

The Consumer and Shopper Journey Framework



ECR Europe
Efficient Consumer Response

 **emos**



THE PARTNERING GROUP

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Foreword

This work is a true team effort and the product of a collective conviction that it is both timely and needed. When we first sat down as a working group almost a year ago it was quickly apparent that all of us, whether retailer or manufacturer, felt passionately that building a common language and process for communicating with consumers and shoppers more often, more effectively, more consistently was a huge opportunity for the industry and would have been at any time, but never more so as economic conditions have worsened across most of Europe. Consumers and shoppers scrutiny of brands, products, retailers is intense as they seek solutions to their everyday needs that represent great value and they are more than prepared to shop around in pursuit of that value. The power of traditional mass marketing is fragmenting ever faster in the face of consumer anxiety, internet and social media, a growing tendency to look to individuals for advice rather than companies. Both retailers and manufacturers are developing sophisticated communication and engagement tools such as loyalty cards, direct mail, digital and web based platforms but with rare exceptions these are like jigsaw pieces scattered on the table, disjointed, operating in silos, duplicative, not aligned.

So a process to help ensure retailer and manufacturer insight and capability come together, complementing each other to reach, talk to and delight consumers and shoppers felt to all of us to be common sense. Many if not most of the pieces in this work already exist and are used but separately....joining them together in the Consumer and Shopper Journey, keeping it simple, focused, pragmatic and operational and ensuring the work is relevant to and actionable by big and small businesses, whether data rich or data poor are aims the team felt to be worthwhile and feel we have achieved. But a process untried is no more than words and theory, however strongly rooted in the best practice of the fifteen participating companies. So despite the several pilots already underway, we urge all businesses to try, to learn, to benefit. Those who win will be those who use the process best but those who lose may be those who do not use it at all.

It has been a real privilege to chair this workgroup. Our sincere thanks and appreciation goes to all the retailer and manufacturer executives and the consultants (who are listed in the Acknowledgements) who contributed their time, talents and experience to this breakthrough initiative.

James Macnaughton
Sales Operations Director
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Executive Summary

The Consumer & Shopper Journey Framework has been developed by representatives from retailing, manufacturing, experts in loyalty card analytics and specialised consultants from the fast moving consumer goods (FMCG) business for ECR (Efficient Consumer Response) Europe.

As the core of this work is the goal of providing a clearer understanding of the changes and their causes that are occurring in the definition of “consumer and shopper value” and how retailers and manufacturers can leverage this understanding in strategies that deliver benefits for consumers and increased sales and profits for retailers and manufacturers. The new definition of “value” is being driven by a host of changes that are occurring in the marketplace, including the dynamics of the new economy, new consumer sociological and demographic changes, the enormous impact of digital communications on our daily lives, a more critical consumer, consumers’ expectations on sustainability, the rise of new health and medical needs, and many more.

In mid-2010, the ECR Europe Board invited a team of leading retailers, manufacturers and consultants to develop a more effective framework to help all segments of the industry answer the challenges of our businesses today and tomorrow. To accomplish this goal, it was decided that the focus had to be on developing and putting into practice an approach and set of tools that provided a deeper understanding of consumer and shopper needs, expectations and behavior and leveraged these insights in strategies and programmes that delivered on the new consumer and shopper value definition and increased sales and profits for retailers and manufacturers. The deliverable to accomplish this is the Consumer & Shopper Journey Framework (C&SJ Framework).

The C&SJ Framework has three components:

- An *Insights Model* which has been designed to gain superior insights about consumers and shoppers, their attitudes, their behavior as consumers and shoppers as they live their lives, with new and old retail solutions, and in both the physical store and the digital world.
- A *Collaborative Business Process* which leverages the insights in developing and delivering superior value propositions for the consumer, the shopper, the retailer and the manufacturer.
- A *Business Planning Guide and Toolkit* that provides data requirements, tools and methodologies for data poor and data rich business environments that enable the outcomes of the insights and business process to be implemented in highly practical ways.

A deeper understanding of consumers and shoppers starts with recognising that they are all different in what they did in their past behavior, as well as how their expectations will influence their behavior in the future. The Insights Model has two components:

- A *Segmentation Model* which addresses the different consumer and shopper segments based on similar behavior from the past and the different characteristics of each segment. This provides the basis for the definition of target consumer and shopper segments.
- A *Consumer & Shopper Journey Insights Model* that guides and uncovers insights along the steps of the Journey. This begins with how the expectations of consumers and shoppers form the basis for understanding the need for shopping and define specific “shopping missions”. By understanding these “missions” we then uncover insights into the choice of shopping channels (in-store, at-home, or on-the-go). Using insights into how shoppers make their purchase decisions and evaluate these decisions after the purchase, retailers and manufacturers can then develop and implement retail solutions that create uniqueness and loyalty by responding to their target consumers and shoppers with superior offers.

These Insight Models provide the fuel for a comprehensive and practical 3-step Collaborative Business Process:

- The process starts with an independent internal focus by the retailer and the manufacturer to understand their differentiation and uniqueness strategies and their business goals.
- The collaboration phase begins with the manufacturer and the retailer achieving alignment on the target consumer and shopper and on the scope and goals to be delivered from the collaborative effort.
- With this alignment in place, the process then guides the retailer and the manufacturer in the development of the value proposition to excite the target segment and the implementation of these propositions through integrated marketing and merchandising programmes.

The Business Planning Guide and Toolkit component provides guidelines and tools for using the outputs of the Insights and Collaborative Business Process models in a number of key business processes, including Shopper Marketing, Category Management, Assortment Planning and Joint Business Planning.

The concluding chapter of the report offers a roadmap to manufacturers and retailers, regardless of size and current level expertise, to follow in the development of the capabilities needed to maximise the benefits from the use of the C&SJ Framework. It defines the four key enabling areas and the specific areas that make up each of these enablers:

- Strategy Framework
- Business Process
- Information, Insights and Measurement

- Organisational Capabilities

Finally, a recommended development path from Getting Started to achieving a Leadership position in the use of the C&SJ Framework is described. This roadmap provides the direction to answer the “call to action” strongly recommended by all the companies and individuals that have participated in this landmark initiative.

Chapter 1: Introduction to the Report

"Key Takeaways in this Chapter"

- Consumer & Shopper Journey (CS&J) Initiative Objective
- Consumer & Shopper Journey Initiative Deliverables and Principles
- Integration with the US Retail Commission on Shopper Marketing
- Purpose & Format of Report

Consumer & Shopper Journey (CS&J) Initiative Objective

The challenges facing retailers and manufacturers in creating profitable growth in their markets have intensified in recent years. Key changes causing this increased pressure include:

- The consumer's perception of "value" as a result of the economic crisis;
- A new generation of consumers with different expectations on lifestyle issues such as health and sustainability;
- The fragmentation of media channels;
- The transparency of the offer due to the development of digital media and the new potential these digital media create to interact differently with the consumer and the shopper than in the past.

These changes have challenged all retailers and manufacturers to develop new and innovative responses. The traditional innovation was focused on *product* innovation, and this still remains very important. In today's business environment, however, the recognition that there are significant differences among consumers and shoppers provides a new and much broader platform for innovation. New sources of data are allowing retailers and manufacturers to understand these differences. Developing initiatives to leverage these differences is creating new opportunities for value creation and differentiation.

In recent years, the term "*shopper centric*" has become popular to describe decisions by retailers and manufacturers that focus on influencing shopper behavior to improve business results. But what does "shopper centricity" mean? New approaches, such as "*shopper marketing*", have emerged as the new statement of what innovative "shopper centric" business processes look like. However, retailers and manufacturers seem to have different views on what a "shopper centric" business approach means and what it encompasses. These differences are not difficult to understand: both retailers and manufacturers put shoppers/consumers at the center of the process, but the difference is that retailers typically think of stores/categories first while manufacturers typically think about their brands first. Clearly there is a big opportunity to bring these two complementary perspectives together around an integrated consumer/shopper approach. This requires that clarity be established as to the meaning of these shopper-based concepts and to develop common business methods that can help answer important questions such as:

- What is the right framework to understand consumers' and shoppers' expectations of retailers and brand manufacturers?
- How can we use consumer and shopper insights to build better and differentiating business plans?
- How can we combine these retailer and manufacturer insights to speak the same language and develop category and shopper marketing plans for mutual benefit?
- How can we use these insights to build sustainable growth and profit?
- Most important of all, how can this be accomplished for the benefit of and to the higher satisfaction of the consumer and the shopper?

