



CONSUMER
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Eight Secrets to Successful Retailer-Manufacturer Collaboration

Shopper-centricity is a familiar term and one that has been around for some time, but it has never been more relevant than it is right now. Shoppers have become more demanding, selective, and sophisticated. The game has changed – and yet many retailers and manufacturers still play by the old rules, missing valuable opportunities to collaborate through shared insights and strategies.

The reality is that a gap still exists between what the retailer perceives as shopper-centric and what the manufacturer sees. Both stakeholders have the shopper at the heart of their planning processes, but the retailer thinks in terms of stores and categories while the manufacturer focuses on brands.

As a result of these different mindsets, retailers and manufacturers often operate in silos. For example, retailers track overall shopper satisfaction drivers for their channels and banners, while manufacturers analyze the impact of new product introductions on their brands. Information is not typically shared and strategies may not be aligned, resulting in sub-optimal shopper marketing for both parties.

Retailers and manufacturers would be in a much better position to deliver against shopper expectations if they leveraged shopper and consumer insights more effectively and aligned their shopper strategies more closely. To help bridge the gap, Ipsos has identified eight opportunities for retailers and manufacturers to join together to achieve better shopper understanding and marketing. These opportunities are accompanied by our recommendations for action, thus forming a practical guide to the secrets of successful retailer-manufacturer collaboration.

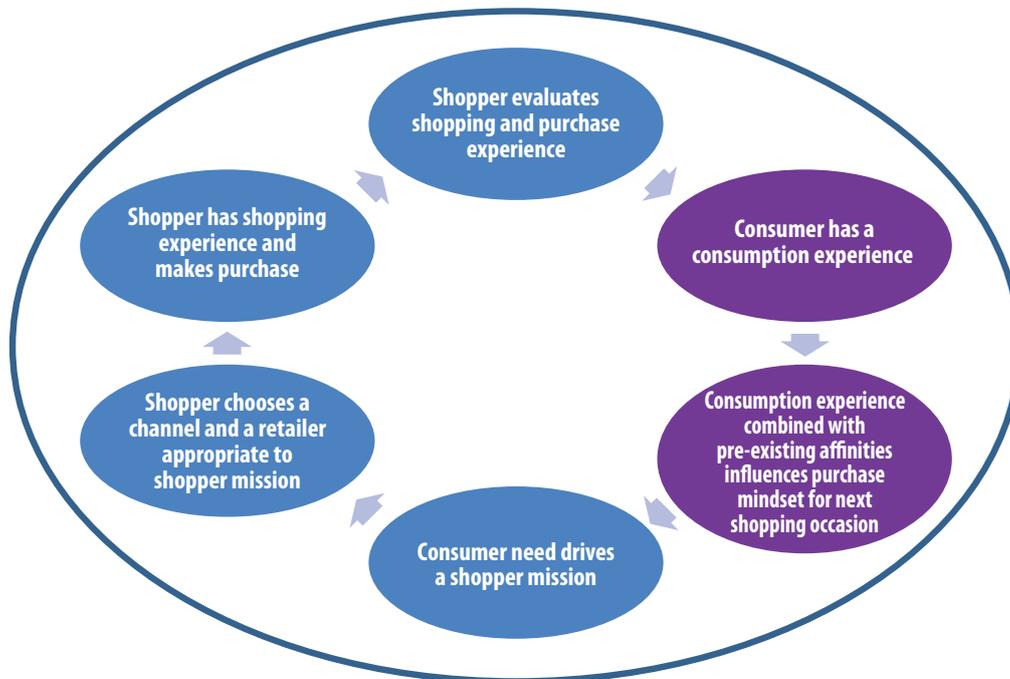


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Secret #1: Understand the Shopper Journey – Both In-Store and Out-of-Store

Together, retailers and manufacturers need to understand the entire consumer to shopper journey. Shoppers are exposed to greater choices and a plethora of media, and thus consideration and purchase decisions are being made earlier and earlier. The cycle of consumption and shopping is intrinsically linked and both retailers and manufacturers need to understand the Who, What, When, Why & How motivators along this journey.

The Shopping Journey



Retailers and manufacturers need to understand how they can positively impact:

- Post consumption experience: How can they impact the decision to make the next purchase occasion
- Shopper mission: How this translates to being a driver of shopper behavior
- Perceptions of different retail channels and the actual retailer choice in relation to their shopper mission
- The impact of the shopping and purchase experience

Secret #2: Promotion Overkill Can Devalue a Category: A United Front Can Be More Effective

The prerequisite for a manufacturer being listed in a category is often the agreement to commit to an aggressive promotional plan. It is not unusual for 40% of all supermarket sales to be linked to promotions. In recessionary times, customers are more price-conscious and susceptible to promotion so it seems like an easy win. However, from the shopper view, this often has the impact of devaluing the category overall. A category which relies on almost continuous promotion risks devaluing brand differentiators and erodes profits which result in lack of investment and loss of innovation.

