20/20 Foresight: Shopper Marketing Success Strategies for Visionary Brands

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To go it alone is to fly half-blind, but working with retailers, CPG brands gain 20/20 clarity around shopper behavior and drive sales for both parties, a Foresight ROI analysis finds.

Look around you. From Amazon's dominance to the ubiquity of digital, it's plain to see there are forces at work that are changing the meaning and scope of shopper marketing. But its essential purpose is still the same. Shopper marketing is all about bringing consumer and shopper behavior into focus in order to influence those behaviors and drive sales by improving the overall shopper experience. Visionary CPG companies understand that shopper marketing ideally should benefit not just brands and shoppers but also retailers. Unfortunately, the CPG industry has a blind spot: While acknowledging retailers as stakeholders, shopper marketers generally don't regard them as collaborators.

The blinders may come off in light of Foresight ROI's latest benchmarking data. Foresight ROI has measured over 25,000 shopper marketing events for hundreds of CPG brands at the top 15 retailers, and ongoing analysis of the data not only underscores the importance of working with retailers as a team but also evolves the definition of shopper marketing to entail collaboration. Only by collaborating can CPGs and retailers achieve 20/20 clarity around consumer and shopper behavior and strategize accordingly.

Bottom-line benefits to retailers are among the most conspicuous and consistent hallmarks of high-performing programs. Foresight ROI's data analyses first brought this finding to light in 2014, but shopper marketers are still coming around to the realization that a retailer's success is theirs, as well. Teamwork, by and large, has not caught on as a success strategy. In a 2019 Path to Purchase Institute survey, CPG executives reported that only about one-fourth (26%) of their programs qualify as "true" collaborations between their organizations and retailers, whereas 41% are driven mostly or completely by their own objectives. That's too bad, because from millions of data points, Foresight ROI's longitudinal analysis identified the hallmarks of successful shopper marketing programs — and CPG-retailer collaboration cuts across all five of them.

1. Brands' and retailers' actions drive each other's success.

The data makes clear that shopper marketing, at its best, prioritizes the concerns of shoppers — understanding, anticipating, and addressing their needs. At the same time, the study brings into focus the importance and influence of retailers in maximizing shopper marketing ROI. A key finding is that the most profitable shopper marketing programs tend to produce profit lift through increased category sales for retail chains. That means CPGs should collaborate with their customers so both parties win. Companies like Nestle and Tyson use Foresight ROI's state-of-the-art predictive analytic tools to achieve this objective, but the formula for shopper marketing success is best summed up in the age-old saying, "You've got to give to get." Brands must ditch the "me-first" mentality when working with retailers and approach collaborative efforts with a win-win mindset from the get-go. Based on benchmarking studies of what works, Foresight ROI suggests that brands come right out of the gate with event proposals that clearly and measurably benefit the retailer by driving category growth.

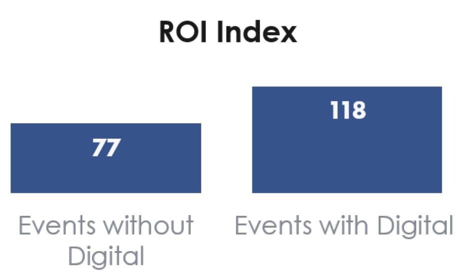
Manufacturers want a return on investment for their marketing spend, but without category growth, it's not a win-win. If it's just a brand win but doesn't grow the category, then the manufacturer may need to change tactics to ensure continued retail support. On the flip side, retailers sometimes sell their vendors high-priced marketing that can be difficult to pay out without additional support from the retailer. While the brand's ROI depends greatly on in-store display support, the retailer's objective of increasing category sales comes largely from pre-store tactics that the brands pay for and control.

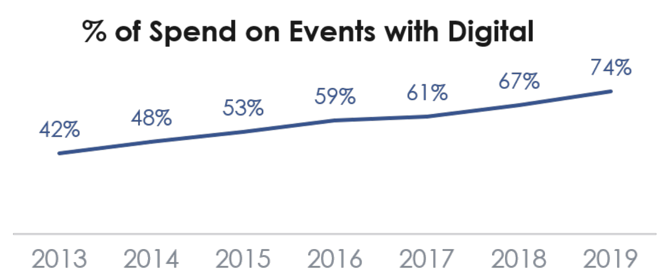
2. Pre-store tactics can work to both parties' advantage.