The time has come to provide answers to these questions and to develop methods and tools that enable a "shopper centric" business approach. This is the objective of the ECR Consumer & Shopper Journey (C&SJ) initiative:

"To develop a common framework for superior understanding of consumer and shopper journeys and a practical set of tools and processes to allow retailers and manufacturers to unlock the potential."

The purpose of this report is to document the deliverables of this initiative and to recommend a roadmap for implementing the business methods and tools developed through this initiative.

Deliverables and Principles

The main **Deliverables** of the C&SJ initiative are:

- The development of a comprehensive framework (the C&SJ Framework) for superior understanding of consumer and shopper journeys and a practical set of processes and tools to allow retailers and manufacturer to unlock the potential from these insights
- Pilot testing of this Framework to validate its practical value by retailers and manufacturers
- Documentation of the Framework for practical use by retailers and manufacturers, both large and small, more and less sophisticated

To ensure that these deliverables have the widest possible application within the industry, a set of principles guided the work.

The main **Principles** of the C&SJ initiative are:

- The focus must be on a common approach that can be used by all sectors of the industry: retailers, manufacturers and supporting agencies. This is essential to avoid wasting effort on trying to figure out “how” to do the work rather than developing the insights and plans to put the work into action.
- The models should demonstrate how a retailer and a manufacturer can collaborate to leverage their collective capabilities and insights
- The framework must be comprehensive yet not exclusionary. It must be robust and useful for thought leading companies but applicable also to novice practitioners.
- The recommended approach cannot be over “template-ised”. Process guidance should be provided but also the approach should be flexible to enable partners to leverage their unique capabilities in addressing the core business questions most relevant to each partner.
- The framework for aligning the efforts of retailer and manufacturer partners must have a bias to action and not just be a solid theory.
- Finally, and most importantly, the deliverables must focus on serving consumers and shoppers better. The new methods must add value to consumers and shoppers by better understanding their needs at all phases of their consumer / shopper journey, offering the products and solutions that better meet these needs , and creating and communicating the value propositions that deliver these expectations.

Integration with US Retail Commission Initiative on Shopper Marketing – Development of a Global Approach

An important objective of the C&SJ initiative was to incorporate the relevant work and learnings from a similar industry initiative underway in the U.S. – the *Retail Commission on Shopper Marketing*. Both the US and European initiatives include the development and pilot testing of a collaborative approach for more effective marketing to today’s shoppers.

While the European work is broader in scope, including insights models as well as a recommended collaborative process and toolkit (the U.S. approach focused more narrowly on developing the collaborative process), an important objective was that the European and U.S. collaborative processes be consistent. Having a unified approach provides the foundation for a global standard to emerge. Appendix D provides an overview of the goals and deliverables from the U.S. Retail Commission on Shopper Marketing initiative.

Purpose and Format of the Report

This report has two main purposes:

1. To educate retailers and manufacturers across all FMCG industries on a powerful new shopper-centric business model – the C&SJ Framework. The model provides the foundation of insights, processes and tools needed by retailers and manufacturers to develop and deploy shopper – centric marketing strategies and programmes.
2. To provide the basis for assessing a retailer’s or a manufacturer’s current capabilities to develop and deploy these strategies and programmes. It also recommends a roadmap for developing the necessary capabilities.

Antitrust Compliance

This Report and the business processes it proposes must be implemented in full compliance with European competition laws. An overview over the basic rules, together with general guidelines for compliance, is set out in Appendix E. It is important to note that this Report and its Appendix E do not substitute for fact-specific legal advice when implementing individual projects.

Summary

This chapter explains the setting for the C&SJ Initiative: the reason for developing the C&SJ Framework and its purpose, its objective, principles and deliverables. It also describes the legal context of the project.

Chapter 2 introduces the C&SJ Framework and its three components, the latter to be further detailed in chapters 3, 4 and 5.

Chapter 2: Overview of the Consumer & Shopper Journey Framework

"Key Takeaways in this Chapter"

- Retail Marketing Evolution
- The Consumer & Shopper Journey Framework: What is the Consumer & Shopper Journey Framework? The Steps of the Journey
- What the Consumer & Shopper Journey Framework provides
- Benefits of the C&SJ Framework for Consumers & Shoppers, Retailers and Manufacturers

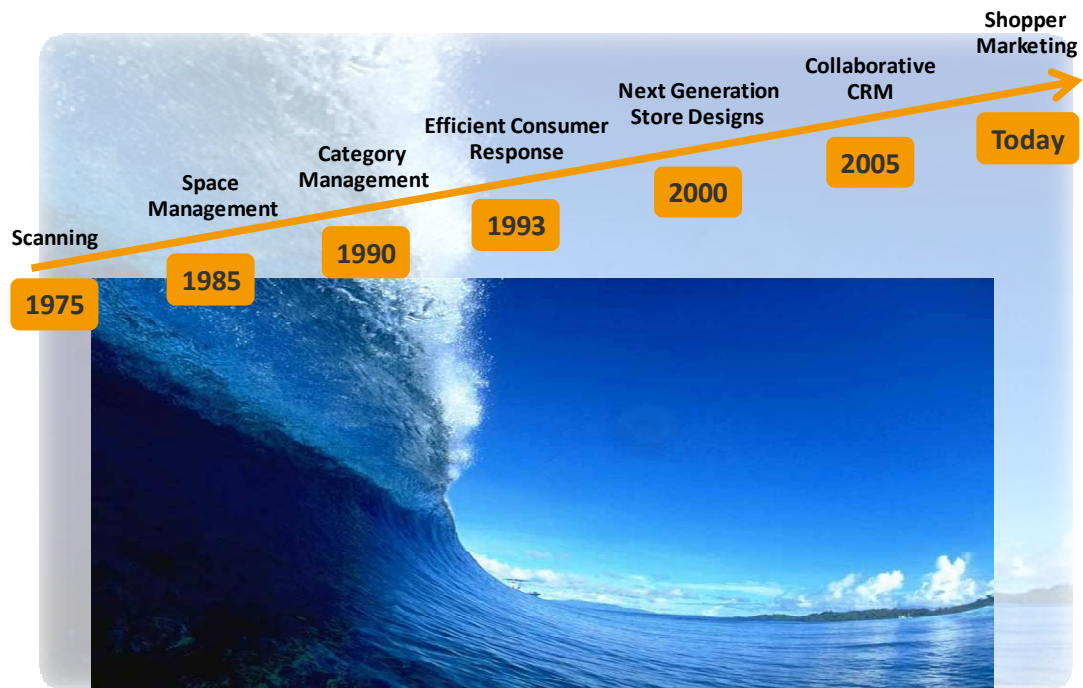
The Retail Marketing Evolution

The Consumer & Shopper Journey (C&SJ) represents an important milestone in the evolution of collaborative business methods between retailers and manufacturers, whether large and small. It introduces the idea that the success of marketing and selling initiatives at the retail level must be based on as clear as possible an understanding of how consumers and shoppers behave. It recognises that the integration of consumer *and* shopper insights provides the foundation for marketing programmes aimed at positively influencing this behavior for the benefit of the consumer/shopper, the retailer and the manufacturer. While understanding consumer needs and behavior has always been essential for the success of these programmes, the C&SJ concept provides the foundation of insights that define an integrated model of consumer and shopper behavior. These insights provide the foundation of knowledge for more effectively meeting the needs of consumers and shoppers and, as a result, enhancing the business results of both retailers and manufacturers.