A far better solution is to consider how a more collaborative strategy delivers value for the retailer and the manufacturer and most of all, the shopper. A good example of this is the 7-Eleven and Hershey collaboration:

- Hershey produced a children's cartoon character for the entrances of 7-Eleven stores.
- Hershey then recruited their archrival, Mars, to join them in their collaborative promotion plans.
- The two manufacturers merchandised their core products in the open mouth of the character and also offered a \$1.00 off coupon on the products when a soft drink was purchased.

The impact: it grew overall sales of confectionary for the category (and volume and value of sales for the individual manufacturers) and it drove cross category purchasing into soft drinks!

Secret #3: Range Rationalization Requires Mutual Respect for Manufacturer Brands and Private Labels

Many retailers are looking to increase the importance of private labels within categories. At the same time, delisting of branded products is a constant objective of retailers to ensure category optimization. However, if not managed carefully by retailers, de-listing brands can have a significant negative impact on retailer sales, as evidenced by the following two cases:

- In 2009, Wal-Mart began initial implementation of Project Impact, a project intended to reduce clutter, make the aisles easier to navigate, and improve the look of the stores. However, when Wal-Mart implemented Project Impact at 600 US stores, it had an unintended impact – sales suddenly declined.
- In 2009, Belgian supermarket chain Delhaize delisted about two-thirds of the Unilever products they normally stock due to a dispute with the manufacturer. Delhaize quickly began to lose customers who were loyal to Unilever brands, consequently resulting in a suitable solution for products to be relisted.

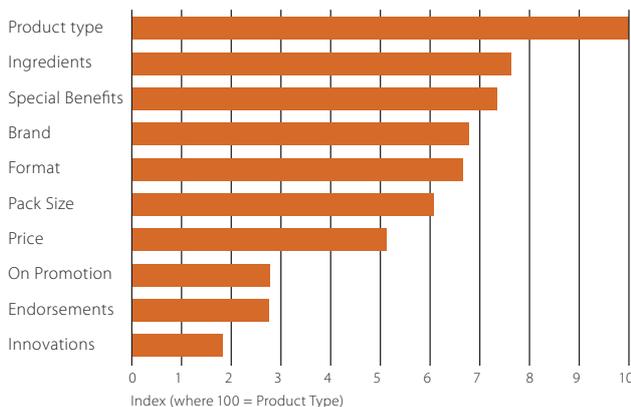
The lesson for retailers is that major brands can actually be trip drivers in themselves. By removing them, retailers can drive shoppers to their competitors.

There's also a lesson to be learned for manufacturers: Facing the challenges of increasing SKU rationalization by retailers, manufacturers need to be proactive in rationalizing their underperformers themselves. This step will free up time and investment so they can concentrate their efforts on their category captain performers, creating the true product benefit differentiation and innovation required to stay ahead.

Secret #4: Planograms Should Focus on the Shopper – Not Just the Financial Goals of the Retailer and Manufacturer

Understanding the shopper's decision hierarchy is critical when developing planograms – and our research shows that shoppers' decision paths might be quite surprising. We found that 85% of people, on average, will stick with the same product type when their first choice is out of stock – as opposed to staying with their first choice of ingredients, special benefits, or even brand.

Average Relative Importance of Factors when Choosing Products to Buy



Source: Ipsos Shopper Decision Tree Database

While manufacturers want the optimal planogram that gives their brand an advantage and retailers would like to sell the items that make them most profit, the shopper wants a choice that is wide enough to give them alternatives but that is laid out in a way that makes it easy for them to find their first choice brand or format or be able to switch between two or three acceptable alternatives. Retailers and manufacturers must balance their interests in a conceptual planogram that will provide a compelling experience for the shopper.

Secret #5: Digital Shoppers Expect a United Front – Don't Disappoint Them

Armed with the latest smart phones, people are shopping more consciously and confidently. They have access to retailer and product information at every stage of the purchase decision process, and word of mouth has never been easier.

