

## Owning the Point Sale



*A new study by  
Dechert-Hampe and  
Grocery Headquarters  
reveals which suppliers  
and retailers are  
leading the way in  
in-store  
marketing.*

BY RAY JONES

Leaders in the consumer products industry are increasingly aware that the most critical interface in brand marketing is where the consumer meets the product in the store. Numerous studies have shown that shoppers now make the majority of final product choices at the point of sale. A study by Dechert-Hampe and *Grocery Headquarters* suggests that the industry is beginning to recognize the opportunity for in-store marketing and the role it can play in market leadership.

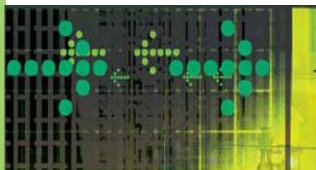
*Grocery Headquarters* teamed with Dechert-Hampe & Co. to study the emerging role of in-store marketing within the overall marketing mix. This article reports the results of our groundbreaking industry survey on the state of in-store marketing and recognizes leading companies for their performance and vision.

The survey captured perceptions about the role of in-store marketing, pinpointed key success factors and barriers, and identified the leaders among both manufacturers and retailers.

Respondents consisted of 240 manufacturers, retailers and other industry participants. Dechert-Hampe & Co., sales and marketing consultants to the CPG industry, conducted the survey and developed the conclusions.

### KEYS TO SUCCESS

The critical factors for success with in-store marketing are considered to revolve around knowledge of the consumer on the one hand and ability to execute in-store on the other. Specifically



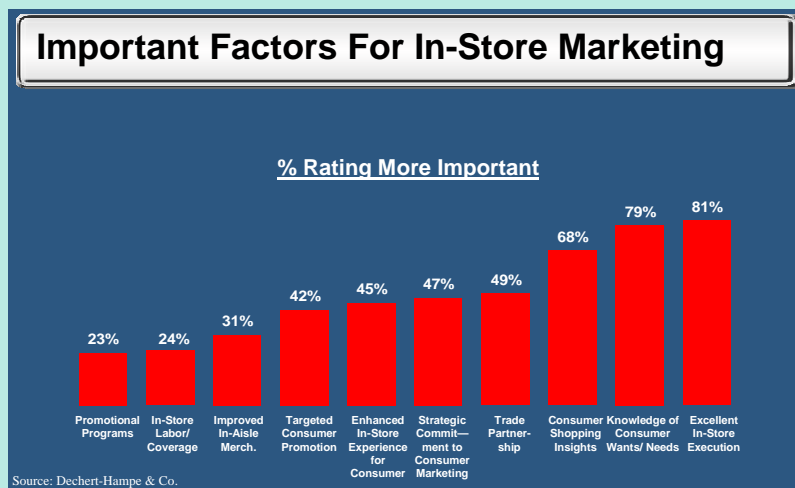
respondents pointed to “excellent in-store execution” as the No. 1 factor for success. This was closely followed by the need to make in-store marketing initiatives relevant to the consumer. Respondents identified this as “knowledge of consumer shopping behavior”. Another important factor was the ability to effectively work together in “manufacturer/retailer partnerships”. An overall “strategic commitment to consumer marketing” was also considered key.

### STRATEGY TOPS TACTICS

While still important, tactical factors such as level of promotional investment and availability of in-store labor were not considered to be as critical to ultimate success with in-store marketing as were the more strategic factors.

Respondents agreed that a major barrier to success with in-store marketing continues to be the apparent difficulty of execution. Both manufacturers and retailers expressed concern about the ability to effectively execute programs at store level. Other barriers include the hesitancy of some trading partners to share the data required to identify opportunities, execute programs and evaluate results. This is reflected in, or perhaps driven by, a continued lack of trust between retailers & manufacturers.

There is also a concern about a lack of specific consumer insights to consumer shopping behavior and better predictions of shopper response to programs. In addition to common concerns, both manufacturers and retailers perceived



some barriers as based on policies or shortcomings of the other. This apparent conflict of opinion is identified by the disparity between how important manufacturers and retailers consider certain issues to be.

For example, the biggest discrepancy in opinion between manufacturers and retailers came in the area of creativity of ideas. Retailers overwhelmingly felt that “lack of creative new merchandising ideas” (presumably from manufacturers) is the biggest overall barrier to effective in-store marketing. Retailers’ feeling that manufacturers provide “inadequate store coverage/labor resources” and their belief that manufacturers have not yet embraced in-store marketing as a strategic tool for growth closely follow this.

