Putting the Shopper Back into Marketing

Budgets are flowing into shopper marketing as never before. But marketers hoping to maximize the return on their investment must address two key point-of-purchase challenges: first, its unique set of dynamics as a communication channel, and second, the fact that its full power lies in the way it works with the pre-existing associations and expectations that consumers bring to the store.

Shopper marketing is becoming an increasing focus for many of the world's major brands. A 2007 study conducted by Deloitte in the United States suggests that the portion of marketing budgets devoted to point-of-purchase activity doubled from 3 percent in 2004 to 6 percent in 2007, and is expected to reach 8 percent by 2010.

It's not hard to understand these increases in spending in light of the fact that reaching people using traditional means has become more difficult. Media audiences have fragmented among myriad channels, both digital and traditional, and people who have been empowered with the ability to filter many forms of communication are increasingly annoyed by unsolicited advertising intrusions. But all consumers will eventually arrive at the point of purchase. Not only do advertisers know that they can make contact with shoppers there, but it is the place where the purchase decision will ultimately be made.

Defining Shopper Marketing

We use the term "shopper marketing" to refer to all the marketing that happens within the retail space. More often than not, this form of location-specific marketing is directed toward exactly the same person whom brands target outside of stores with TV and other forms of activity. While that may seem to be a statement of the obvious, it is not readily apparent from many observations of marketing in action. Too often we observe a complete lack of integration between in-store and out-of-store activity.

A factor that contributes to this problem is that the structure of many organizations separates in-store and out-of-store marketing practitioners. Some major companies seem to recognize this disconnect and are taking steps to address it. P&G made headlines in the summer of 2007 when, in their annual report, they restated 11 years of advertising-spend data, revising the totals to include all expenditure on in-store activity. While this may have seemed like a tactic to allow P&G to erase an apparent decline in their advertising-to-sales ratio, the fact that the consumer packaged goods giant also began to shift shopper-marketing executives into their brand groups seemed to indicate a more strategic motive: to effectively connect in-store activity with the rest of marketing.

After all, when consumers enter a store as "shoppers," they do not suddenly become blank slates. They arrive in a particular mood, having chosen this particular retail outlet to fulfill their particular mission. They arrive with opinions concerning quality and value. But even more important, they arrive with well-developed preferences for brands,

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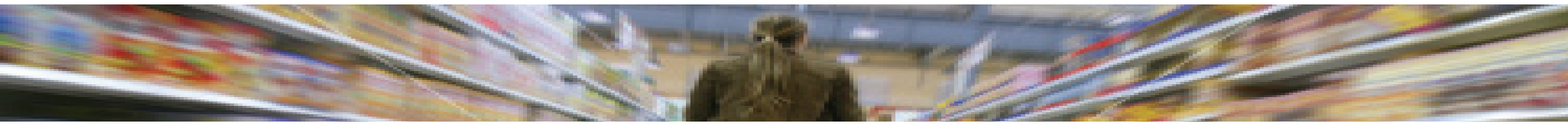

based on associations built up over time from advertising messages, word of mouth, and personal experience.

On average, across a wide range of categories in many different countries, around two-thirds of people know what brand they want to buy before they go into the store. About three-quarters of these “intenders” follow through on their plans. For shopper marketing to be effective, then, it needs to work with the predispositions people bring with them to the store. Two broad strategies that can be employed to effect this are identification and disruption.

Strategy #1: Identification

For brands that are the preferred choice of many consumers, the key point-of-purchase task is to make them as easy as possible for shoppers to find. In a bricks-and-mortar store, the location, scale, and visibility of the fixture, as well as the location and prominence of the brand within the fixture, are essential factors, as is the ability of the consumer to instantly identify the brand. A change in a brand’s location or a significant increase in its price may undermine this strategy by causing shoppers to hesitate and consider alternatives. And of course, in the execution of an identification strategy, the ultimate sin is to be out of stock.

