Part Six: New Year resolutions and predictions

Oblique discusses some important ideas to be mindful of in the New Year.

Oblique is one of Retail World's *longest standing contributors. It has a strong, established reputation within the industry for being leaders in shopper marketing, shopper insights and category management; it was – and still is – the pioneers of all things shopper and category within Australia. As preferred shopper partner for many of the top FMCG players within the industry, it is known for its leading edge, relevant and actionable solutions. Its recommendations are proven and most importantly, have delivered significant sales growth for retailers, brands and categories alike.*

In this series of articles on 'Shopper Marketing,' Oblique draws upon its extensive shopper experience, as well as the only in-store shopper behaviour metrics and benchmarking database within Australia – Shopperpedia – to bring you understanding, real life Australian case studies and a global perspective on what it means to go beyond the surface of shopper.

Series:

- *Part 1: Shopper Marketing: Latest craze or simply the next phase? (Published June 23 issue)*
- *Part 2: Shopper Marketing: The critical five degrees of separation (Published August 4 issue)*
- *Part 3: Shopper Marketing: Making it happen (Published September 1 issue)*
- *Part 4: Shopper Marketing: Brands or world of sameness? (Published October 13 issue)*
- *Part 5: Shopper Marketing Forum: Your opportunity to have your say. Please contact us to post your view. Entries will be anonymous: info@oblique.com.au (Published November 24 issue)*
- *Part 6: Shopper Marketing: New Year Resolutions and Predictions for 2009*

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Author overview:

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She works with many of the key FMCG players as a management consultant and is a business coach for some of the highest level sales and marketing executives within the Asia Pacific region.

I thought that I would approach this article in a brainstorming manner; sharing ideas and questions that we see as being important for your consideration in 2009. Some of these ideas are quite bold – intentionally – in order to make us stop, think and re-assess our current habits because that is exactly what the shopper will be doing throughout the year. Our aim is to be as prepared as possible for what the challenges of 2009 turn out to be.

Here's some thought starters ...

- An increasingly wide share of shop for the average shopper. 2008 has seen success stories from Franklins, IGA, Aldi and Foodland and we think that this wider share of shop trend will continue as shoppers become increasingly conscious of fuel costs, buy locally while they are already out grabbing a coffee and limit making a special trip to the supermarket or shopping centre.
- A reduction in expandable and perishable consumption and wastage will be driven by more frequent shopping trips. A heightened awareness of weekly budget will result in a lack of willingness to spend too much on groceries in any one-week 'just in case' and buy more so on a 'as needs' basis. This will mean less stock-piling at home and therefore a reduction in expandable consumption and waste. The good news is that this will be offset slightly by an increased level of impulse purchasing due to more frequent shopping, but as this tends to be smaller pack sizes, the overall net effect will probably be negative.
- An increase in real world – rather than aspirational – offers as shoppers become less attracted to 'win a Ferrari' or 'trip to Italy' campaigns and respond more so to 'your mortgage paid for the year', 'no petrol costs until 2010', or 'kids go to school for free'; promotions that mean something to their day-to-day expenditure.
- Indulgence will be this year's premiumisation buzzword as shoppers treat themselves differently; buying a lipstick will replace having a facial. Buying a hair treatment in the supermarket will delay the hair salon visit and brands need to play to this trend. Done right, this behaviour could become a profit rich avenue for FMCG with clear long-term channel steal potential.
- Brands will be reassessed and re-evaluated as shoppers seek to cut out the non-necessary choices in their life. Shoppers aren't going to stop buying their favourites, but they will be making different choices in 2009 in those categories or with brands that they feel no longer resonate and that have simply become a habit for them. Facts we cannot ignore:

- GE started during the recession of 1873
- Disney started during the recession of 1923-24
- Microsoft was founded during the recession of 1975.

As Eric Ryan of Method told Fast Company: "Starting a business in a recession is like vacationing in the off season ... It's a little less crowded, and everything starts to go on sale ... the opportunity is now and there is no middle ground." Had the other brands in the market been proactive – rather than battening down the hatches in terms of investment – during these recessions, the world could be a very different place today: no credit, no computers and no Mickey Mouse ... maybe not such a bad thing after all?

