

WINNING AT THE POINT OF SALE: LESSONS FROM THE LEADERS

In-Store Marketing has become the new mantra. The retail store has emerged as an important new marketing medium. What lessons can we learn from the leaders?

Thought leaders in the consumer products industry are increasingly aware that the most critical interface in brand marketing occurs where the consumer meets the product in the store. The emerging practice of In-Store Marketing is about the manifestation of the brand strategy at the point of sale. Our survey suggests the industry has recognized the opportunity for In-Store Marketing and is poised to practice what we have learned from the leaders.

The Survey

Grocery Headquarters teamed with RetailWire and industry consultants Dechert-Hampe & Co. to study the emerging role of In-Store Marketing. We surveyed the industry to recognize the leaders in this endeavor, define the keys to success, and identify the major issues. Responses from 220 manufacturers and retailers provide insights to the current practice of In-Store Marketing. Based on lessons from the leaders, we suggest a model for the practice of In-Store Marketing and a blueprint for action.

Keys for Successful In-Store Marketing

According to industry respondents, the most critical factors for success with In-Store Marketing revolve around knowledge of the consumer on the one hand and ability to execute in the store on the other. Specifically, respondents pointed to “excellent in-store execution” as the number one factor for success.

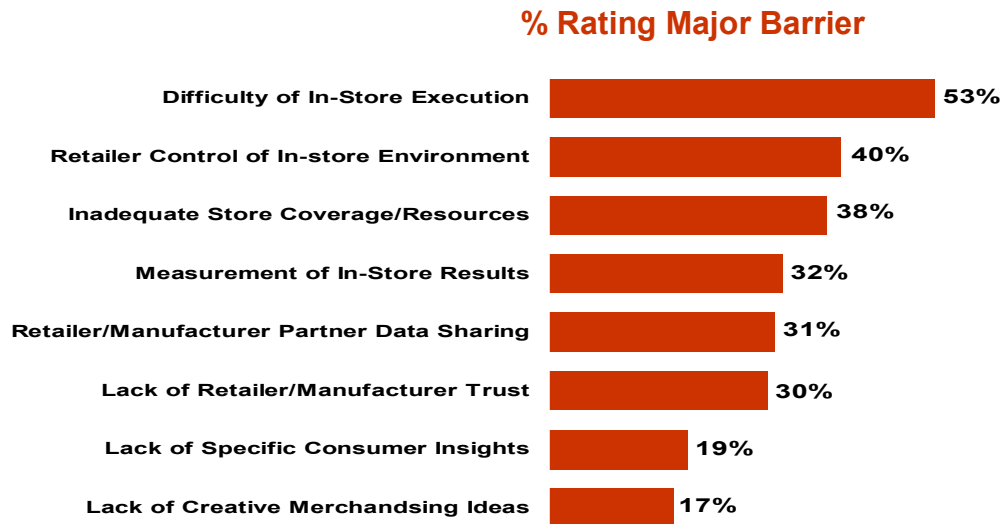
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That was followed by “top management commitment” and “insights to consumer shopping behavior”. Other keys to success included “manufacturer/retailer partnership” and “recognition of In-Store Marketing as a strategic tool”.

The difficulty of in-store execution continues to be the toughest issue to crack. Respondents agree that it is a major barrier to success with In-Store Marketing. Both manufacturers and retailers express concern about the ability to effectively execute programs at store level.

Other barriers include the hesitancy of some trading partners to share the data required to identify opportunities, execute programs and evaluate results. This may reflect an underlying lack of trust between retailers and manufacturers.



In addition to their common concerns, manufacturers and retailers differ on some key points. Retailers express concern about “lack of specific consumer insights” to conduct In-Store Marketing. The operative word here is “specific” since successful In-Store Marketing often requires deeper insights to consumer shopping behavior and better predictions of shopper response to programs. Furthermore, retailers tend to feel that manufacturers suffer from a “lack of creative new merchandising ideas.”

Manufacturers disagree, citing strict “retailer control of store environment” and “measurement of results” as the more difficult barriers. Recently, industry efforts have been announced to address the measurement issue.

Clearly, it is important for manufacturers and retailers to work together to develop In-Store Marketing programs and solutions that both sides view as creative and productive.

Recognizing the Leaders

It is perhaps not surprising that the In-Store Marketing Leaders tend to be among the winners in overall marketplace prowess. However, they are also characterized by their marketing investments at store level and their commitment to In-Store Marketing as a strategic tool for success. Many of the leaders have also been in the forefront of industry efforts to develop better measurements of In-Store Marketing.

In-Store Marketing Leaders

FOOD:



NON-FOOD:



Kraft Foods, Inc. was considered the overall leader on the Food side followed by PepsiCo and Procter & Gamble. Kraft has worked to develop a world-class marketing and sales organization that recognizes the key role of the in-store consumer experience on its brand franchise. It is further helped by the reputation of Nabisco for in-store execution. PepsiCo placed second overall on the combined strength of its Pepsi and Frito Lay units. Much like Kraft, PepsiCo is a world-class organization that lives and breathes in the store.

There was also no surprise on the Non-Foods side where Procter & Gamble was the clear winner. Procter has increased its focus on excellence in the store and created a new structure to coordinate its retail marketing activities. P&G has placed a huge focus on the "first moment of truth" in the store as a key to its brand strategy. Johnson & Johnson was a strong second place finisher. J&J has been extremely active in the marketplace and has established a Center of Excellence to support their efforts.