Before introducing the C&SJ Framework and its components, it is important to briefly position the C&SJ in the evolution of retail marketing methods.

The key milestones in the evolution of modern retail marketing are highlighted in Figure 2.1. The modern practices of retail marketing trace back to the mid-1970s with the arrival of point-of-sale (POS) scanning data. These data, for the first time, provided retailers and manufacturers with accurate data on sales. This enabled retailers and manufacturers to use more data-based decisions for their product assortment, shelf management, pricing and promotion decisions.

Figure 2.1 – Key Milestones in the Retail Marketing Evolution



Source: The Partnering Group, Inc 2010

This new source of data, along with the arrival of the personal computer, generated a range of new analytical tools enabling retailers and manufacturers to better analyse and measure the results of their merchandising and marketing decisions. Inventory management became more science than hunch, as space management tools, such as Apollo and Spaceman, were adopted industry-wide. Importantly, early learnings from the use of these new data and tools confirmed that the best results occurred when they were used collaboratively by retailers and manufacturers. Neither party had the capabilities and resources to fully exploit the new opportunities alone. Collaboration based on objective and more accurate information began to be recognised as an important source of competitive advantage.

*Category Management*¹, introduced in 1989, was the next wave in this evolution. It provided a more complete and standardised strategic framework within which to use these new data sources and tools. Most importantly, Category Management moved the *consumer* to the center of decision making. The focus on individual products that preceded Category Management gave way to an emphasis on “*managing categories as strategic business units*”. Since consumer needs are mostly defined at a category level, this perspective placed an emphasis on consumer insights as the driver of the key decisions for how a category was defined and managed. It also provided a defined business process (Category Business Planning) that provided manufacturers and

¹ *Category Management must be exercised in full compliance with competition law. Competition law allows price recommendations by the manufacturers but the retailers must remain free to make their ultimate decisions on their prices, discounts and any other price components independently.*

retailers with their first common platform for mutually beneficial business collaboration. The success of the Category Management process validated the idea that deeper insights into consumer needs and behavior could significantly improve business results for both retailers and manufacturers.

The “*Efficient Consumer Response*” (ECR) initiative, initially launched in the U.S. in 1993 and shortly after in Europe and other regions of the world, was a logical next step in this evolution. The ECR initiative was an industry-wide recognition that the new forces of competition and the changes that were impacting consumer needs and wants required new business methods. The initial ECR emphasis was on collaborative supply chain initiatives to remove supply chain inefficiencies and reduce supply chain and operational costs. However, it was also recognised that removing supply chain inefficiencies and lowering operational costs would, by themselves, be insufficient to meet the pressures from the new competitive environment.

The learnings from collaborative demand side methods, such as Category Management, strongly supported the idea that improved collaboration across the entire value chain, integrating both demand side as well as supply side improvements, would be necessary to successfully meet the challenges of the new consumer and competitive landscape. As a result, a focus on the consumer (ECR) became the centerpiece of the ECR initiative and the collaborative business processes that were developed from this initiative, including Efficient Assortment, Efficient New Product Introduction and Efficient Promotion. It also led to the development of more “consumer friendly” store designs. In retrospect, ECR and Category Management brought the “consumer” to the center stage of day-to-day decision making of retailers and manufacturers. The era of collaborative consumer-based marketing had arrived.

Two developments paved the way for the next steps in the evolution:

- *Loyalty Card Programmes* - although loyalty card programmes had been used by a number of forward thinking retailers for a number of years, new tools to mine the data generated from these cards and to target shoppers based on their actual shopping behavior provided the foundation for shopper-centric marketing and merchandising.
- *The Internet* - at the same time, the significant changes being driven by internet-based shopping (on-line and more recently on-phone) required marketers to deepen their insights into consumer and shopping behavior. New shopper research methodologies provided new insights into shoppers and their behavior and how to influence this behavior.

Collaborative Consumer Relationship Management (C-CRM) provided a platform to enable the increasing availability of consumer purchase information from loyalty card programmes and other sources to be leveraged in collaborative consumer marketing initiatives. It opened the opportunity to reach the consumer via and together with the retailer. The goal of C-CRM was to provide a tool for retailers and manufacturers to co-develop programmes to consumers based on this improved information and co-market these programmes through a combination of traditional media, such as direct mail, and new vehicles, such as loyalty cards. The actual use of C-CRM, however, mainly focused on improving the effectiveness and productivity of tactical initiatives rather than more strategic goals of co-equity building, Nevertheless C-CRM

represented an important milestone in the collaborative use of these new forms of consumer information and it paved the way for the most recent step in the evolution – collaborative shopper-based marketing (which has become known as “*Shopper Marketing*”).

The growing availability of information on shoppers and their behaviour along with the emergence of an expanded range of media vehicles to reach target shopper groups opened up the opportunity to combine consumer and shopper insights and to use these insights for strategic as well as tactical advantage. Going forward, collaborative efforts will continue to be the key to unlocking and leveraging these new insights. Integrated consumer and shopper marketing represent the latest step in the evolution of retail marketing.

Over the last thirty years, we have witnessed an evolution from a focus on improving operational efficiency to a focus on the consumer, and more recently, to a focus on the shopper. As has been the case for all previous collaborative business practices, a common language and platform needs to be in place to define and guide the work of retailers and manufacturers. The C&SJ Framework has been designed to provide this foundation model. It provides the insights, processes and tools that are needed to successfully develop and implement integrated consumer and shopper-based marketing strategies and tactics.

The C&SJ Framework

A key requirement for the successful use of any collaborative business method is a standardised model that provides structure for the collaborative work. Without a common language and foundation, independent and uncoordinated activities by retailers and manufacturers will prove to be less productive. A central ECR objective is to provide common platforms to help guide the investments and work of retailers and manufacturers in their efforts to better serve consumers and shoppers, and as a result, enhance their business results. The ECR Europe C&SJ Framework has been designed to provide the foundation for integrated consumer and shopper-focused decision making in the era of Shopper Marketing.

What is the C&SJ?

The central idea that drives the C&SJ Framework is the concept of the *Consumer & Shopper Journey*. This is defined as:

“The mapping of the behavior and decisions of a group of consumers/shoppers, from Consumption through to Purchase and Post Purchase.”

The basic propositions behind this concept are:

- The C&SJ is best thought of as a “cycle” that begins with current actual, or aspired, consumption behavior. This behavior triggers the need for a “shopping mission” and shopping behavior. Post-shopping behavior evaluates the shopping and consumption

experience which, in turn, shapes the follow on shopping phase of the cycle. The “journey” therefore is a cyclical process that connects consumer and shopper behavior in a logical and sequenced manner.

- This C&SJ provides the foundation for a set of questions that, when answered, deliver the consumer and shopper insights that drive the programmes developed by retailers and manufacturers to influence consumer and shopper behavior for their stores, brands and categories.
- It is important to recognise that the C&SJ encompasses both in-store and out-of-store behavior and the factors that influence these increasingly linked “multi-channel” shopping behaviors. Consumption can be at-home, on-the-go or in-store. Shopping likewise can occur in-store, at-home (on-line) or on-the-go (e.g. through media such as mobile phones). The C&SJ therefore encompasses both “brick and mortar” store shopping as well as digital shopping.

The Steps of the Journey

The C&SJ is comprised of six key steps depicted in Figure 2.2.