Pulling all of this together therefore, there are six factors that we see as certainties for 2009:

The global credit crunch will have a greater impact on FMCG in 2009

Australia is drawing deep breaths at the moment, will it or won't it? Hit that is. Early predictions for the economy in 2009 have been re-evaluated, with the Federal Government beginning to press the 'only in case of emergency' relief buttons. The cash injections aimed at giving retail a boost around Christmas may or may not have had the desired effect, if consumer confidence continues to plummet, chances are we'll be putting those dollars into savings. So what does this mean? Not many Australian FMCGs will be able to weather the storm unharmed, with international parent companies to report into that are already nearing the abyss, there will be a lot to respond to. Credit terms will be narrowed, and continuing strength in sales will be essential. The good news is that FMCG products are (generally) more budget-friendly items, being at the bottom of the scale in dollar value. However, we cannot forget that shoppers have many choices, and also opportunities to save a few cents for the family in the supermarket. It's no time to be ignoring what's staring us in the face and therefore we will need to apply a heightened level of scrutiny on spend. Assessing which costs are delivering ROI to your business will be critical here.

Channel assessment and switching will become a very real consideration

In the US, shoppers have re-assessed

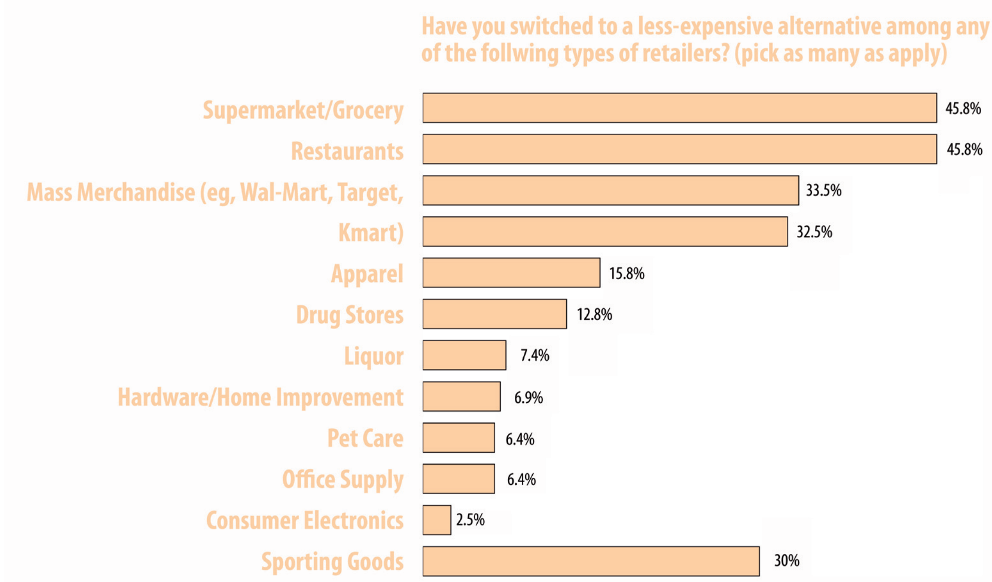

Figure 1: Channel switching behaviour. Source: Womanwise

retailer brands. Figure 1 illustrates how the MGS (main grocery shopper) is changing their behaviour in light of the tightening belt.

Aldi could be the biggest winner from a recession in Australia, as it truly understands how to deliver the ultimate cost reduction benefit on to shoppers and consumers. The Aldi format with no bags or baggers means no surplus staff at the checkout, products are displayed in the box they were delivered in, a significant time saving, and the product formats are simple and make for easier choices. They benefit with regular turnover, lower spoilage and labour costs, and massive buying power. We know that this is something that a proportion of Australians want, and with many new stores being planned for 2009 they will be a greater threat to the establishment than ever before. Understanding the Aldi shopper and the choices that they are facing will be critical in addition to the abundance of information that we have on the top two supermarkets.

