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*In this series of articles on Shopper Marketing, Oblique draws upon its extensive shopper experience, as well as the only in-store shopper behavior metrics & 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.*

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- Part 7: New Year resolutions and predictions for 2010

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**Author Overview:**

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## Part 2: Keeping yourself honest

Oblique discusses the power ladder and remaining honest.

**W**hile the power ladder is a fail-safe approach to success in terms of the knowledge process, it can only succeed if the data and insight foundations that it is built upon are solid. All too often within FMCG, they are not. In this article we will explore why and cover:

- Why it is virtually impossible for us to be honest with ourselves about what is really going on with our brands and categories;
- What the consequences of this are; and
- What you can do about it.

Even though most FMCG companies invest in data of some description, the honest interpretation of this in terms of what is really going on is hard to come by. The reason for this in my opinion is because we have fallen into bad habits. The most common three that we come across are:

- burying bad news;
- leading the witness; and
- lacking independence.

An example of 'burying bad news' happened to me last week. I was talking to the Marketing Director of Company X about data and was met with the comment: "Fundamentally, we don't want to invest in this research unless it's going to benefit our brand."

While on the surface it might appear as a fair enough comment – and is a very common one – it is an extremely dangerous attitude to have. To put it into context, can you imagine saying to your doctor that you don't want to invest in a personal health check unless it shows that you're in tip top shape? Not knowing that you have a weak heart may make you feel good today, but it won't stop you having a heart attack in the long run. For most, what 'bad news' means is a piece of data that brings into question a strategy that the business is otherwise fully behind. A 'bad news' habit means that rather than face the potential heart attack issues head on, a business would rather bury them (for someone else to find?)

Leading the witness is a slightly more subconscious bad habit. Let me relate an experiment that was done a few years ago. Scientists made a series of observations of lab rats' behaviour while changing certain elements of their environment. The scientists wanted to know whether there was a correlation between altering the environment and a change in the rats' behaviour. They

sent the identical observational data to two different research agencies for analysis. The whole point of this was to quantify to what degree 'leading the witness' would impact the results. They told the first agency that they thought there would be a correlation, but told the second agency that they thought there wouldn't be. Sure enough the first agency found a correlation and the second agency found no evidence of any correlation. Neither agency had any incentive to bias their findings, the only difference being the preconceived notion given to them by the scientists.

This level of influence is an accepted phenomenon in the statistical analysis world. Looking into the FMCG world therefore, if when your business commissions a research agency to do

to accept that the brand is a premium brand. Without either party trying to do anything dishonest, it's easy to see how this second scenario comes to pass more often than not. After all, the research from a few years ago identified the premium need and this brand has been successful hasn't it?

With a project therefore commissioned within a premium categorisation, the outcome is inevitable. With neither party considering that the brand may no longer be premium, it won't appear in the research. What this case study shows is that although there are best intentions all round, independence has been lost because despite being two independent companies, there is a subconscious motivation to come to a mutually agreeable outcome. Agencies

### "We can't be trusted to be honest ... about what is really going on with our brands."

some research, it provides a background briefing on your brands and your inside knowledge of the category, you are already altering the outcome of the research – albeit inadvertently. As the lab rat example demonstrates, the results that ensue cannot be relied upon as true.

Not remaining independent and objective during the insight development stage is the third most common bad habit that we come across. Company Y launched a premium brand in a category a few years ago and it proved very successful. Today, the category has moved on – the premium segment has expanded, competitors have followed suit, consumer expectations have risen etc. Consequently sales have dropped off slightly for Company Y's brand and so an agency is commissioned to do research into the brand. Imagine the scene ... the marketing team proudly explains to the agency the brand history; how the previous research identified the need for the product in the market, their subsequent brand strategy, successful launch etc. Apart from already leading the witness with this information, it is clear to the research agency that this brand is their 'baby' and they are rightly proud of its creation. At this point in time, there is a critical fork in the road for the agency; not to accept that what is given is fact, i.e., that the brand is premium (still), or

that deliver good news to those paying the bills are received well, (and surprise, surprise, used again because the agency, 'really understands us'). Agencies that deliver bad news receive the opposite treatment. Rather than accept a different perspective, what usually happens is that the 'bad news' agency's methodology and insight interpretation are brought into question. As an agency, which path would you chose?

So although these bad habits are largely unintentional – and mostly subconscious – the net result is that we cannot be trusted to be honest with ourselves about what is really going on with our brands and categories.

I've yet to meet someone who isn't passionate about their brand. I've also yet to meet someone who is able to suppress the very real human nature of seeing what we want to see and skipping over the things that we don't. But what are the consequences of this?

Let's look again at burying bad news and a case study example to illustrate. I recently sat in on a strategy session for a company who operate in category that is highly seasonal. They were – and unfortunately still are – convinced that the best tactical lever for their brand in this category is to price discount heavily at peak seasonal times. Recent research challenged this thinking, the bad habit

came into play and the findings were dismissed. The rationale given for this dismissal was that it couldn't possibly be true because the heavy price discounting 'strategy' had resulted in a massive uplift in sales; not just for their brand but also for the category. Who can argue with that? Digging deeper into the data however shows that the brand is growing because it's firstly stealing sales from other brands in this category and secondly because the category is seasonally impulsive; it is now at a price where it is also stealing from other seasonal categories. There is a level of expandable consumption, but relatively small by comparison. The good news in this case study is that while seasonal peak price promotions can be effective for short-term sales, the bad news is that the majority of shoppers are now buying a good brand at a great price for the majority of their purchasing through the year. This promotional price is much lower than where the premium brand is actually positioned in the market – hence the massive increase in sales.