- Shoppers can gain instant access to competitive prices, ingredients, nutrition facts and background information
- They can easily obtain reviews of shopping and product experiences from a variety of sources including QR (Quick Response) codes which allow more information about a product or service to be accessed by scanning a "picture" containing a link to a website or other relevant information via their smart phone

- Shoppers will soon be using self-scanning phones to create shopping lists, locate retailer stores, check products in stock, find optimum routes in store to desired products, download mobile coupons, use loyalty cards and make payments

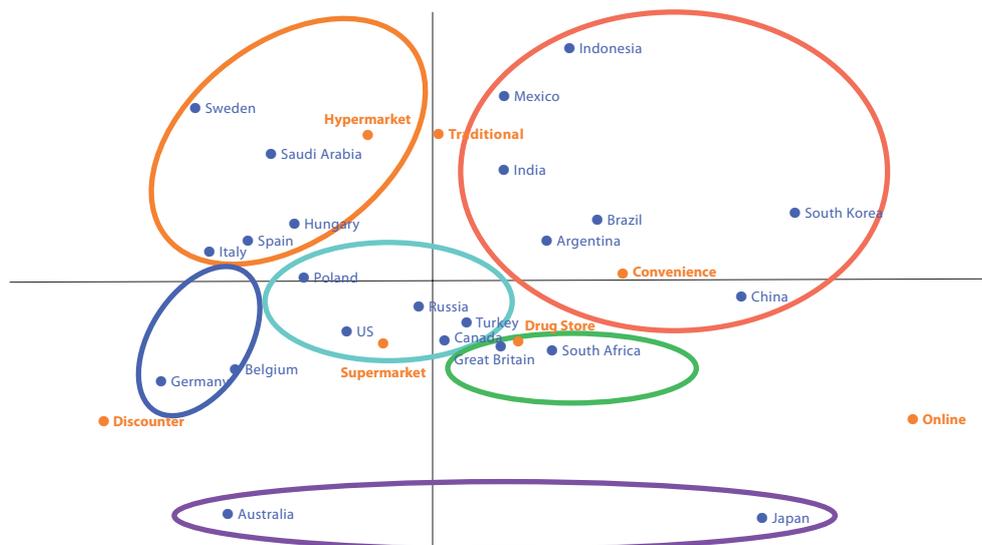
Trying to satisfy this appetite for information will be better achieved by a collaborative retailer-manufacturer approach that can effectively and efficiently target individual shoppers. Shoppers do not delineate between shopping information and product information, and will rely on apps that will help them to buy their desired product at their desired retailer in a seamless process.

Secret #6: Emerging Markets Are Tough: Manufacturers and Retailers Should Align for Deeper Insights and Greater Efficiency

Globalization is fast and furious for many retailers and manufacturers. Insights into new markets can be expensive. However, understanding trade channel landscapes in different markets can help optimize research expenditures when research is not feasible in every market.

Defining a channel strategy in different markets is a first step to success. It is important for both retailers and manufacturers to consider which markets have similar types of shoppers or similar shopping landscapes. For example, in the map below the larger ovals indicate which countries have more similar trade structures in terms of the types of channels. Knowing that Canada, Russia, Turkey, and the US share similar retail trade structures can help retailers and manufacturers to formulate the right shopper strategies to work in these markets, e.g., what types of stores are most relevant in these markets and how the shopper experience/product range/pricing strategy can be developed to meet the needs of this shopper landscape.

Global shopper landscape – based on where people have shopped in the past six months



More efficiency can be gained through a sharing of existing knowledge. In emerging markets, manufacturers deal directly with independent retailers, wholesale channels and shoppers (for example, through advertising). As a result, manufacturers know a great deal about the local supply chain logistics, the competitive landscape, and shopper needs and profiles. As the traditional channel stronghold decreases in emerging markets and global retailers move in, manufacturers should align themselves with key global retailers to share their local market and category knowledge – thereby, creating a valuable partnership for both.

Secret #7: Shopper Insights Should Be Incorporated into the Innovation Cycle – and Consumer Insights Integrated into Retail Planning

Often in the new product development process, the products are developed with specific consumers in mind, using a range of research tools, hope and a little inspiration. Manufacturers may focus on routes to market but not fully consider the actual retail environment. Knowing where the product will compete, how the package will stand out on shelf, and how consumers will respond to promotions are key parts of the innovation process and frequently forgotten until late in the game.

We recommend integrating shopper insights throughout the innovation process when these insights can help refine the product, its positioning and the launch plan, for example:

- Shopper insights about where in store the new product would be found could be integrated into the concept building phase if there is some ambiguity about where the product would be located in the store (for example, in cases where the product is new to the world or crosses categories)
- Shopper insights should be integrated into the mid-stage of innovation when the proposition is being developed and optimized. This is the time when packaging and pricing are being finalized and shopper perceptions of how the new product performs vs. competition in these areas are critical.

Consider the case of a **new package design** for a toothpaste: It may well have excellent reviews in focus group studies but if it lacks visibility or does not have the colour/shape/pack design to stand out well on a shelf then it may well fail. Shoppers will spend little time searching for something. If they don't see it instantly they will probably grab something else.