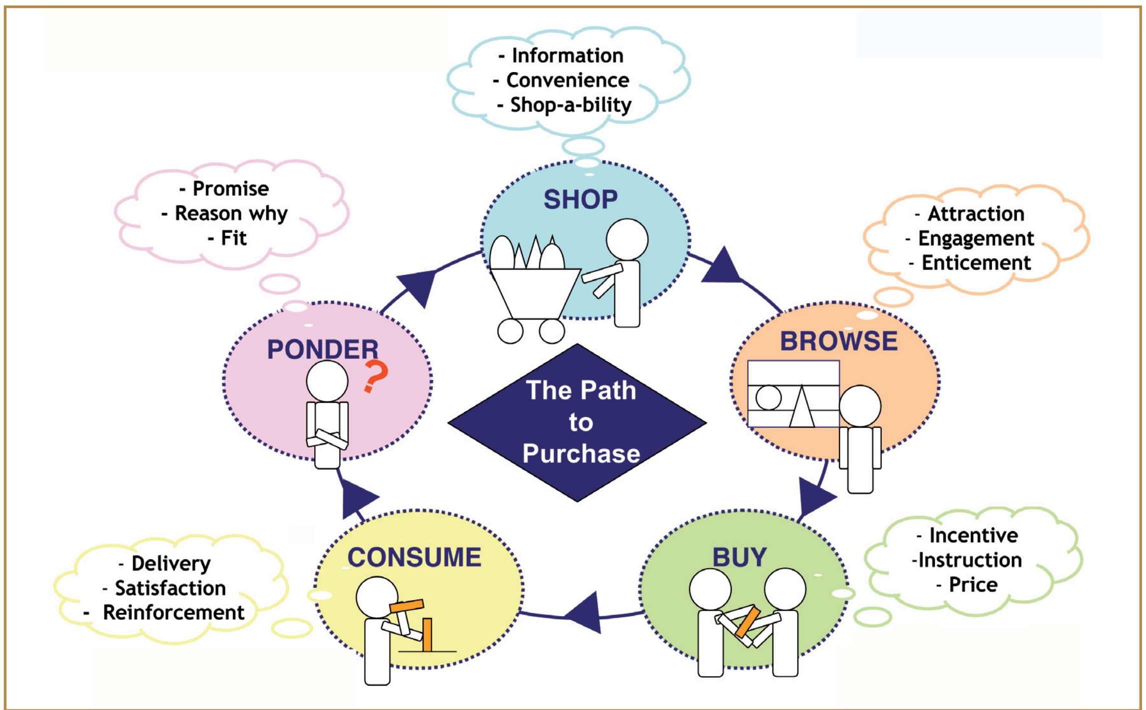

Figure 2: Path to Purchase (P2P) Scenario Map: Source The Hub

The shopper is at a brand choice crossroads; ensure your brand resonates in this re-evaluation

And it's not just the retailers that need to watch out. "Don't forget what your brand is. As time changes and new fads and things come in, you can get swept away and you can think. Well, we should do this and we should do that. But you always have to hold true to the core values of the brand. Every time it comes back to that; whenever we get back to that, we find success ... they are very knowledgeable. They are very savvy. We have to make sure that we are current and relevant," according to David Niggli, President of FAO Schwarz and responsible for bringing it back from bankruptcy only five years ago.

As we saw in the previous article, there are few truly 'strong' brands in FMCG and this means that when shoppers are facing a re-assessment – as is the case now – and think outside of their habitual purchasing habits, will your brand still make it into the basket? Your brand's essence and reason for being needs to be communicated in the same way, at every step in the Path to Purchase (P2P), whatever the medium. If your brand offer is so diverse and the fit with your established brand isn't working, it's time to be considering a new brand umbrella because unless it makes sense to the shopper or consumer at that particular touch point, your brand will be in danger of being overlooked.

We need to stop simply having a one-way communication relationship with our consumers and shoppers; communication needs to become conversation.

