Reviving Customer Relationships:
CPG Focus on Customer Data, Social Media, and Digital Commerce

According to data from the March 2009 Cutting Edge Customer Loyalty: Retail Best Practices for Acquiring, Retaining, and Re-engaging Customers benchmark report, the top two business pressures facing Consumer Packaged Goods (CPG) manufacturers is increased competition for customer wallet share in a down economy (58%) and less loyal customers looking for the best price (38%). This Research Brief outlines some of the key customer-centric strategies being undertaken by CPG companies to optimize their marketing spend including expansion of channel presence for higher wallet share, increased adoption of digital commerce, and use of deeper and more granular customer insights. Examples such as Ralph Lauren and Godiva exemplify a stronger push towards stronger direct or multi-channel selling in CPG.

The Quest for Customer Data is Driving Core CPG Consumer and Marketing Strategies

To add to the larger business pressures mentioned above, the main business challenge for 55% of CPG companies is the lack of sufficient visibility towards consumer and trade marketing-related customer insights that support retail-level execution strategies, customer loyalty, and brand relationships with customers. These companies lack adequate shopper insights, retail location and unit-level promotion visibility, and shelf-level sales performance information that enables expected marketing ROI. As a result of this business pain point, CPG manufacturers with direct selling channels are almost as likely as other companies to currently apply strategies to improve consumer promotions based on customer micro-segmentation data whether through advanced consumer spending analysis using point-of-sale transactional data (shared by some retailers) or syndicated data resources (Figure 1).
For example, CPG companies with direct channels (such as Ralph Lauren, Nike, Adidas, and Liz Claiborne) developed strategic objectives towards improving retail customer data and coupon analytics to move towards gaining a single view of customer metrics across their sales, marketing, and finance organizations. The second strategic action currently undertaken by CPG companies is the gradual expansion of customer touch points for sales and marketing without hampering relationships with retailers in a significant way. As shown in Figure 2, more CPG manufacturers today are expanding the use of new sales and marketing communications tools such as online couponing and social media. This is a trend where CPG companies are outmaneuvering all other industry segments. However, it is important to note why CPG manufacturers are expanding customer touch points and are more certain now more than ever to make some adjustments to their traditional dependence on retailers for sales, marketing, and customer relationships.

The reasons for these adjustments are due to the following reasons:

- The traditional retail-CPG relationship is not deriving performance consistency for CPG branding, customer loyalty (i.e. customer retention, customer re-activation, and Lifetime Customer Value [LCV]), or access towards transaction data for conducting detailed customer buying behavior analysis.
- In a tough economy, retailers are serving their own top-line and margin interests by expecting increased trade promotions from CPG companies.
- Moreover, an increasing number of retailers are creating private label brands that essentially stifle CPG sales in retail locations.

A continued example of retail non-flexibility towards CPG is the spotty POS transaction data access for CPG companies from retail locations. This is still a hurdle for 66% of CPG manufacturers. Such low levels of POS transaction data sharing between retailers and manufacturers leads to increased...
complexities in developing effective marketing plans and tracking promotion effectiveness at the store or field level. As a consequence, CPG companies are continuing to increase their sales and marketing outreach by expanding their channels, developing deeper retailer collaboration, and utilizing more syndicated sources of customer data. These retail-level tribulations mean that departments at manufacturing companies are currently using: 1) assumption-based sales and marketing forecasts; 2) repetitive planning of corporate, account, and discretionary promotions; and 3) a reactive approach towards controlling the cost of promotions and marketing communications which is currently impacting 63% of CPG companies surveyed. CPG companies need to continue collaborating with retailers for consumer insights and at the same time make inroads in expanding their channels of customer influence especially since consumer trends are shifting swiftly in favor of digital commerce.

**CPG Companies Expanding to New Channels**
Currently, 64% of manufacturers face internal fragmentation when it comes to traditional and legacy Customer Relationship Management (CRM) solutions. These CRM systems provide marketing data, performance metrics, planning objectives, and retail compliance guidelines for the sales, marketing, and finance organizations. The brand managers and category managers at CPG companies, however, are aware that online channel transcends such traditional barriers and has forced CPG companies to re-think brand marketing communications and customer relationships as a whole. When compared to all other companies surveyed, Aberdeen data shows that CPG companies are expanding their reach through the online channel at much higher rates. In fact, CPG companies are 1.5 times more likely to utilize web couponing and nearly twice as likely to utilize online communities as all other companies, allowing for increased customer touch points and outreach to new market segments (Figure 2).
For CPG companies, web couponing is proving to be an effective way to engage customers, as well as re-engage lapsed customers. There are three delivery modes for CPG companies in terms of web couponing. The first mode is through an email coupon. With the use of customer analytics and database marketing applications, CPG companies can send highly personalized promotions to customers, with differentiating offers for the most profitable customers, frequent customers, lapsed customers, or new customers.

The second mode of delivery is through a standard coupon on the CPG company’s web site. Redemption of the web coupon can occur in a few standard ways. The customer can click on a banner coupon which takes them to a direct purchase channel from the CPG company. The second route would take the customer to a direct purchase channel from a specific retailer, as designated by the CPG manufacturer. The third route would be for the customer to print the coupon, and redeem it at a retail outlet. All three of these delivery modes allow for improved customer outreach, and expansion of the CPG companies customer base. Additionally, as compared to direct mail campaigns, web couponing is significantly less expensive and offers the chance to track the coupons, from click through rates to actual redemption either in the store or on the web. Several million downloadable coupons and discounts are available from tier 1 and tier 2 CPG companies including consumer products such as apparel, drugs, and confectionary items.