Figure 2.2 – The Consumer & Shopper Journey



Source: ECR Europe, emnos and TPG

The fundamental idea behind the C&SJ concept is that it is best considered as a circular process rather than a more linear “path to purchase”. It integrates both consumption and shopping behavior and not just focus on describing shopping behavior. The steps in this circular process are:

- The starting point is an existing, or aspired, consumption behavior. This consumption behavior, driven by underlying lifestyle or aspirational needs or a specific consumption occasion, creates the need for the shopping process to begin to satisfy these consumption needs.
- Various influences trigger the need to shop. These include influences from family and friends, from traditional media, such as TV, radio, newspapers, magazines, circulars, and new media such as the Internet, social media, blogs etc.
- The consumption need shaped by these influences then creates a specific “shopping mission”. A mission can be as routine as a regular weekly shopping trip or it can be a unique mission to meet a specialised need, such as a mission to meet a gift need.
- The “shopping mission” then defines the next set of choices in the shopping journey: the choice of a channel, a banner and a store. The options can be traditional “brick and mortar” retail outlets, or the various digital shopping options (on-line web shopping or mobile on-the-go shopping). In today’s shopping world it might also be a combination of these channels (multi-channel shopping as it is being referred to) which involves the shopper using several of these options before making a purchase decision.
- The actual purchase decision is the next step in the journey. This is the choice of categories, brands and specific products. It is influenced by various point-of –purchase factors including price offers, customer service, product information, merchandising, packaging and product availability.
- Finally the purchase is evaluated in a consumption setting. This involves the actual experience with the product and whether it met expectations as well as the use of various media, including social media (product reviews, blogs etc.), to register or validate the purchase decision and the post-purchase experience with the product. Based on the outcome of this evaluation, the cycle repeats itself or is adapted based on the experience.

Most importantly, the C&SJ cycle identifies the key questions that should be answered to understand and be able to influence the outcome and the various decisions that are made along this journey.

Figure 2.3 – Understanding the C&SJ - The Key Questions



Source: emnos and TPG

Figure 2.3 identifies the five broad insight areas that need to be addressed to understand and influence the behavior and outputs that occur in the consumption/shopping process. These insights are:

- **WHO** are the consumers and shoppers (their segments, their characteristics and behaviours)?
- **WHY** do they consume and how does this impact a shopping mission and the characteristics of a shopping trip (e.g. a stock-up trip, a fill-in trip etc.)?
- **WHERE** do consumers/shoppers choose to shop (in-store, on-line, on-the-go, channels and banners)?
- **WHAT** do they choose to buy (products, brands, categories, solutions)?
- **HOW** do they purchase (purchase triggers) and evaluate their purchases?

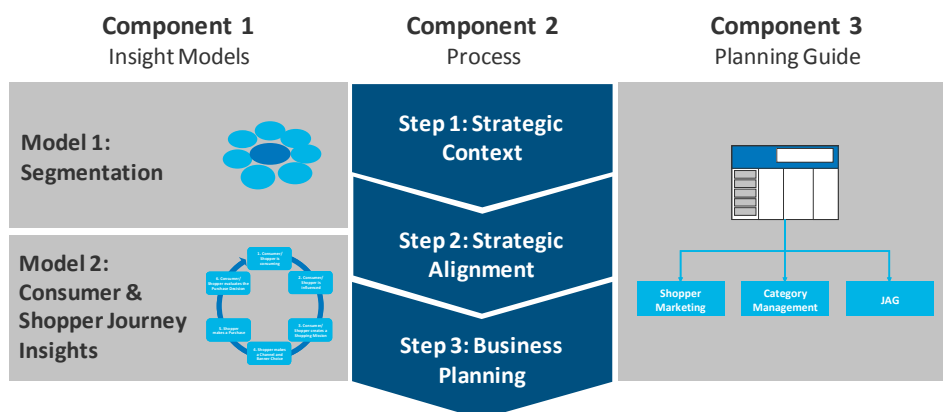
These five broad questions provide the foundation for a set of more detailed questions from which key consumer and shopper insights are identified. This deeper look at the C&SJ is described in Chapter 3.

The fundamental proposition of the C&SJ Framework is that the insights generated from the C&SJ lie at the heart of a collaborative shopper-centric business approaches, including Category Management and Shopper Marketing. Once these insights are uncovered, a collaborative business process and a set of business tools then leverage these insights to develop superior value propositions for target consumers and shoppers.

The complete C&SJ Framework as shown in Figure 2.4 consists of three components:

1. The Insights Models
2. A Collaborative Business Planning Process
3. A Business Planning Guide and Tools that enable and apply this process.

Figure 2.4 – The Components of the C&SJ Framework



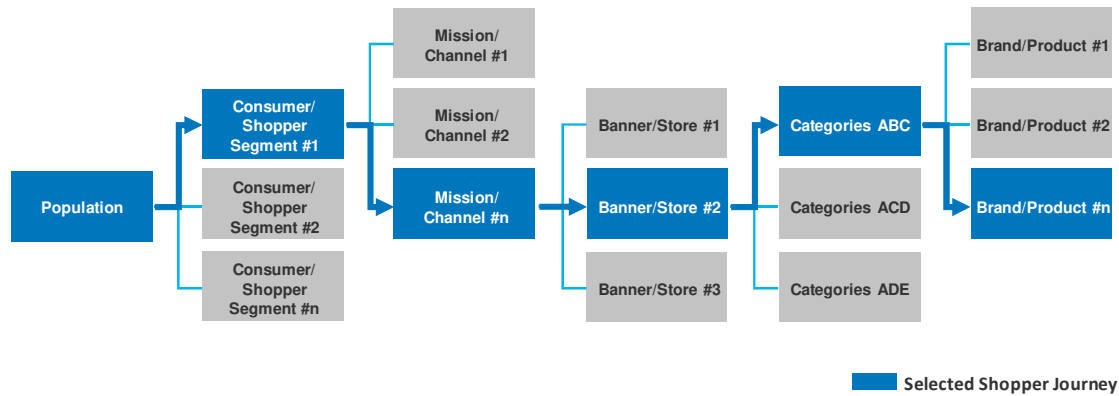
Source: emnos and TPG

The first component of the Framework, **the Insights Models** (further detailed in Chapter 3), is designed to answer the key questions raised by the C&SJ:

- Who are the different segments of shoppers (shopper segmentation – the WHO question);
- How do these segments behave as they navigate the C&SJ (the WHY, WHERE, WHAT and HOW questions)?

The outcome of this step is a mapping of the C&SJ for a selected consumer/shopper segment. Figure 2.5 illustrates how the steps in the C&SJ cycle are mapped for a specific journey for a selected segment.

Figure 2.5 – Mapping the C&SJ



Source: emnos and TPG

The insights obtained by retailers and manufacturers from the mapping of the C&SJ's of target consumers and shoppers are then leveraged in the second component, the Collaborative Business Planning Process, to develop value propositions and marketing and merchandising programmes designed to influence consumer and shopper behavior along the consumer and shopper journey. **The Collaborative Process** has three steps (which will be described in more detail in Chapter 4):

1. *Strategic Context / Preparation* in which the retailer and the manufacturer independently take the necessary steps to prepare their organisations for the collaborative work
2. *Strategic Alignment* in which the retailer and manufacturer jointly align on target segments, goals and success measures.
3. *Business Planning and Implementation* in which the specific value propositions are developed and implemented in a collaborative effort.

The third component of the C&SJ Framework is a **Business Planning Guide and Tools** that help deliver the collaborative programmes to the target consumer/shopper segments (described in more detail in Chapter 5).

What the C&SJ Framework Provides

The C&SJ Framework provides a powerful new addition to collaborative business models:

- It generates the consumer and shopper insights that are at the core of an integrated consumer and shopper-centric marketing approach
- Understanding consumer and shopper behaviour and how to influence this behavior provides the ultimate common ground for a retailer and a manufacturer to succeed in today's challenging business environment
- The new dynamics of shopping behavior (multi-channel shopping, social media influences etc.) and the widened array of media options now available to influence this behaviour mandate an *integrated* view of consumer and shopper behavior and an understanding of the various touch points along this integrated journey. The C&SJ Framework provides this integrated perspective.

Benefits of the Framework

An important aspect of the C&SJ Framework is that it has benefits for the consumer and shopper, and for the retailer and the manufacturer regardless of size and level of sophistication. Every retailer and manufacturer can find areas of the framework to which it can add value and achieve benefit. The potential benefits are multi-faceted and include those listed in the following charts (Figures 2.6, 2.7 and 2.8).