We congratulate the In-Store Marketing leaders on their performance and applaud them for their vision of a new model for marketing in the 21st century.

Lessons from the Leaders

In order to gain insights to the current state and practice of In-Store Marketing, we identified the survey respondents who were associated with the leaders and profiled their responses versus all respondents.

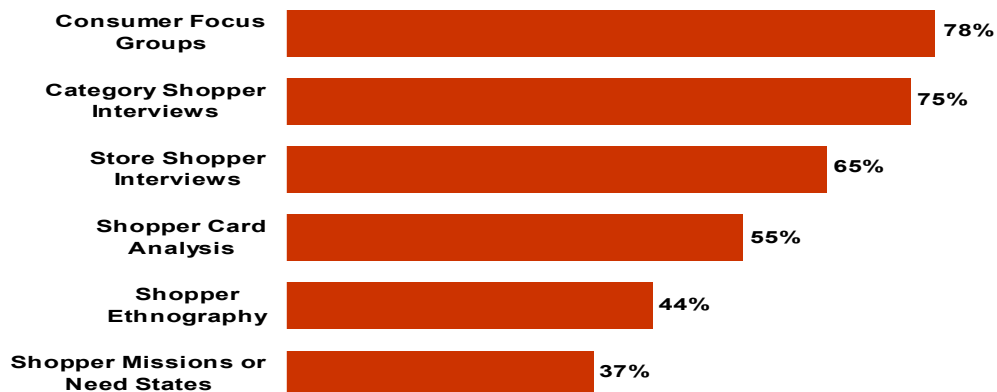
This revealed several important lessons.

First of all, leaders showed a greater recognition of In-Store Marketing as a critical element of the overall marketing mix and demonstrated a commitment to act. Many had changed their organizational structure to reflect this, assigned specific responsibilities and budgets, and even provided training to their field organizations.

Actions to Support In-Store Marketing

While many companies are engaged in Retailer/Manufacturer partnerships, the leaders recognized these partnerships as strategic tools to achieve their mutual goals. They saw them as vehicles for marketing to consumers in the store rather than just programs to increase sales.

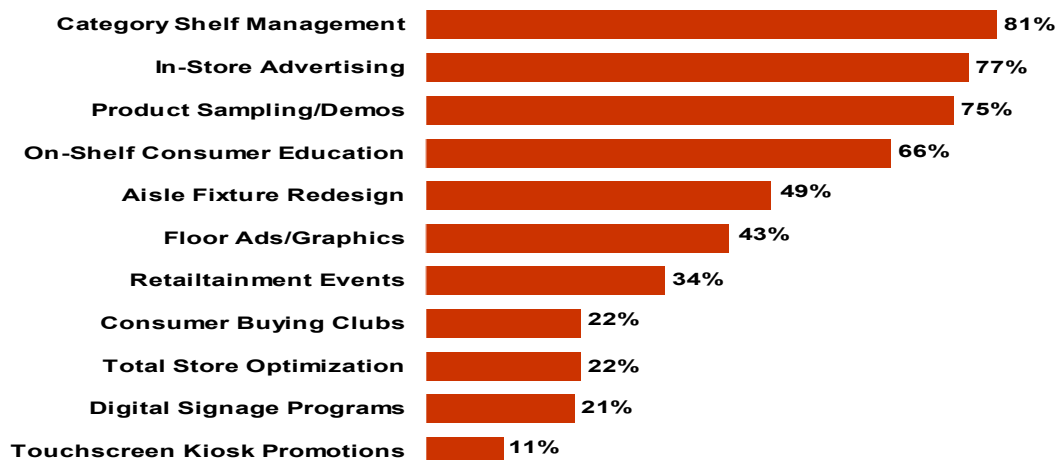
In-Store Research Conducted



Similarly, while many companies conduct shopper research, the In-Store Marketing leaders were more likely to be engaged in thought leadership efforts that required a broader viewpoint and deeper understanding of the shopper. Often, this meant going beyond the brand and the category to develop learning about the whole aisle, store shopping patterns, or consumer shopping missions.

In-Store Marketing Leaders don't stop at learning and insights. They leverage the insights to develop real consumer-focused, in-store solutions. They are also more likely to embrace technology such as digital signage or shopper kiosks to effectively market to the shopper in the store.

In-Store Marketing Activities



A Blueprint for Action

The industry should consider key lessons learned from the In-Store Marketing Leaders and act to realize the opportunity by taking the following steps:

- Commit To In-Store Marketing as a strategic tool and recognize it in the organization
- Build retailer/manufacturer partnerships aimed at marketing to consumers in store
- Develop new insights to shopping behavior using broader and deeper research
- Leverage the insights to develop tangible consumer-based in-store solutions
- Allocate resources, conduct training and further leverage in-store technology

The traditional marketing model of manufacturers creating demand with advertising and promotion and retailers providing product availability is rapidly being replaced by a more complex model in which manufacturers and retailers must further collaborate on marketing to consumers in the store. It is important that all the stakeholders embrace this change and view it as an opportunity rather than a threat to their traditional concept of marketing. In-Store Marketing has the potential to provide a powerful new tool to support brand franchises but it will require new attitudes and actions to succeed.

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