Manufacturers disagreed, citing strict “retailer control of store environment” and “no definitive measurement of in-store results” as the major barriers to in-store marketing effectiveness. This suggests that manufacturers and retailers need to work together to

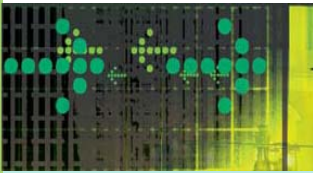
develop in-store marketing programs and solutions that both view as creative and productive.

### ATTRIBUTES OF LEADERS

The survey asked respondents to vote for the manufacturers and retailers they considered the best practice leaders in the area of in-store marketing. Specifically, manufacturers were asked to select the companies they view as the leaders and retailers were asked to tell us which manufacturers are most effective at working with them to create in-store marketing solutions and vice-versa.

It is perhaps not surprising that the manufacturer winners tend to be among the leaders in overall marketing prowess. However, they are also characterized by their investments in store-level coverage and their commitment to in-store marketing as a strategic tool for success.

Kraft Foods, Inc. took home top honors as the overall leader on the food side, followed by PepsiCo and Procter & Gamble. Kraft has worked to develop a world class



marketing and sales organization that recognizes the key role of the in-store consumer experience on its brand franchise. It is further helped by the reputation of its Nabisco unit for in-store execution. PepsiCo placed second overall on the combined strength of its Pepsi and Frito-Lay units.

Kraft had its greatest strength in the grocery segment, followed by Procter & Gamble and General Mills. In the beverage segment, Coca-Cola was recognized as the leader, having a slight advantage over Pepsi, with Anheuser-Busch placing third. In the snacks segment, which is a hotbed for in-store activity, Frito-Lay won top honors. Hershey finished second, proving that manufacturers going to market through the warehouse can have great impact in-store as well.

There was no surprise on the nonfoods side, where Procter & Gamble was the clear winner. Procter has increased its focus on excellence in the store and created a new structure to coordinate its retail marketing activities. P&G has revamped its brand strategy to increase the focus on the “first moment of truth” in the store.

Johnson & Johnson was a strong second place and Gillette, purchased by P&G last year, joined it on the leader board. Procter & Gamble showed strength in all three segments. It was followed in household products by Unilever, in health care by Johnson & Johnson and in personal care by Gillette and J&J.

#### **MOST EFFECTIVE RETAILERS**

The retailers cited as most effective at working with manufacturers are among the

overall leaders in their channels. They are also noted as the retailers most willing to share data and partner with manufacturers on in-store marketing programs and merchandising solutions.

Wegmans led a familiar group at the top of the grocery channel voting, followed closely by H-E-B, Kroger and Publix. Each of these retailers is noted for its marketing strength within its trading areas. Also, each is known for the quality of its consumer insights and information systems. Perhaps most important, each has a well-deserved reputation for working in partnership with manufacturers on store solutions.

The tightest race was in the mass channel, where Wal-Mart edged Target in what was practically a dead heat. Both retailers have earned kudos for their innovative approaches to in-store marketing. Walgreens was the drug channel partner of choice for in-store marketing, followed by CVS. In the convenience channel, 7-Eleven was the leader, followed by Wawa. Interestingly, the channel with the clearest winner was club, where manufacturers named Costco more effective in working with them by more than a two-to-one margin over Sam's Club.

The traditional view that manufacturers create consumer demand through advertising and promotion and that retailers provide product availability is rapidly being replaced by a more complex model of marketing that places emphasis on collaboration between manufacturers and retailers to market to consumers in the store environment. The rise of consumer-centric marketing has

naturally led to the point of sale as the new battleground. It seems intuitive that the closer to the point of purchase, the stronger and more effective the impact of marketing activities.

#### **A JOINT OPPORTUNITY**

Manufacturers should not view this as a problem with traditional marketing methods but as a powerful new element to add to their marketing mix. Retailers should not view it as an infringement on their territory but as a new tool for competitive advantage. Ultimately, both retailers and manufacturers should view it as an opportunity work in partnership to improve the consumer experience in the store.

These actions reflect the importance our industry is placing on the role of in-store marketing and the growing recognition that it may be more effective and efficient to capture the consumer at the first “moment of truth”. As we go forward, *Grocery Headquarters* and Dechert-Hampe & Co. will continue to measure the industry's progress and to suggest solutions for success.

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*Readers can vote for the leaders in the 2006 In-Store Leadership survey at [www.instoreleadership.com](http://www.instoreleadership.com).*