Pre-store tactics (direct mail, banner ads, coupons) are one way to increase category sales while expanding program reach and increasing brand penetration. Reaching shoppers at various points along the path to purchase as well as in-store with both a message and an offer is one pattern that works well. Pre-store tactics motivate or remind shoppers to put the brand or category on the shopping list, sometimes with a specific retailer depending on the offer. This drives more traffic to the store and incentivizes the retailer to display the brand prominently. Pre-store tactics are particularly important for high-low retailers since their target shopper habitually looks for deals when planning trips. At everyday low-price retailers like Walmart, in-store activity ups the ROI by differentiating the brand where it cannot stand out based on price. A full path-to-purchase approach costs more due to the number of tactics involved, but shopper marketing programs with multiple touchpoints offer brands a 31% better ROI while typically benefitting retailers as well.

3. Digital tactics generally outperform non-digital.

Spending on digital tactics in CPG shopper marketing programs for physical store channels has increased, and what started as a good bet is looking like a sure thing from an ROI standpoint. On average, events with a digital component bring 40% greater returns, and that's why 74% of all shopper marketing programs have a digital element. Moreover, digital provides a relatively cheap and effective way to reach shoppers, who are always tied to their devices. The most successful CPGs are collaborating with retailers to incorporate digital tactics as part of their respective omnichannel strategies. But early success with — and subsequent overreliance on — digital comes at a cost. Sometimes too much use of a good tactic can erode the broader strategy and increases in digital spending typically come at the expense of in-store marketing. While the share of shopper marketing spend on digital tactics has increased from 20% to 48% over five years, the share of in-store tactics has declined 12%, down to 30%. Foresight ROI has found that shopper marketing returns decline when spending on in-store tactics dips below 40%. So, while digital is a must-have tool, it's just one of many that CPGs need in their shopper marketing toolkit to succeed (More info in our blog, [In a Digital World, Don't Forget the Power of In-Store Marketing]).





4. Trade and shopper marketing need each other.

Shopper marketing almost always works better when aligned with good trade promotion support. Of the thousands of programs Foresight ROI analyzed for returns, trade promotions with a shopper marketing overlay tended to perform best. That's because retailers recognize the synergy, so trade promotions with shopper marketing programs garner greater retailer support than those without. Retailers expect insights-based, solutions-oriented shopper marketing to increase demand and sales velocity. In other words, they have an incentive to enter collaborative partnerships with those CPG brands that bring mutually beneficial programs to the table. In fact, the data analysis shows that brands get more and better merchandising when they include shopper marketing in trade events.

Shopper marketing and trade alignment drive greater demand and sales, and the gains are even bigger if programs are "highly relevant" to shoppers. The ROI for "highly relevant" programs was 18% higher on average. High-relevance factors identified in the 20/20 Foresight data analysis include:

- Good timing and seasonality
- Themed programs
- Programs offering a solution (often by bundling products for a basket-size boost)
- Partnering with other brands
- Supporting the brand's position with consistent, compelling messaging

5. Brands should fund their best customers.

Brands will see greater returns at certain retailers. Quantifying those returns, a slight change in budget allocation can generate large profits, because a brand's top retailers help generate returns four times greater than the lowest performers. Shifting $1 from the lowest retailer to the best is equivalent to delivering an extra $1 in profit on $1 spent on shopper marketing, Foresight ROI found. Furthermore, brands that funded their best customers through small reallocations increased their returns on shopper marketing upward of 5% on average.

Conclusion

When brands and retailers join forces, they both reap rewards by creating an omnichannel shopping experience that drives sales across the full spectrum of channels. Foresight ROI helps CPGs identify their best potential retail partners in terms of past performance and probable success, based on a predictive analytics model that effectively provides shopper marketers with 20/20 foresight. If shopper marketers also use best practices and a continuous measure-learn-change process, they will consistently post win-win results for themselves and their customers.

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