



Q *In light of new consumer insights and their implications, a few manufacturers have started putting much less emphasis on channel-specific marketing / merchandising, and much more on consumer shopping occasions and need states.*

Are they on to something? Why or why not? What new knowledge, insights, expertise, information – and new tools/resources to elicit these – will be needed by CPG companies and retailers to meet such a fundamental shift in approach to the retail landscape? Why?

Where Have all My Consumers Gone?

by Tom Moore, Director, Global Business Strategy - RW3 Incorporated

Where have all my consumers gone?

They have gotten smarter each and every one

Where have all my consumers gone?

Retail segment blurring has taken some

Where have all my consumers gone?

A changed purchasing behavior has taken them every one

When will I ever learn?

When will I ever learn?



You may recognize these lyrics that closely resemble the sixties tune written by Pete Seeger and first recorded by Peter, Paul & Mary. The song “Where Have all the Flowers Gone?” was a statement of a countercultural movement that was shifting society away from simple daily routines toward a compulsive pursuit of the complexities and competitive pressures of life.

Four decades later, the Consumer Goods Industry (CG) is witnessing its own countercultural movement. Much like the sixties, today’s changing CG culture is a by-product of the *external* influences that impact all of us. **Simply stated, today’s consumer behavior reflects all the influences that are imposed on each consumer by other individuals and circumstances in society.**

If we (CG Industry) intuitively understand and agree that societal change is constant and that everyone and everything is impacted by change, why do we continue to do the same things - yet expect different results? Why are most retailers surprised when a new retail format opens down the street & later discover their previously loyal shopper has now become more selective? Why does the industry refer to retail format innovators as “category killers?” Why do some manufacturers still focus on channel sales & marketing strategies when retail blurring continues to shift more CG business out of the traditional super-market? Why are manufacturers spending 16-18% of revenues on trade promotion when only 30% of the promotion dollars drive incremental sales?

The good news is that more manufacturers and retailers are getting it! Market innovators are looking at new *consumer insights* and their implications on one’s brands & products. These innovators are considering the *psychology* of how consumers think, feel, reason and select between different products and within format alternatives. They are considering how the consumer is *influenced* by his or her environment (e.g., culture, family & media). Even more fascinating, innovators are beginning to understand the varying degree of purchasing behavior exhibited by any one consumer – by shopping occasion and need state.

In a consumer savvy society, both manufacturer and retailer must work together to understand the total consumer shopping experience. There must be more emphasis placed earlier in the strategy process, on the integration and transparency of product & brand attributes, brand decision trees, consumer demographics, consumer psychographics, and retail point of sale data (POS). ►

Understanding data points and focusing on consumer attributes helps companies adapt their marketing strategies by taking the consumer into consideration. For example, being aware that a number of different messages compete for a potential customer's attention, one learns that to be effective, advertisements must usually be repeated extensively. One also learns that consumers will sometimes be persuaded more by logical arguments, but at other times will be persuaded by emotional appeals. The more companies understand the consumer, the better they will be able to make a more informed decision as to where, when and which business strategy to employ.

In the future, businesses that focus their marketing efforts on the consumer will be the big winners. According to stock market measures of profit, retailers have not gained profitability at the expense of manufacturers. In fact, in the past two decades both have experienced *reductions* in profitability while competition among retailers and manufacturers has become even tougher. Traditional retailers have battled each other on every corner while cyber retailers like Amazon.com continue to make inroads through the net. This competitive set has introduced an industry phenomenon referred to as "channel blurring." The practice of adding categories beyond a retailer's traditional mix is enabling retailers to capture more market share, gain a larger market basket and create value for a time-starved consumer, according to Boston based AMR Research, Inc.

Companies that want to be smarter than their competition must have some depth and breadth of consumer insights that no one else has. In the 21st century, having the largest promotional allowance is not always best. The lowest priced item and a consumer looking for the best value may not connect. If you want to meet the needs of a changing consumer you must *quantify* the behavior and the choice. Unless you get out in front and begin to anticipate how consumer behavior impacts future buying decisions, you may find yourself singing a few bars of "Where Have All My Consumers Gone?"

What is needed by CPG companies and retailers to meet such a fundamental shift in approach to the retail landscape?

It's simple. To win in a customer-centric economy, you must be smarter than your competitor. **Retailers and manufacturers must be willing to discuss and share consumer data!** Manufacturers have product & brand consumer profile data that can be integrated with retailer shopper profile data and merged with retail point-of-sale data. The most successful retailers & manufacturers over the past 10-15 years are the ones who have been most aggressive in sharing data without cost. These innovators believe there is a far greater business value received from the convergence of consumer data than creating another profit center.

Retailers and manufacturers must make the necessary technology investment & measure results. Retailers must understand that creating a sustainable consumer centric experience is more than high-low pricing or for that matter EDLP. Consumer centricity is knowing what the consumer wants & needs and having availability & accessibility at the exact moment and at the right value to suit that shopping occasion. Manufacturers need to create demand by developing or customizing innovative products that fill consumer needs and satisfy consumer wants. Today's consumer marketing strategy must be broader than promotional monies, media and merchandising. Knowing the consumer & understanding how, why & when decisions are made is the key to future growth & profitability. All sides should reevaluate their current go-to-market trade strategy and redirect their resource investment into technology solutions that help create the right in-store consumer shopping experience.

Retailers and manufacturers must move work to where work gets done. The skills to deal with today's market complexities and stay on top of technological progress may not exist within any one company. Many industry innovators leading today's change are partnering with technology solution providers. Technology solutions companies are contributing to 'demand creation' by framing the data to help companies more effectively analyze their business opportunities. The right software can measure the immediate impact of changes so companies can expand or replicate successes in real time.

Moving forward, it is more important for companies to predict buying trends, anticipate consumer needs, and understand consumer frame of mind early in the game... Winners in this consumer oriented market will have their brands & products within arm's reach of desire when and where the consumer purchasing decision is made. ■



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