The rise of social media is another way CPG companies are able to engage their current and prospective customers. Online communities offer a way for customers to feel like they are part of the brand or they belong to something special. CPG companies are seizing this opportunity to promote the brand within the social media realm, with exclusive offers to members of the online community. Online communities such as Twitter and Facebook...
have big followings from customers or prospects for brands such as Gucci, Chanel, Vuitton, Tory Burch, and Ralph Lauren. Additionally, CPG companies are also allowing members to contribute on company-owned blogs, which can be an effective marketing tool, at virtually no cost to the CPG manufacturer (e.g. St. John’s). Most importantly, the online community is seen as a way to help re-enforce the brand loyalty, which in turn will help increase the lifetime value of customers.

**Personalized Promotion Management Driving CPG Offer Management and Loyalty**

Aberdeen data shows that besides channel expansion, CPG companies are placing an increased emphasis on personalized promotions through offer management systems as a driving force for enhancing ROI on marketing and customer loyalty programs, especially when compared to all other companies surveyed. The top two enablers where CPG companies are focusing to deliver more personalized offers and targeted dynamic promotions includes personalized quantity and price-based promotions using offer management applications (Figure 3). As was pointed out earlier, historically, CPG companies have not had much of a glimpse into customer analytics, as retailers are hesitant to share this information. However, there has been a shift in this pattern, especially with retailers the likes of Wal-Mart, Kroger’s, and Best Buy, among others, agreeing to share customer data and purchase history/patterns. As this trend continues, CPG companies are able to get a better view into who is purchasing their products and the frequency with which they are buying. In turn, CPG companies can use this information and align it with syndicated consumer behavior data to improve their use of personalized promotions, as well as geographic or demographic promotions or campaigns.

**Figure 3: Customer Technology Enablers for Offer Management**

![Percentage of Respondents](chart.png)

Source: Aberdeen Group, March 2009
The most important steps of the customer data analytics technology process is centralizing the assembly of all customer data (POS transaction and syndicated data), finding common denominators for creating data cubes, and then applying Online Analytical Processing (OLAP) techniques for faster customer data analysis. The last step in the process is to provide job-role based customer data dashboards that provide customer Key Performance Indicators (KPIs) to the sales, marketing, and finance teams.

The second top area of planned marketing spend is on loyalty database marketing software applications. The database marketing application feeds off the collected customer data analytics, and allows for highly personalized loyalty campaigns across multiple channels, including web, mobile, and print. This allows CPG companies to take the marketing aspect of loyalty campaigns in-house, increasing control over their marketing efforts. The database application allows for rapid collection and analysis of the customer data, as shared by retailers.

**Vendor Landscape**

Below is a partial list of loyalty solution providers that are focused on customer data and digital commerce.

**Infor**: This vendor offers a wide variety of software solutions, including CRM, enterprise asset management, ERP, HCM, supply chain management, and workforce management, among others. The CRM application, which uses customer data as a component of loyalty and retention programs, comprises three components: marketing, sales, and service. The marketing component creates customer profiles which can be used for personalized promotions and offers. The sales component arms the sales force with customer insights for customer interactions. The service component gives customer service representatives a unified view of the customer, allowing for personal interactions across multiple channels.

**Teradata**: This vendor offers a variety of software solutions including CRM, BI, financial management, and database solutions. The customer management solution runs on the database engine, which aggregates customer analytics, customer communications, and web behavior. The solution spans multiple channels, including web, mobile, and social media. The major components of the solution include campaign management, marketing resource management, offer management, active analytics, integrated web intelligence, interaction management, customer analytics, and communication management.

**Sage**: This vendor offers software solutions including customer managements, financial management, inventory management, operational management, payment solutions, people management, and supplier and partner management. SageCRM provides enterprise-wide access to customer information. The solution includes the following modules: sales, marketing, customer care, mobile solutions, productivity tools, and outlook integration.
Epsilon: This vendor offers a wide array of solutions for marketing, email, and digital solutions. The marketing solutions are comprised of customer marketing database solutions, acquisition marketing solutions, loyalty marketing solutions, integrated communications, and customer data integration. Email and digital solutions include email marketing, customer analytics, mobile marketing applications, landing pages and micro sites, and real-time messaging, among others. The entire suite comprises multi-channel customer analytics for targeted marketing campaigns around loyalty and retention.

Conclusion

Currently, CPG manufacturers with direct channels lack abilities to share and develop cohesive sales and marketing models that enhance end-consumer relationships. These companies need to continue expanding their sales and marketing channels towards digital commerce including the use of social media for capturing more customer mind share and promotional ROI. At the same time, CPG companies must develop collaborative strategies with retailers for improved use of granular shelf-level customer insights on buying behavior for personalized promotions and marketing ROI. Retail buy-in for such strategies can be derived by providing them access to the detailed customer analysis for the category and competitors by using syndicated data or POS data, where available. These models must involve in-depth shelf-level granular information sharing, customer analytics, and consumer shopping trend assessment to develop a targeted set of product promotions that improves marketing ROI. For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

| Cutting Edge Customer Loyalty: Retail Best Practices for Acquiring, Retaining, and Re-engaging Customers; March 2009 |
| Trade Promotion Analytics; August, 2008 |

POS to Profits: Reviving Best-in-Class Sales & Service in Retail Stores; June 2009

New Age Multi-Channel Retailing: Prospects for Digital Retail Revolution and Avenues for Better Integration; January 2009

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