Figure 2.6 – Benefits for the Consumer and Shopper

- Consumer/shopper is offered a relevant solution to meet their specific needs versus a generic offer.
- The offer is tailored towards their individual expectations:
 - Product offering and availability
 - Price/value is in line with expectation
- Consumer receives targeted communication via the right media channels and along the shopper journey with tailored content, enhancing time efficiency, avoiding overload or intrusion (privacy).
- Increased personalisation of solutions.

Source: emnos and TPG

Figure 2.7 – Benefits for the Retailer

- Identify focus categories and manufacturers to meet target shoppers' needs.
- Identify the focus behaviour change for target shopper groups.
- Develop more effective and targeted shopper programmes to meet target shopper needs.
- Develop more effective and targeted shopper platforms to meet my target shopper needs.
- Develop enhanced category plans that incorporate new shopper understanding to build more effective range and space recommendations.
- Develop more focused business Jointly Agreed Growth (JAG) plans with selected manufacturers that are delivering KPI's against the target shopper segments.

Source: ECR Europe, emnos and TPG

Figure 2.8 – Benefits for the Manufacturer

- Identify the key channels to attract target shoppers.
- Identify the focus customers to collaborate with to meet target shopper needs.
- Select the most effective touch points and communication channels to engage shoppers.
- Develop the most effective and targeted brand activation plans to meet target consumer and shopper needs.
- Develop the most effective and targeted brand shopper marketing plans, in collaboration with chosen customers, to meet target consumer and shopper needs.
- Develop enhanced category plans that incorporate new shopper understanding to build more effective range and space recommendations.
- Develop more focused business Jointly Agreed Growth (JAG) plans with selected customers that are delivering KPI's against the target shopper segments for brands.

Source: ECR Europe, emnos and TPG

Summary

This chapter introduces the Consumer & Shopper Journey Framework and its three components: the Consumer & Shopper Insights Models, the Collaborative Business Planning Process and the Business Planning Guide and Tools. It also positions the framework as an important concept in the evolution of modern retail marketing. The benefits from its use are also identified: for the consumer/shopper, the retailer and the manufacturer.

The following three chapters present these components in more detail and describe how each can be used effectively by retailers and manufacturers. *Chapter 3* focuses on the first component - the C&SJ Insights Models; *Chapter 4* on the Collaborative Business Planning Process, and *Chapter 5* describes the third component (the Business Planning Guide and Tools) that apply the Insights Models and the Collaborative Process in a number of key business applications.

Chapter 3: The Foundation Component - C&SJ Segmentation and Insights Models

"Key Takeaways in this Chapter"

- The 2 Insights Models and their definition
 - The Consumer and Shopper Segmentation Model
 - The Consumer & Shopper Journey (C&SJ) Insights Model
- A Consumer & Shopper Segmentation Model to identify the desired consumer/shopper target
- A Consumer & Shopper Journey Insights Model to identify the key influence points along the journey
- Recommended approaches to identify consumer and shopper segmentation and insights
- The C&SJ provides the foundation for merging retailer and manufacturer insights

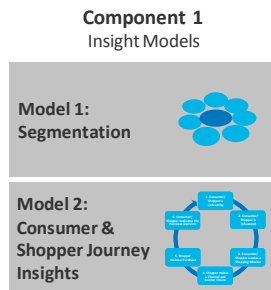
The Insights Models

The foundation of the C&SJ Framework is provided by two models designed to uncover the consumer and shopper insights that provide the fuel for the collaborative business process. There are two distinct but integrated insights models:

- A Consumer and Shopper Segmentation Model that addresses the *WHO* question of the C&SJ and leads to the definition of a target consumer/shopper;
- A C&SJ Insights Model that focuses on the other questions (*WHY, WHERE, WHAT* and *HOW*) inherent in the C&SJ. It provides the insights into the behavior and behavior influencing factors of the target consumer/shopper.

The foundation position of these two insight models in the overall C&SJ Framework is highlighted in Figure 3.1.

Figure 3.1 – The Insights Models

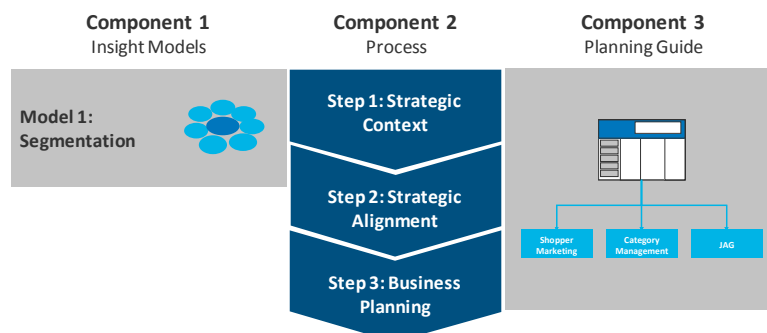


Source: emnos and TPG

The Consumer and Shopper Segmentation Model

The essential starting point for understanding the C&SJ is the recognition that individuals differ in their needs and aspirations as consumers, as well as in the way they prefer to shop and purchase their consumption goods, as products, services or an experience. It is therefore essential that we identify the different segments of consumers and shoppers and the characteristics that distinguish each segment, such as differences in size, spending power, expectations, behavior and behavior influences. Understanding these segments and their differences also supports the fundamental proposition of the C&SJ Framework that integrated consumer and shopper insights are needed to develop tailored, segment-based solutions which can deliver a superior consumption and shopping experience through a collaborative value creating business process. In the past the product, consumer and shopper solutions were too often not integrated and not developed collaboratively. (Appendix C provides an overview of Best Practice Segmentation and Research Methodologies).

Figure 3.2 - The Consumer and Shopper Segmentation Model



Source: emnos and TPG

A good insight model must begin with a segmentation model that can identify consumers and shoppers who have similar definitions of value not only for what they consume, but also on how they shop. The foundational role of the segmentation model in the overall C&SJ Framework is shown in Figure 3.2.

Consumer and Shopper Segmentation Models help select target consumers and shoppers (WHO) and answer the core business questions in a sequential segmentation approach as shown in Figure 3.3.

Figure 3.3 – The Sequential Consumer and Shopper Segmentation Model

	Value / Potential /Risk	Consumer/Shopper Needs	Shopper Missions
Core Business Questions	<ul style="list-style-type: none"> Who are my most valuable consumer-shoppers? What is my potential for growth? What is my risk for 'loss'? 	<ul style="list-style-type: none"> How to work solutions to attract my most important consumer-shoppers? How to build the lifecycle strategy for my brand? Which segments show high affinity to brands vs. private label products? 	<ul style="list-style-type: none"> Which shopping missions drive my most important consumer-shoppers? What are the right communication channels to influence them? What does that mean for my store format and layout strategy
Example Segments	<ul style="list-style-type: none"> "big spenders", "regular small baskets", "occasional large trolleys", ... "high potentials", "valuable shoppers at risk", ... 	<ul style="list-style-type: none"> "convenience shoppers", "budget shoppers", "health concerns", "fresh foodies", ... "affluent singles", "families with babies", "best agers",... 	<ul style="list-style-type: none"> "big main weekend shopping", "top up", "lunch time", "treat myself", "news in the morning", ...
Data Sources	<ul style="list-style-type: none"> loyalty data panel data (GfK, Nielsen, etc.) market research data (TNS, GfK, Nielsen, etc.) ec-cash / credit-card data 		