Long-term implications of continued implementation of this short-term tactic will be brand loyalty erosion; the brand is now accessible via price and price is no platform for loyalty. This brand may be a premium brand today, but it is impossible to maintain a premium brand status when the everyday price that shoppers pay more often than not, is low. The worst news of all in the extrapolation of this case study is that two years down the track, you have a value brand on your hands and other premium brands ahead of you in the category. This is just one consequence of dismissing 'bad' news.

Looking now at the consequences of leading the witness; making it fairly clear what is considered 'good' and 'bad' news can only lead to wasted investment. As we read earlier, bad news is likely to 'contradict' strategy and more often than not results in questions about methodology, credibility and interpretation. Good news confirms long standing beliefs and future hopes. Strategies built on such shaky foundations are doomed from the start. Ask yourself how many times you hear the phrase, 'the research says' as if the research is the bible? If this is the case, why do so many new product launches within FMCG fail within the first six months of launch? In my experience, most research is commissioned to prove why a business should do something and not to define what a business should do. The fact of the matter is garbage in, garbage out and research outputs are

## 5. ACTION...

**REALITY; ROI is delivered, learning starts over**

## 4. STRATEGY...

**ACTIVE; the plan is in place, the 'to do' list underway**

## 3. INTELLIGENCE...

**PERCEPTIVE; thoughts are triggered, ideas are formed**

## 2. INSIGHTS...

**PASSIVE; nuggets are mined, transformation has begun**

## 1. DATA...

**STATIC; a necessity that on it's own cannot deliver value**

Figure 1: The Power Ladder.

only ever as good as what went into the project in the first place. If this is flawed, NPDP failure is inevitable.

The consequence of not being able to view the world in an independent light really comes to the fore when it's time to take strategy to the retailer. Going back to the premium brand example, here is a team that is committed and passionate about their brand – a brand that was launched as a result of research – that has been backed up by new research proving that it's a premium brand. It is unfathomable to this team that the

line; if a strategy is based on false premises then the cost is staggering.

Not to mention the loss of sales to a competitor who didn't bury the bad news and has taken your brand's sales.

Okay, so given that most of the above is rarely intentional ... what can we do about it? The trick is to ensure that you surround yourself with processes that help with objectivity:

It's important to recognise that as an engaged stakeholder it's virtually impossible to look at situations objectively so make sure you constantly

more leverage when it comes to brand planning.

Incentivise and encourage agencies that tell you what you don't want to hear. Ask why insights appear contradictory rather than cherry-pick the bits that you like. Healthy skepticism of information is important but consider the implications and possibilities rather than dismissing it. Encourage and reward honesty with the team. Nobody likes failing and talking about 'bad' news is very confronting. You will need to challenge yourself and your team to keep an open mind. Do failure post mortems and identify how and why strategies based on insights have failed.

To conclude therefore we must accept that even with the best will in the world, our brains are hardwired to find patterns where we want to find them and ignore patterns we don't want to see. We therefore need a series of checks and balances to ensure that we get a true picture – so put the processes above in place and be open to different opinions. When engaging in research projects try to avoid leading the witness – cross functional engagement, independent opinion and retailer input can help keep everyone honest. Most important of all, don't bury bad news. Ironically, once the bad news is aired and addressed it brings a great sense of relief, plans get put in place to address the issues and the brand and category experience a whole new lease of life. What's more there's a logical and believable story to go to the retailer with.

Great brands don't bury bad news – they treat it as an opportunity and evolve accordingly. Believe because the truth will set you free. 🛒

**“Great brands don't bury bad news – they treat it as an opportunity and evolve accordingly.”**

retailer doesn't agree with the direction – a premium strategy – put forward by the manufacturer. The manufacturer is amazed that the retailer can't see what's obvious to them. The retailer can't believe the manufacturer thinks the brand is premium when they've had different research presented by other premium brands in the category and by what they are seeing in sales. So what is wrong: the research or the interpretation of it? While every opinion is valid, only an independent perspective can give the truest and fairest insight into what is really going on. This means exploring that which we have dismissed, hidden and forgotten about and facing up to some harsh realities.

These examples hopefully show how the consequences of not being honest with ourselves go straight to the bottom

have this front of mind when considering data new and old.

Research should be from an independent pot owned by a cross-functional group – not just by the marketing team (which is the usual situation) – and from the marketing team's situation.

Get skeptics in the room and stress test for objectivity in terms of output objectives and briefing with different opinions about certain problems actively encouraged.

Include the retailer's opinion (usually the most skeptical of all) and actively encourage a list of strengths and weaknesses and ensure that these are explored in the research. By getting buy in from the retailers at this stage and showing that you're serious about objective research you have much