

Your Gut, Your Head & Your Advertising

BY SCOTT EHRLICH

» The idea that a good marketing campaign should be extensively thought out, studied and tested to check for retention among targeted consumers is not a new idea. Yet this time-tested theory began to be turned on its head with the release of Malcolm Gladwell's 2005 best-seller, "Blink."

According to Gladwell's theory, a person's snap-judgment and instinct often can provide substantially similar results to the extensive and time-consuming studies that marketing has long espoused. Simply by using instinct and snap-judgments, companies can free themselves from the extensive data collection and analysis that has guided their decisions.

If this is true, companies would be able to launch more effective campaigns quickly and cheaply, simply by putting good people into decision-making positions and letting them market a product however they instinctively feel is best. Something this simple must sound too good to be true, especially in these tight economic times.

According to author Kevin Clancy, the reason this theory sounds too good to be true is that it is. "The best thing marketers can do for themselves and their brands is to put effort into capturing clever, comprehensive measures of current and future profitability," he said in a presentation at the 2009 OTC National Conference in Boston. (Clancy is chairman of marketing consulting firm Copernicus.)

To accomplish this goal, Clancy has a five-step plan he encourages marketers to use. First, Clancy recommends thinking of a multitude of ways to segment the market, such as demographics, shopping habits and involvement. Next, marketers should test the variables to see which ones are predictive of rigorous, profit-related criteria to identify key market drivers. This eliminates metrics that



Copernicus' Kevin Clancy

will elicit false information that can lead to an erroneously targeted campaign.

Third, put these variables into a taxonomic analysis (for example, a neural network, latent class, proprietary cluster). Next, marketers should analyze the variables by statistical, managerial and financial criteria. Finally, after making these comparisons, companies can find an optimal way to segment and then target their products.

The error most companies make by using intuitive-based marketing is that they feel such succinct phrases are unnecessary. By intuitively using gut-feeling to position products, many marketers think that because they understand the product, consumers will as well. According to Clancy, however, only 8% of consumers even remotely understand who the target market is for the two leading brands in the 50 largest product categories. Therefore, it is critical to come up with short phrases that define a brand and that consumers can remember. These are "the reason you're giving consumers to buy your brand," he explained.

There are thousands of reasons for decisions that affect product use and

purchase, and these must be accounted for in a far clearer and more targeted way than just using your instinct. And, even if a marketer can effectively target market products without intense analysis, is that marketer truly maximizing the returns on that product? "In marketing, there is a world of difference between what's considered a 'good' marketing program – one that returns 1% to 4% on investment – and a great one, one that returns 20% or more," Clancy noted. "The latter is called transformational. A transformational strategy is one so strong, so powerful, that it changes brand trajectories, career paths, sometimes entire companies and even industries."

Clancy defines three steps to create a transformational marketing campaign. First, a transformational campaign must have highly profitable targets. Obviously, if the upside in a marketing campaign isn't very high, it would be hard to define even a tremendously effective approach as truly transformational.

Next, a campaign must have a compelling positioning strategy addressed to the real problems of the most profitable target. To accomplish this, marketers must segment the market into many different groups and see which ones deal with the most compelling issues yet compose a lucrative group of potential consumers.

This is not a simple thing to do, which is why truly transformational campaigns are rare. This is also why marketers cannot assume that the first promising strategy they embark upon is the optimum one. This is why they need to undertake the final step, and evaluate many different strategies before selecting the winning one. Only after constant evaluation, segmenting, and testing, Clancy said, can a truly transformational campaign be attained. "A transformational strategy is not a matter of chance, it's a matter of choice," he added. "It is not a thing to be waited for, but a thing to be achieved." <<

Winning More Shoppers in the Retail Aisle

BY AMANDA EHRLICH

» A standard figure cited among retail marketers – 70% of purchase decisions are made in-store – was first presented by POPAI, a non-profit trade organization for retail marketing, in 1995. This figure has been cited many times by marketers around the world, without truly understand the meaning of the figure.