Source: emnos and TPG

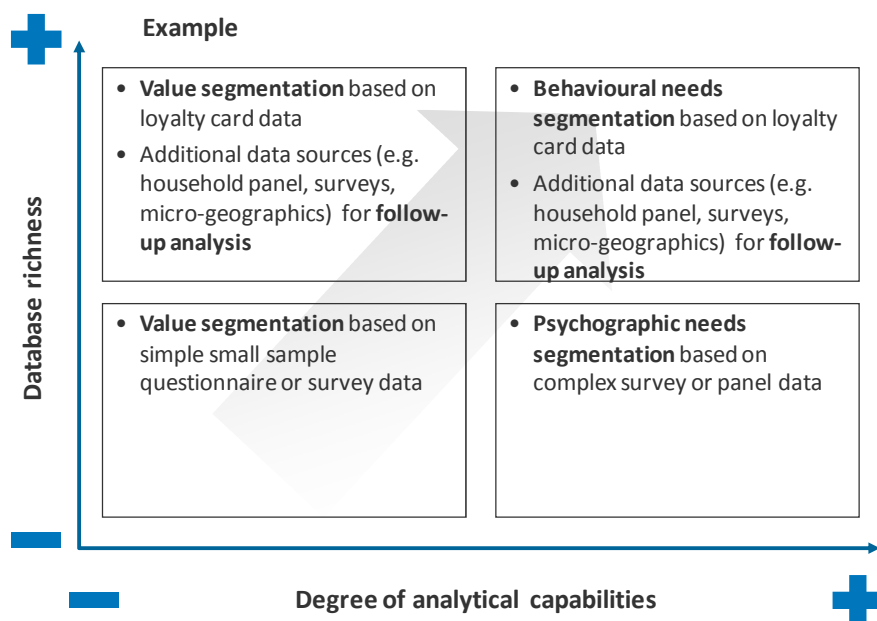
There are a number of possible segmentation methods available. The degree to which different segmentation methodologies can be implemented in practice, however, depends on the two factors shown in Figure 3.4 – Degree of Analytical Capabilities and Database Richness. It is important to recognise that segmentation can be started even with limited data and analytical capabilities and more sophistication can be developed over time.

In the example of value segmentation we are looking for the 30% of consumers/shoppers who, because of their usage level (heavy users or buyers in the market), represent over 70% of the market value for the retailer, or in the case of the manufacturer , over 70% of the market value of the category. Going after these targets first leverages the marginal growth contribution a lot more than when diluting the effort to all shoppers. Defining these high value shoppers via loyalty card insights will be more effective than panel data alone for example.

Qualitative research, or psychographic needs segmentation, requires stronger analytical capabilities, as we may need combined source-analytics to be able to find the shoppers with a

specific psychographic need in a loyalty card database for example. Shoppers, who in qualitative research claim to search for lower prices when shopping, can be identified via behavioral segmentation techniques in loyalty card databases, reflecting indeed a behavior of picking the lower priced items. These combined source analytics require a different skill level. Pragmatism however will allow us most of the time on how to find the biggest potential. As long as retailer & manufacturers speak a same segmentation language we can come to high quality output for growth and value creation. Even with no loyalty card, some looks into household panel data will lead us the way to the biggest growth opportunity:

Figure 3.4 – Segmentation Dimensions



Source: emnos and TPG

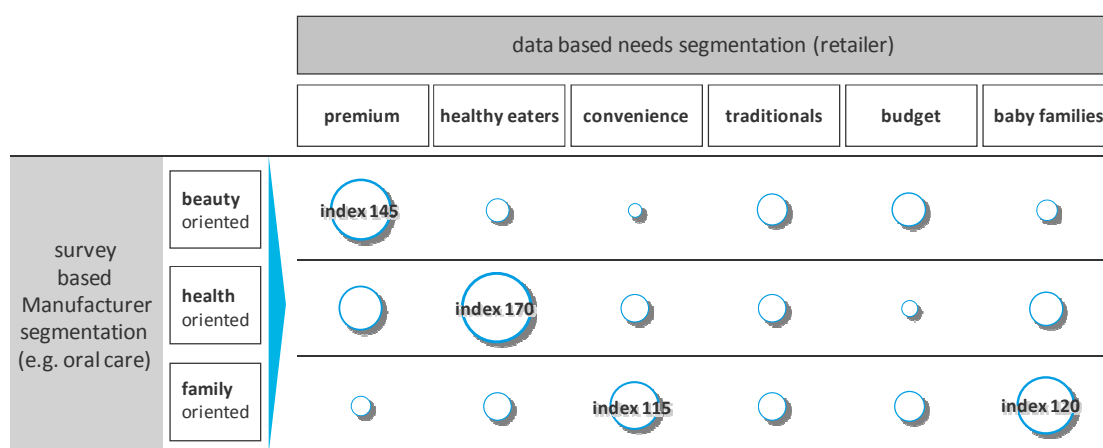
Consumer Segmentation is traditionally done by manufacturers to build equity for their brands with specific target consumers. Defining the different consumer needs and measuring the relative importance of each need for different consumer segments are input for category segmentation. This is the way manufacturers use consumer insights to build growth and share for their brands within a category and for brand innovation within the category. It was also the basis for developing traditional category management approaches. Consumer segmentation is primarily driven by consumer expectations about the category. Data used to segment consumers include their demographic characteristics, where they live and work, behavioural data, and life stage. More qualitative insights come from psychographic data, attitudes, beliefs and value systems, etc.

Shopper Segmentation is related to purchase behaviour and is built more on the consumer insights with regard to “what they buy” and “how they buy” and the underlying drivers of this shopping behaviour. Retailers have a strong interest in building their retail solutions and value propositions to meet the specific shopping expectations of their target shoppers.

The “WHO” in the C&SJ concept builds a bridge across consumer and shopper insights to define segments which build a basis for delivering differentiating superior **value propositions**. This brings new opportunities for innovation besides the traditional product innovation by manufacturers. It also provides the opportunity to traditional brand marketers to deploy their equity building strategies at retail in shopper insight-based category and brand business plans. The retailer from his end can approach the brand marketer to co-invest in the development of shopper value propositions in which the brand plays a major role in influencing the choice of store or building loyalty through delivering a superior shopping experience. It starts from a “who” definition from where a superior value proposition is created with mutual benefit for both the retailer and the brand manufacturer. Consumer/shopper segmentation becomes as such a common language for the retailer and manufacturer to develop win – win strategies and business plans that grow equity for both parties.

Aligning consumer and shopper segmentations to match insights for specific consumer/shopper segments can be done with data-based approaches or often simply by using business experience and common sense. Figure 3.5 shows a data-based approach.

Figure 3.5 – Example: Matching of Consumer/Shopper Segments



Example: match of customer segments via hhld panel data, base 20.000

Source: emnos and TPG

In this example, a manufacturer was merging a survey-based segmentation on Oral Care consumers with a retailer’s shopper needs-based segmentation (which was built cross category). An Index = 100 indicates the average correlation between the retailer’s needs segments with

the manufacturer's survey based consumer segments. An Index above 100 indicates a strong correlation between consumer/shopper segments. An Index below 100 indicates less correlation.

As one result, the parties identified that beauty oriented oral care consumers are more likely to be premium retail shoppers characterised by an exclusive lifestyle and premium shopping patterns in terms of channel and banner choices and brand preference.

Based on these insights, "sweets spots" for collaboration can be identified, where strategic consumer segments of the manufacturer align well with the retailer's strategic shopper segments.

