

Winning the battle for the household budget

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The challenge in 2009 will be to ensure that the brands, products and promotions offered to customers are aligned with the key drivers that will win the battle for the household budget.

The prophets of economic doom are preaching to us daily on the hardships to be faced over the next 18 months, failing financial institutions have been followed into the corporate afterlife by high street retailers and the consumer looks on aghast with an ever tightening grip on the purse strings.

Sensationalist? Certainly, the introduction of a bestselling airport read (I wish!). However, it is the commercial scenario we are all facing today and for a substantial amount of tomorrows.

Whilst it is tempting to blame THE MAN for financial incompetency or THE MEDIA for creating a self fulfilling prophecy, the reality is that all members of the FMCG industry are facing a battle to keep their products in the shopping basket of the consumer. Whilst we all acknowledge the need for business to employ stringent budget management, a certain irony exists that consumers are doing exactly the same thing. So what should you do?

Market share equals survival

One approach is to minimize marketing expenditure, reduce production, lay off personnel and hope to ride out the storm. However, for every organisation that adopts this strategy, there will be 2 or 3 competitors who will see this as an opportunity to gain market share and decide to invest in proactive marketing promotions.

Protecting market share and wresting it from competitors needs to be the focus this year. Consumers may downtrade from premium brands but if market share can be retained in the overall brand portfolio for the short to mid term, the margin reduction can be offset against the future economic upturn - which will come.

Promotion, promotion, promotion

The temptation is to rely on mass promotional activity to stimulate sales and guard market share but this comes with an obvious financial cost, in addition to a longer term behavioural cost. Consumers have come to expect promotional offers and in some categories, such as ice cream, it is the norm rather than the exception with 80%+ of sales gained whilst on promotion.

A danger exists that mass promotion will permanently train the consumer to purchase only when goods are on offer and buy in bulk. Sales promotion and offers need to be utilized with a specific target group in mind and above all else they need to be measurable. A robust control group is an absolute must and activity needs to be understood in the wider context of total marketing and promotional spend across all channels. Overall category performance also needs to be considered if activity is to be evaluated accurately so that success can be built upon and failure not repeated.

Innovating with promotions and the brand mix is another option that can be exploited much more. Take a stroll through the aisles of your local supermarket today and the most common promotion you will see will be the good old BOGOF. Unfortunately this type of promotion is the very one that actually postpones the consumer need to buy the product again. Again, a real danger exists that consumer looks for the promotion only, with the brand becoming irrelevant.

Where possible you should explore discounts for complimentary products purchased in unison within your portfolio and use coupons that stimulate the next purchase. It is worth also considering non competitive brands outside of category where a significant overlap in the customer base exists.

It's not all about the price tag

It is worth undertaking a review of the brand portfolio and matching it to grocery budget drivers - reactivate trusted brands, consider hibernating premium brands and launch new brands with clear economic positioning.

We also must not forget to think beyond price -in an ultra competitive market the winners will be decided by not those who just understand who are most influenced by price, but by what else drives consumer decision making.

Drivers such as quality, environment, health and convenience can, for some consumers, outweigh price considerations. If your customers are bulk buying on promotions, why not offer your products in larger volumes and profit from economies of scale from reduced packaging? Maybe convenience and the perception of value for money is the key, not the promotion.

How do you make the right decisions for your customers and products?

It is easy to state that you need to leverage data and actionable insights to make informed decisions but how do actually make this happen?

Organisations capture varying types of information and are offered additional commercial sources of customer data. Linking these up and determining what is nice to have vs. essential will provide the foundation to using customer information to answer the difficult questions. This can be achieved by addressing a number of fundamental issues:

Understand the data asset: What data do I already capture across the organization; e.g. Stock supply, website, promotions and market research? What data do I purchase and is it actually utilized? Where is it & how can an integrated view be achieved? How can I collect new data that will help the business?

Agree the requirements of insight: What are the essential insights required to make business decisions? Does the data asset provide an accurate view of our customers? What different types of customer do we have, how does their value differ, how do they feel about my brands and products? What drives their decision making?

Rapid evaluation of ROI: Is the performance of marketing, sales and promotions understood in totality? Are KPI's reported across the business in an easily digestible manner? Which campaigns are most successful, how do I track the long term impact of a promotion?

Integrate insight within the business strategy: Who owns customer insight within the organization? What level of insight is required by each department, brand team and the board? Who co-ordinates this? What customer KPI's exist?

What should I do next?

If you can answer all the questions above then you are ahead of the curve and in a great position to gain market share by exploiting your knowledge of customer drivers. The reality is probably that you have answered some of these questions in the past or addressed one or two of these areas in totality.

Although it will require time and effort in the short term it is really worth running through this process now to gain a competitive edge in your sector for 2009. Those organisations that take positive steps now will be the trailblazers of the economic resurgence of tomorrow.

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About Beyond Analysis

Beyond Analysis is a leading customer insight and strategy provider that has developed a pragmatic and flexible approach to deploying data to drive competitive advantage through more informed decision making across business operations.

Bringing hands-on experience of developing world class customer insight capabilities for some of the world's largest consumer brands we can quickly and effectively identify the levers that will harness the power of data.

We are based in London and Sydney.

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About the Author

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Paul has spent the majority of his professional life working in strategic marketing and customer insight consultancy.

His core skills centre upon client management and project delivery with the focus on creating actionable insights that make a tangible difference to the organisations he works with.

Paul is passionate about enhancing client understanding of customers by maximising the value of their

data asset, to provide relevant information that has a meaningful commercial impact.

In his spare time Paul can be found barbequing in the garden when the weather allows and when it does not, watching movies.

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