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In online retailing, the dynamics of identification are no different. The objective is to make it easy for shoppers to find what they’re looking for. People who are looking for a specialized or obscure brand may be willing to click through six screens to find it, but those who are looking for the best-seller will expect to find it

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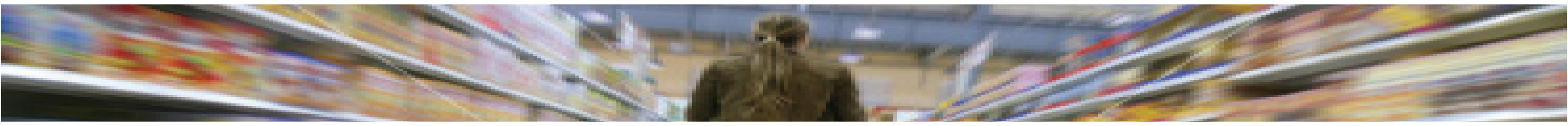
quickly, and are likely to take their searches elsewhere if they’re frustrated. It is also critical to think about how the brand will be presented online, where space is necessarily limited. Will shoppers readily identify a brand from a tiny packshot, a logo, or a description?

Strategy #2: Disruption

For brands that are not category leaders, a disruption strategy may be called for. Many aspects of this strategy will also be appropriate in categories where the consumer has no strong predisposition toward a particular brand. Disruption often takes the form of out-and-out bribery through a variety of financial incentives, but may also be accomplished through other types of in-store activity that attract attention and highlight a brand’s unique benefits. A brand with a highly distinctive appearance, for example, might distract the eye and thereby enter the consideration set. When black and silver were the predominant colors in the consumer electronics category, Apple’s choice of the color white for the original iPod helped set that product apart from competing brands.

The Role of Packaging

Marketers who are willing to take a fresh look at packaging issues may identify some new opportunities for shopper marketing. Often, the development and evaluation of packaging are focused on its ability to communicate messages about the brand. But that is not where the power of packaging lies. The familiar visual cues of brands such as Coca-Cola, Duracell, and McDonald’s are powerful not because they



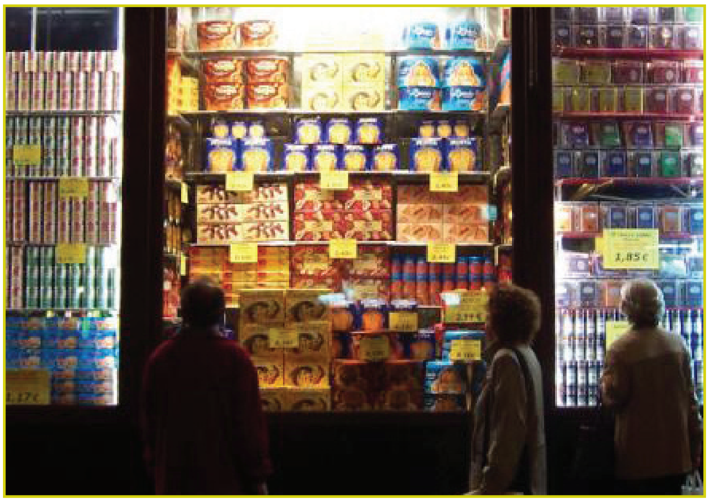
communicate specific messages but because they are distinctive and instantly recognizable. Understanding a brand's core iconography and making it visible across all marketing material is a powerful and underleveraged way of connecting in-store and out-of-store marketing.

Packaging, therefore, can play a key role in both identification and disruption. In China, Pepsi has recently made the bold and disruptive move of introducing a red can — a direct challenge to Coke's ownership of that color. Pepsi's decision to "Go Red for Team China" (a reference to the upcoming Beijing Olympics) carries a downside, the possibility of impeding identification of the brand among loyal Pepsi drinkers, but it may also prevent Coke from cementing its association with the color red in the vast Chinese market.

While a change in packaging is by definition disruptive, a change that helps to standardize branding across products may ultimately improve identification. When, in 2006, Bayer Aspirin revamped packaging across their entire U.S. product line, their goal was not only to update the brand's look but also to simplify the identification of line extensions. The updated packaging, designed by the IQ Design Group, appears to have accomplished that goal: As of August 2007, total sales for the brand were up 9 percent over the previous year.

Distinctive or non-traditional packaging can also differentiate brands, even in categories such as clothing. For example, in the youth denim category, Shmack jeans are sold in shoeboxes, while Imperial Junkie jeans are packaged in colorful plastic capsules.