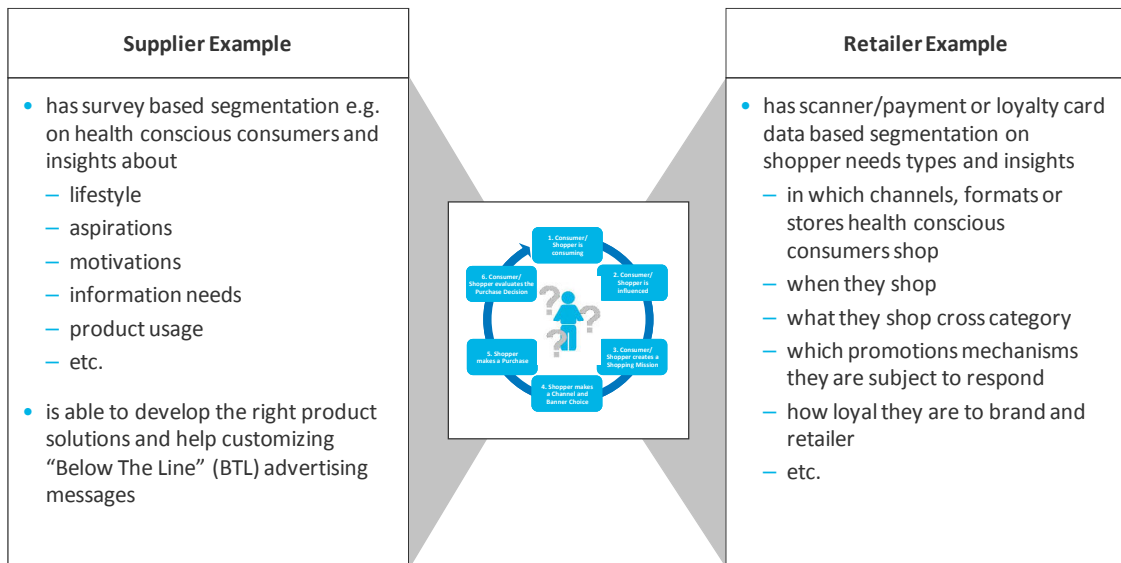
As will be described in more detail in Chapter 4, segment alignment is the first and most critical step to ensure that collaborative shopper marketing initiatives are in line with both the retailer's and the manufacturer's go-to-market strategies.

As the "WHO" in the C&SJ relates both to consumer defined expectations as well as to shopper defined expectations, we have two opportunities to start commercial and product innovation to meet these expectations:

- In the consumer steps of the journey, we can identify where we can create a pull for our value proposition, and interact via touch points with the consumer (at home, on the way to work, to school, during leisure time, etc.).
- In the shopper steps of the journey, we see an upcoming consumer need as the starting point, which continues with a shopping mission, a channel/banner/store choice (either a physical store or a digital/virtual store), the shopping experience and purchase, and the post-shopping experience.

Combining retailer and manufacturer segmentations generates deeper insights to create a **360° shopper marketing solution** along the consumer and shopper journey. Figure 3.6 shows the complementary of insights that both parties usually are able to provide.

Figure 3.6 –Complementary Consumer/Shopper Insights along the C&SJ



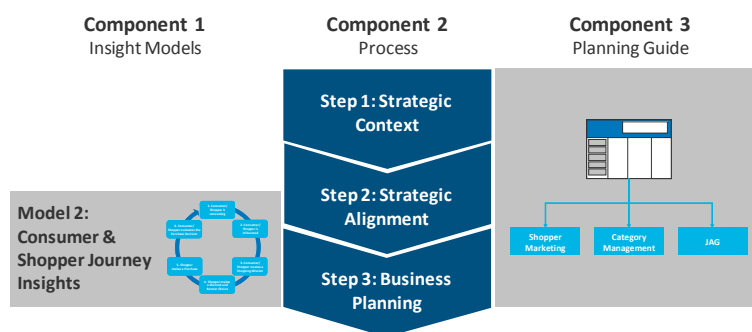
Source: emnos and TPG

The C&SJ Insights Model

Once the consumer and shopper segments have been identified, a deeper understanding is now needed into the Consumer & Shopper Journey of the segments. The second insight model, the C&SJ Insights Model, is designed to uncover key insights from the other C&SJ question areas (**WHY, WHERE, WHAT and HOW**).

Figure 3.7 depicts the positioning of the C&SJ Insight Models in the overall C&SJ Framework.

Figure 3.7 – C&SJ Insight Models



Source: emnos and TPG

The “*WHY*” question focuses on uncovering insights into the origin of a need to acquire goods, services or solutions. It therefore starts the journey towards making a purchase. This can be induced in many ways: at home during consumption, from an impulse from advertising, an (e)mail (with a coupon), a habit (weekly shopping day), a web visit, a social media recommendation, promotion flyers etc. These Insights will help uncover the motivations and aspirations of the consumer that ultimately lead to shopping behaviour and the potential touch points that are most relevant to the target consumer/shopper.

The “*WHERE*” question provides insights into the “shopping mission” to fulfill the consumer need. Here we gain insights as to where the consumer becomes a shopper, if this is part of a broader shopping event, a monthly or weekly shopping habit or more a mid-week fill in trip, a specialty trip, etc. which channel will be selected to meet the shopping need (an on-line web-store, a physical brick-and-mortar store, a brick & click store), and in what banner or store format.

The “*WHAT*” question focuses insights related to the actual purchase behaviour and the category and product / services choices the shopper makes to satisfy their needs.

The “*HOW*” question provides insights into what influences the choices made, the sales drivers, the triggers of impulse, the responses to claims, etc. It also includes post-purchase evaluation of the shopping and purchase experience. This is the key to creating the image of the retailer/provider for the next shopping occasion.

The example below demonstrates how shopper/consumer insights allowed ING to build a digital selling solution for their insurance department that delivered 60% higher response by customers versus the old digital tool. Identifying the target group and understanding their click-behavior (what& how) developed the implementation shown in this example which delivered the superior results:

The new online subscription form has been launched in april 2010...

The image shows two versions of the ING Direct online subscription form, labeled 'Before' and 'After'.

Before: The form is titled 'Souscrire un contrat d'assurance vie ING Direct Vie'. It features a progress bar with steps 1, 2, 3, and 4. Step 1 is 'Préparation', step 2 is 'Souscription', step 3 is 'Finalisation', and step 4 is 'Validation'. The form includes fields for 'Nom', 'Prénom', 'Date de naissance', 'Ville de naissance', 'Nationalité', and 'Département de naissance'. It also has checkboxes for 'Je suis né en France, GDN ou TDN' and 'Je suis né dans un pays étranger'. A red box indicates 'Besoin d'aide ? 0810 625 625'. The ING Direct logo is at the bottom right.

After: The form is titled 'Votre projet d'investissement'. It features a progress bar with steps 1, 2, and 3. Step 1 is 'Préparation', step 2 is 'Souscription', and step 3 is 'Finalisation'. The form includes fields for 'Quel âge avez-vous ?', 'Quels sont vos objectifs de placement ?', 'Quels sont les produits financiers sur lesquels vous investissez habituellement ?', 'Avez-vous besoin de débloquer une partie de vos investissements en cas de dépense inattendue (voiture, macromanager...) ?', and 'Vous préférez que votre placement soit géré ?'. The ING Direct logo is at the bottom right.

Source: Netway.eu

Netway used their behaviour science methodology to build convenience for the digital customer in front of the ING web designed solution.

Figure 3.8 provides a list of more detailed questions that have been designed to build insights in these for areas of the C&J.