Jeff Froud, a strategic planning director at Ogilvy Action, worked with his colleagues to delve deeper into this finding to better understand it. The 70% statistic fails to address the category, the retail channel or whether impulse buying is a factor. Ascertaining the variables that make up the 70% is paramount as “understanding shopper behavior enables smarter investment in-store, for the single-biggest investment most CPG brands make today,” Froud noted in a presentation at the 2009 OTC National Conference in Boston.

The 70% was explored with a global study surveying 14,000 shoppers in 700-plus retail stores, in 24 countries, in over five retail channels. The shoppers were surveyed in-store at the site of their purchases. In the United States, 7,000 shoppers were surveyed.

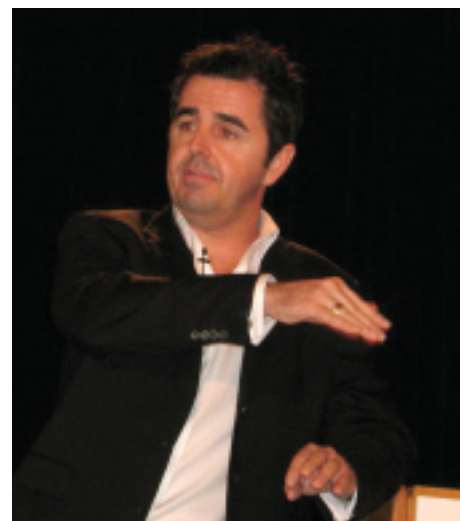
Among a list of four purchase-decision types – impulse buying, choice of brand, how much to buy and leaving planned purchases in-store – the study found that U.S. shoppers make at least one of the four decisions in-store (roughly 73% of those surveyed).

With respect to impulse buying, the study found that 29% of U.S. shoppers “buy impulsively from categories they didn’t plan to.” Impulse buying was most frequently found at mass merchants, such as Target and Walmart, where there is a wider range of brands and depth of product categories. As Froud explained, “Where shoppers have more choice is where they make most of their impulsive shopping decisions.” Interestingly, product display helps to drive the most

impulse behavior across all retail types. This insight shows how important product display can be to driving sales. “Almost one in three buy impulsively now, despite the poor economy and eroding house prices, but we do it when we are given proper incentive in store,” Froud said.

The study found that in the next type of purchase decision, brand choice, 39% of U.S. shoppers made their decision in-store. For those brands in categories that did attract more decisions in-store, the study found that the brand decisions came from “working harder with activities to engage shoppers.” The most successful activity at driving up brand choice is product demos, which “extend the brand experience” and put the brand demoed at the top of mind, he said. Surprisingly, price promotion was actually not found to be the most influential in-store activity at triggering brand choice.

In terms of product quantity, the study revealed that 52% of U.S. shoppers wait until they’re inside the store to decide how much to buy. The best incentive for making more purchases is consumer promos, which drive quantity decisions more than any other in-store



Jeff Froud, Ogilvy Action

activity, the Ogilvy study found.

Finally, the study revealed that 13% of U.S. shoppers leave the store empty-handed – which most often is because of an out-of-stock situation or the shopper can’t find the product. Froud recommended investing in merchandising systems to make it easier for consumers to find a product and retailers to more easily maintain the stock. “Especially for the OTC categories, this is an absolute must do,” he said. <<

5 Key Points from Ogilvy Action’s Study

1. Strive for the best understanding of shopper behavior
2. Visibility in-store attracts shoppers to make impulse purchases
3. Extending the brand experience in-store drives brand choice
4. Price is important, but not the only influence of purchase decisions
5. Shoppers all buy differently. Targeting which shopper you want to attract is the starting point to getting onto the shopping list

In addition to these insights, Ogilvy has three recommendations for marketers. First, invest in shopper research. The marketer must get out there and immerse themselves with shoppers at the retail level. Second, once marketers have accumulated shopper insight data, they should share the insights with retailers. “Retailers love when manufacturers talk to them about how to build a better relationship with shoppers,” Jeff Froud of Ogilvy Action noted. Work with retailers to present the best possible display/situation for a product. Finally, it is imperative that marketers think about shoppers in the early planning stage of a brand. Doing so, “forces you to think about a commercial idea rather than a brand idea,” he added.