, Procter & Gamble, Kimberly-Clark, Hallmark Cards, MillerCoors, Nestle-Purina, Unilever and Bayer HealthCare.

Agency participants included: RPM Connect, D.L. Ryan, Marketing Drive, Malone Advertising, DraftFCB, Mars Advertising, Integrated Marketing Services, TracyLocke, G2, EMAK and OgilvyAction.

While the primary purpose of this survey was an overall shopper-marketing status update, we included one question that we thought would help us better understand the "category before brand" positioning (full survey report is available at hubmagazine.com/survey/shopper2010).

Specifically, we asked: "How does your company (or client) position shopper marketing?" (check one):

- As a cross-functional corporate strategy that includes proactive marketing department involvement.
- As a function of category management or sales to increase category "shoppability" and/or to achieve a competitive advantage with retailers.

The answers to this question came out to an almost even split: Fifty-one percent represent companies that position their shopper-marketing programs as marketing-driven, cross-functional, corporate strategies.

Forty-nine percent, meanwhile, represent companies that position their shopper-marketing programs as a function of category management or sales. Thus, each group is fairly and adequately represented.

Important and significant differences in experience levels, resources and approaches separate those companies that evaluate their success with shopper marketing to date as "excellent." These 26 companies — whose responses we have used to establish the benchmarks on chart one — have certain key characteristics in common.

They have the most experience with shopper marketing (72 percent with 5-plus years) and the largest shopper-marketing departments in terms of headcount (53.8 percent with 20-plus people).

Their shopper-marketing budgets are largest, with 54.2 percent having dedicated shopper-marketing budgets that exceed 10 percent of total marketing budgets (advertising, promotions and trade).

Just 7.7 percent create budgets on an *ad hoc* basis, and 92 percent expect budget increases over the next three years. They have the closest reporting relationships to corporate P&L decision-makers, with 84.6 percent reporting to the marketing department or general management. This means they have top-down awareness, commitment and support.

A cross-functional, integrated process for planning, implementing and measuring shopper-marketing strategies and initiatives is in place among 92.3 percent (the lack of which is viewed by 51 percent as the single biggest impediment to shopper-marketing success).

A total of 57.7 percent note that their primary contact at key retailers is the retailer's marketing department, versus only 15.4 percent who report this as the retailer's category manager. Only 4.0 percent cite participation in retailer-developed promotion programs as their dominant type of initiative. Instead, these folks are selling-in their own agendas.

Not on chart one, but nevertheless obviously key: Fully 82.6 percent of the "excellents" position their shopper-marketing programs as cross-functional corporate strategies that include proactive marketing department participation.

The companies that position their shopper-marketing programs as cross-functional corporate strategies are much closer to these benchmarks than those that position their programs as a function of category management or sales.

This holds true for every criterion on chart one: The more tactical one becomes with respect to the positioning of one's shopper-marketing programs, the further away from these benchmarks one gets, the lower the level of corporate commitment and the fewer resources one gets.

In other words, if your company is one of those that positions its shopper-marketing programs as a function of category management or sales, and you are competing with companies that position their shopper-marketing programs as cross-functional corporate strategies, you may want to re-think this positioning carefully and quickly.

To understand why, let's check out some of the responses on chart one, under the column "When shopper-marketing is positioned as function of category management or sales."

It is understood that companies that position their shopper-marketing programs as functions of their category management or sales efforts are less experienced (only 33.7 percent with 5-plus years) and have smaller shopper-marketing departments (only 16.7 percent with 20-plus people).

This is because this is often where shopper-marketing starts out in many companies: typically as a reaction to retailer demands that all future programming be presented within a shopper-marketing framework.

However, companies that take the time to research the shopper-marketing opportunity — and aren't afraid to tell their marketing departments that they must now get involved with "retail" as a part of their career training — are those that eventually elevate this positioning to corporate cross-functional strategic status.