- Shopper insights should also be a part of any post-launch tracking. For products that are performing poorly in-market, it will be necessary to find out the extent to which the barriers to trial are related to retail factors (e.g., distribution, ability to locate in store, pricing, in store merchandising) as opposed to product factors or advertising.

Conversely, retailers should have the opportunity to leverage consumer insights. Manufacturers should align with retailer strategies and bring extra insight to the table to grow overall category insight. For example, changes to merchandising, promotions, POS, new product introductions and even pack changes can impact the category overall.

Secret #8: Shopper Insights Need to be Actionable (Well, That's No Secret – But What's the Secret to Making It Happen?)

As shopper marketing continues to grow so does the quest for research that can help to boost the return on investment of this activity. Retailers and manufacturers alike have volumes of data but don't always know how to action it. To help meet this challenge, Ipsos developed its proprietary Sudoku approach to turning data from multiple sources into actions that can be implemented at point of sale.

Shopper Sudoku uses a two-step process:

Step 1: A Kick-Off Workshop that ensures that what is delivered as a result of the research is in line with the expectations of the key stakeholders: researchers, marketers, sales, trade marketing and retailers. The Kick-off Workshop takes all available shopper information – including quantitative, qualitative, observational, social and panel data – and organizes it using our proprietary Ipsos Shopper Funnel. The funnel is designed to provide clarity to research by determining exactly how each aspect will be applied to shopper marketing.

Step 2: An Action Workshop that transforms research findings into precise next steps for creating, developing and improving the shopper experience. How do we do it? By leveraging our proprietary analytical matrix, the Ipsos Shopper Sudoku. The Shopper Sudoku provides specific guidance for retailers and manufacturers on how to activate the key touch points of shopper marketing, including planograms, pricing, promotions, communication and more.

Ipsos Shopper Funnel



Ipsos Shopper Sudoku

WHO? Who is the target shopper?	WHAT? What are we going to do to impact the shopper??	WHEN? Is this a time dependant activity?
PLACE Where in store are we going to take an action?	PLANOGRAM What are the implications for the planogram/range?	POINT OF VIEW How to communicate this initiative to the shopper?
PRODUCT What features do we need to focus on? How to deliver to the needs?	PRICE Is this opportunity dependant on a price point?	PROMO Is this opportunity dependant on a promotion?

The Collaborative Shopper-Centric Plan – What Does It Look Like?

Shoppers are more sophisticated and demanding than ever. To win with shoppers, retailers and manufacturers must collaborate to truly be shopper-centric. Price promotions aren't sustainable – the retailer and manufacturer need to find other ways to stimulate demand.

Together manufacturers and retailers need to deliver the right assortment for the right shopper at the right time. How can this be accomplished?

- Through appropriate range rationalization
- Tailored merchandising according to channel, shopper mission and even time of day
- Targeted promotions
 - Some retailers are now offering 'trade up' promotions around pay day, but price discounted promotions during mid month when shoppers may have less in their pockets
- An optimum in-store experience
- Engaging social media and mobile apps that enable shoppers to easily find exactly what they want

Retailers already know a lot about the 'Who, What, When, How' of shoppers through loyalty schemes, panel data and EPOS data. Manufacturers can bring vital in-store motivational driver insight to the table and deliver the real 'Why' factor. The real win is to share knowledge between the retailer and manufacturer to truly understand shoppers and develop plans that deliver on their evolving expectations.

Sharing knowledge is a simple enough theory, but how do marketers really make it happen? The key is to have insights managers who are responsible for proactively gathering and dispersing shopper and consumer information and pre-planning research investments that could be jointly funded by the retailers and manufacturers. When resources do not permit for an in-house insights manager, the research partner should be called upon to do some of this work. Often, the research agency knows when consumer research results can be rounded out with shopper insights (and vice versa) and will ask the client if he can obtain such data. Or, the research supplier can recommend path to purchase research that could be supported by a joint investment on the parts of the retailer and manufacturer (e.g., mobile shopper research). And, of course, the research partner as an objective third party can call for information sharing from both sides during strategic workshops aimed at developing the shopper marketing plan.

About Ipsos Marketing

Ipsos Marketing – The Innovation and Brand Research Specialists – is the Ipsos brand for Marketing Research.

Ipsos Marketing operates under a global structure that brings clients unequalled research expertise throughout their innovation and brand development process. Supported by specialized teams, Ipsos Marketing offers in-depth understanding of the drivers of consumer choice and of the marketing challenges faced by our clients. Our experts provide integrated qualitative and quantitative research solutions, as well as advanced modelling and forecasting techniques that include simulations and linkages to in-market data.

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