Our conversation with consumers and shoppers today is one way; we send them our advertisements and promotions but very rarely stop to actually ask them if they are working and what else they might like instead. Today we live in a conversational culture, largely driven by the internet, the mobile phone and overall technology and what it's allowed people to do. If you want to get to know anybody, you have to have a conversation with them. Shoppers and consumers want to have conversations with brands that are relevant to them. Every time you engage at a touch-point, you have a 'nugget.' It's measurable, and we need to know how it evolves over time as it creates a shopper knowledge centre. This level of intelligence creates a long-term learning plan that drives innovation, enables wiser decisions and makes the shopping experience better for us all. Shopper marketers who connect the dots will have at their disposal a continuum of learning over a long period of time, over multiple kinds of shoppers and consumers.

For me, the example of 2008 of this working is the Vegemite Census, a piece of absolute genius. Sure, the humble jar of Vegemite has a very special place in our true blue hearts, and we Aussies are more than happy to fight in our corner to support our iconic spread in whatever way we can. Vegemite has bottled our enthusiasm, drawing us in from quirky and nostalgic Government-style TV ads with consumers personalising their meals with Vegemite, and asking us to also commit to the Census online. The website asks us to hand over a few details about ourselves, and how we choose to use Vegemite. It also invites us to participate at the Vegemite forum and share ideas with other Vegemite lovers.

This has given Kraft an unbelievably powerful tool, giving depth of profile to the where, why, when and how's that other marketers would give their left arm for. It has also unveiled some of the new uses for the product, including the 'Vegecadoer' who eats their Vegemite toast with thin slices of avocado on top, or the 'PhillyMite' who combines it with Philadelphia. Unleashing the passion of these consumers has paid dividends for the brand, and has given the brand new life (if it ever needed that).

> "Some of the biggest brands have been born in recession; born because other brands buried their heads in the sandpit."

Shopper marketing will be the buzzword as marketers realise the ROI that can be delivered via an effective P2P

As an agency who has sat at the centre of shopper marketing for quite some time, we are seeing the effects of shopper marketing having a growing presence within not just sales and marketing teams, but the greater business as well. Brand teams now have so many choices in terms of investment, with everything from event sponsorship to TV ads to online to word of mouth to direct marketing. But investment further from the location of the shopper decision-making (ie. at the beginning stages of the out-of-store P2P) is becoming a more and more risky business, especially as media becomes more fragmented by the month. Given the state of the economy, more than ever, it's critical to place investment where returns can be relied upon.

"I would say our greatest goal for shopper marketing is to have it be ingrained in the DNA of Kimberly-Clark to such an extent that it is considered to be part of marketing." Hedy Lukas is Vice-President of integrated marketing communication for Kimberly-Clark accountable for Kleenex, Huggies, Pull-Ups and other brands, including media, consumer promotion, relationship marketing, shopper marketing and packaging design.

Businesses that use their agency partners more effectively will prevail; many minds are better than one and collaborative partnerships and sharing of goals will be a change that makes a big difference.

We work with many FMCG businesses, but very few really harness the value that an agency can bring. If there is reason enough to involve a partner, welcome them in. Many minds are better than one and with an agency the challenge of an outside view – something that consultants charge lots for – can be the light bulb that your internal teams need. If the trust isn't there with their expertise as it relates to your business, it's probably time to look further afield. But if you have the trust and a good agency – why not use it more? Your P2P is reliant on the information and insights that you have. There are so many different touch points that the target is influenced by and you can't prioritise one over the other. It has got to be harmonious. It's like weaving fabric together; if we don't all work together, the fabric falls apart.

To sum up therefore, it is true that 2009 will hold challenges – but doesn't every year in FMCG? The key is that we walk into this coming year with our eyes wide open about what to expect from trading conditions. Critical will be wise investment. As we have just heard some of the biggest brands have been born in recession; born because other brands buried their heads in the sandpit and waited for it all to go away. Challenges don't go away, they simply get bigger and become nightmares if left unaddressed. The key for all FMCG brands in 2009 will be relevancy. Where your brand re-surfaces on the other side of any downturn is 100 per cent in your hands. You can't expect to take your foot off the pedal and come out the other side unscathed. So act now to ensure that your brands don't simply become yesterday's news.