For the other 49 percent, shopper marketing remains a relatively narrowly-focused, primarily

Chart 2

Satisfaction Levels with Current SM Performance

Those who rate their company's SM effort as:	When SM is positioned as corporate strategy		When SM is positioned as function of CatMan/Sales	
Excellent	22.4%	71.8%	4.9%	41.9%
Very good	49.4%		37.0%	
Average	23.5%	28.2%	50.6%	58.1%
Not so good	4.7%		7.5%	

Source: Hoyt & Company / Hub Magazine; *Shopper-Marketing Best-Practices Update Survey, 12/12/09-1/11/10* tactical exercise in which no amount of thinking or insights ever moves the needle beyond the category.

In these cases, after-the-fact commercialized justifications like "category before brand" may make one feel good — temporarily — until one's much better informed, better resourced and strategically-focused competitor starts chipping away at one's share. How so? Mainly because of successful collaboration with one's key retailers' marketing departments on a total-store basis.

> *"Let's talk about the mutual shopper and how we can help increase trip frequencies among the "Comfortably Carpooling" segment…not…"Let's talk about XYZ category and why it's in your interests to give another facing to Grumpy Gum #3 even though that would mean delisting yet another one of our brands…the third this quarter!" (Are we selfless or not???)*

One of the most important and consistent findings coming out of this year's survey is that the primary reason that category management or sales-focused shopper-marketing programs are relatively disadvantaged is simply lack of resources. By this we mean not only no marketing-trained input or perspective and no access to (or integration with) one's agency, but also significantly lower funding overall.

Only 18.1 percent of companies that position their shopper-marketing programs as a function of category management or sales report dedicated shopper-marketing budgets that exceed 10 percent of total marketing budgets.

Compare this to 32.8 percent for those who position shopper marketing as a cross-functional corporate strategy and 54.2 percent of those who rate their success with their shopper-marketing programs as "excellent."

More telling, however, is that an amazingly high 37.8 percent of category management or sales-positioned shopper-marketing programs are funded entirely *ad hoc* or "opportunistically" — which translates to no dedicated budgets at all.

While the intent may be good — and while it must be recognized that there are companies that do have other legitimate priorities — what this does is essentially take them out of the game and open the door even wider for their competitors.

The end result of this relatively weak support is unfortunately made obvious and predictable in the bottom column on chart one entitled "Dominant initiative type — participation in retailer-developed programs." What this means is that without the budgets and skill sets necessary to research, plan and implement shopper-based initiatives in collaboration with one's key retailers on a strategic level, the default is to give in to retailer demands for participating in their programs which are not exactly designed to advance one's brands.

Nevertheless, 15.5 percent of those who position their shopper-marketing programs as a function of their category management or sales efforts, cite "participation in retailer programs" as their dominant shopper-marketing initiative type.

Note that this is over two times the 7.3 percent of those who position their shopper-marketing programs as cross-functional corporate strategies and almost four times the 4.0 percent who evaluate their success with their shopper-marketing programs as "excellent."

How do the respondents themselves feel about these different positionings? For this answer, we would refer you to chart two. This details the self-reported satisfaction levels with one's company's shopper-marketing performance between those who position shopper marketing as a cross-functional corporate strategy versus those who position shopper marketing as a function of their category management or sales efforts.

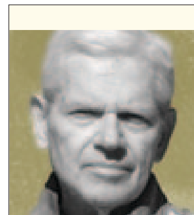
Almost 72 percent of those who position their shopper-marketing programs as cross-functional corporate strategies rate their satisfaction levels with their progress to-date as either "excellent" or "very good."

This compares to 42 percent of those who position their shopper-marketing programs as a function of their category management or sales efforts — a seriously large 30-point difference.

Conversely, 58 percent of those who position their shopper-marketing programs as a function of their category management or sales efforts report their satisfaction levels with these programs as only "average" or "not so good."

Any way one cuts it, "category before brand" does not appear to be working for the very people who have the biggest vested interest in making it work.

For those who position shopper marketing as a function of category management or sales, perhaps "happiness" lies in getting the "marketing" back into "shopper marketing" and driving the car forward instead of in reverse. ■



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