While primary brand communication needs to take place elsewhere, packaging and other point-of-sale material can be used to evoke previous messages, thereby extending the influence of a brand's out-of-store communication to the store shelf. Ideally these connections should be thought through ahead of time, when the out-of-store campaign is created, as it will often be more difficult and less effective to connect retail activity to an ad campaign that was conceived in isolation.



Using In-Store Media

So against the two broad strategies of identification and disruption, what role do in-store media have to play? The aforementioned Deloitte report suggests that "stores should be thought of like any other marketing media," but the busy environment of a retail outlet is no place for the equity-building work that can be accomplished outside of the store. While shopping, people are in a different mindset than when they are watching TV or reading a magazine. TV advertising works because it provides brief moments of entertainment in a context where the viewer is looking to be entertained. Print advertising works because it provides information or engagement in a medium where the reader is looking to be informed or engaged.
In situations where shoppers want to be informed, engaged, or entertained, some new forms of in-store media may work well, but often shoppers do not want to be distracted. While buying breakfast cereal, shoppers don't want to be regaled with dog food ads, a lesson that Internet marketers learnt some time ago.

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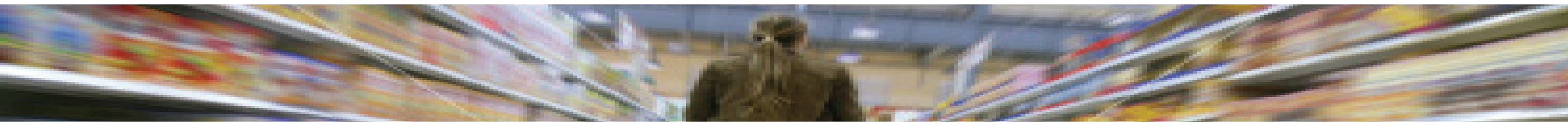

In a task-driven shopping environment, communication must be tightly focused with short, clear, relevant messaging, seeking either to rekindle existing brand associations or to present a simple, compelling reason to choose a brand. In some categories, where uncertain consumers face a wide range of choices, aids to decision making will be appreciated. For example, in-store guidance that helps shoppers identify wines according to features such as price, region, grape, or menu compatibility has been reported to increase category sales by as much as 20 percent.

Strategy #3: Enticement

There is a third key in-store strategy, "enticement," used by both retailers and brand owners to encourage shoppers to explore categories they may not have been thinking about when they entered the store. Via store layout, presentation, design, and lighting, shoppers can be encouraged to spend more time browsing.

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A number of major U.S. supermarket groups are re-inventing themselves as more relaxed and comfortable places to shop, as they realize that the giant discounter Wal*Mart is not going to be beaten at its own game. The U.S. company Safeway recently celebrated the conversion of its 1000th store to the new "Lifestyle" format. This new store format features quality perishable departments, prepared foods, and high-end private labels in an atmosphere made warm and inviting through its lighting, décor, color schemes, and wood floors.

Taken to an extreme, enticement can become a form of "retail-tainment." The queues that form outside the Apple Store on Fifth Avenue provide a vision of what is possible if you sell a desirable product range in a compelling retail environment.

The notion of enticing the shopper is not compatible with the idea that the retail environment is a place where manufacturers can bombard consumers with aggressive marketing messages. The lessons from the world outside the store are clear. Communications are most effective when they fit the needs and moods of consumers. Shoppers who are on a mission will be happy when brand owners and retailers make it easy for them to find the brands they want. Shoppers in an open-minded, inquiring mood will be pleased to encounter useful, relevant information on alternative choices. And shoppers with a few minutes to spare may enjoy spending that time exploring new brands and categories if these are presented in an engaging way.

The Shopper: Same Person, Different Context

We need to integrate our thinking and our actions so that what we do in the store dovetails with what we do outside. A shopper does not exist only within the retail environment, but is simply a person in a specific context with a particular mindset.

There are two keys to unlocking the power of shopper marketing. The first is to develop communications within the point of purchase that acknowledge that the mindset and motivation of a person shopping are very different from the mindset of someone watching, reading, or listening to ads at home. The second is to build presence in the store, with a robust understanding of the brand associations that already exist in the minds of consumers as the result of communication outside of the store.

Shopper marketing should be a seamless part of the marketing discipline, considered and developed in conjunction with all the other marketing elements. There is a huge opportunity for those who reach out to achieve this.

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