Figure 3.8 – More Detailed C&SJ Insight Questions

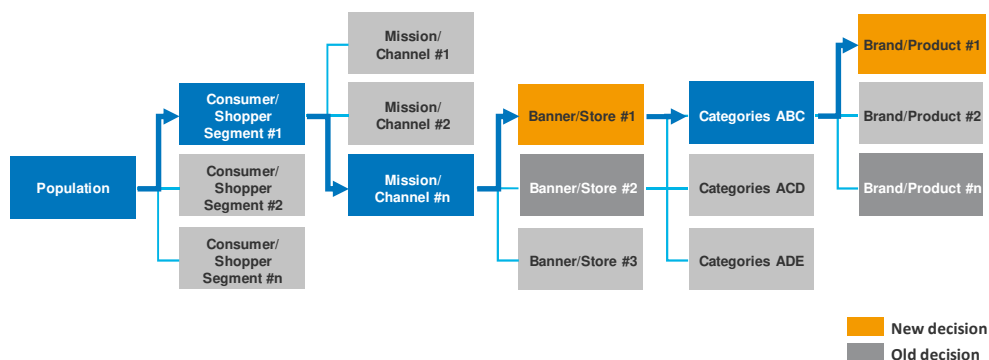
WHO? Target Shopper Segment:			Shopper Segment XYZ (selected in Segmentation phase of Strategic Steps)	
Journey Step / Lead Questions			Decisions to build Journey	Questions to Build Insights around the Journey
1. Consumer/ Shopper is Consuming	WHY Consumption	• What are their Consumption Behaviours & Motivations?	• What are the key categories & behaviours we want to influence?	1. <u>What</u> is their (household's) <u>current consumption behaviour</u> ? (Who is consuming what, when, how)
2. Consumer/ Shopper is Influenced				2. <u>Why</u> do they consume this way? (who influences etc)
3. Consumer/ Shopper creates a Shopping Mission	WHERE Mission/ Channel/ Store	• What are their Missions & Channel Behaviours & Motivations?	• What are the missions & channels we want to focus on?	3. <u>What influences them</u> to make consumption behaviour changes? (Barriers & Triggers)
4. Shopper makes a Channel and Banner Choice				4. <u>What influences them</u> to plan a shopping trip? (Barriers & Triggers)
5. Shopper makes a Purchase	WHAT Purchase Behaviour	• What are their Category Selection Behaviours & Motivations?	• For the selected store(s), which selection of categories will we focus on?	1. <u>What</u> are their <u>current mission & channel choice</u> and spend behaviours?
6. Consumer/ Shopper evaluates the Purchase Decision				2. <u>Why?</u> What motivates them to make these choices?
	HOW Post Purchase Evaluation	• What are their Store Choice Behaviours & Motivations?	• For the selected mission & channel, which store are we going to focus on?	3. <u>What influences them</u> to change mission & channel choice? (Barriers & Triggers)
				1. <u>What</u> are their current <u>store choice and spend behaviours</u> in this channel?
		• What are their Purchasing Behaviours & Motivations?	• For the selected store(s), which selection of categories will we focus on?	2. <u>Why?</u> What motivates them to make these choices?
				3. <u>What influences them</u> to change store? (Barriers & Triggers)
		• What are their Post Purchase Behaviours & Motivations?	• For the selected categories..	1. <u>What</u> are their current <u>category choices</u> and spending profile in this store(s)?
				2. <u>Why?</u> What motivates them to make these choices?
				3. <u>What influences them</u> to change behaviour? (Barriers & Triggers)
				1. For the selected categories, <u>what</u> is their current <u>product/brand/ spend</u> behaviour?
				2. <u>Why?</u> What motivates them - what is their Purchase Decision Hierarchy?
				3. <u>What</u> is their <u>in-store decision making process</u> ?
				4. <u>What influences them</u> to change behaviour? (Barriers & Triggers)
				1. For the selected Shopper Journey, <u>what</u> is their <u>post purchase evaluation</u> behaviour?
				2. <u>What are the key post-purchase factors</u> that have a positive or negative impact on their view of the journey?

Source: emnos and TPG

Mapping the Consumer & Shopper Journey

The C&SJ for a target consumer-shopper segment can be mapped as shown in Figure 3.9. The objective of the C&SJ Insights Model is to provide information and insights about each step of the target segment's journey, the outcomes of each step and the behaviour that occurs in producing these outcomes.

Figure 3.9 – Mapping the C&SJ



Source: emnos and TPG

The C&SJ mapping and the understanding of how the choices are made along the journey allows us to understand where a retailer and a manufacturer can jointly work the touch points along the journey to create value for this consumer/shopper target. The new business plan will potentially lead to new and different choices and therefore different decisions compared to the old decisions made on the path to purchase.

By mapping the Consumer & Shopper Journeys for one or more target shopper segments we can identify:

- What are the possible *behavior change opportunities* for the target consumer/shoppers?
- What *touch points* along their journey are going to be most efficient and effective to focus on to influence this behaviour?
- What *marketing and merchandising tactics* will be most effective for delivering the desired behaviour changes of the target segment(s)?

"Together for a better summer"

Traditionally manufacturers sell products to shoppers with the idea to answer a consumer need.

The consumer need is often a meal or a drink, or in this example, a mixed drink, with products from different categories. Routine shoppers are not considering finished mixed drinks before the aisle nor are they prepared to visit multiple locations in-store.

Opportunity: Associate finished drinks and relaxed summer drinking occasions in the minds of settled and family life stage consumers and shoppers.

Shopper Insight: Shoppers want to be able to confidently buy everything for a finished drink in one place.

Idea: 'Together for a Better Summer' platform.



Programme:

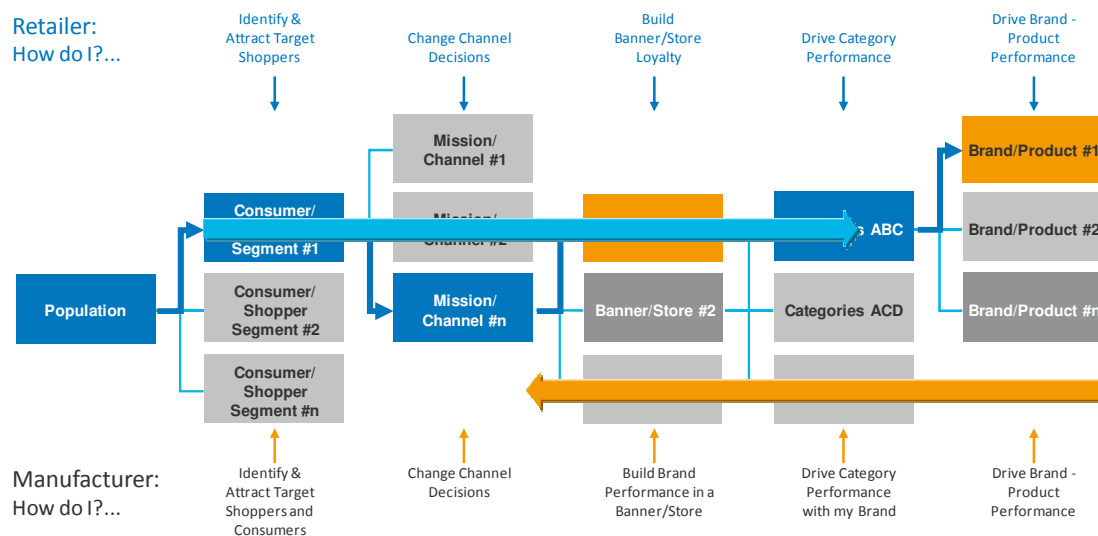
- ✓ Joint activity with Coca Cola Enterprises to communicate the relevance of long mixed spirits to summer occasions.
- ✓ Multi-channel activation plan taking the activity into outlets and stores from May to August.
- ✓ Joint spirit and mixer promotional activity in all Multiple Grocers supported along the path to purchase to drive sales.

Results:

- ✓ Total spirits category value growth +5% (during activity).
- ✓ Frequency of purchase +50% amongst light spirits shoppers.
- ✓ Additional 750k households bought spirits during summer.

It is important to realise that the entry point into the insights model for retailers and manufacturers can be at different points along the C&SJ. Figure 3.10 shows that while the retailer and the manufacturer can start their search for meaningful insights at different points based on their respective business objectives, the C&SJ map provides a common framework which enables the insights of the retailer and the manufacturer to be integrated.

Figure 3.10 – Different Journey Entry Points



Source: emnos and TPG

A key reason why collaboration is often missing is the lack of a common framework to enable retailers and manufacturers to have a common dialogue around consumer and shopper insights. Manufacturers will typically focus on developing insights that identify opportunities for the growth of their brands. Retailers, on the other hand, are more likely to focus on insights that help grow basket spending, profit and that attract more shoppers. The following example shows how integrated consumer and shopper insights can be used to accomplish both objectives.

In the below example the manufacturer did an excellent job in communicating via the web, by building on an aspirational need to prepare meals with more taste, and use spices as an art, a passion in the universe of home cooking. Separately an in-store on-shelf touch board was developed to “find” the product more easily. A great opportunity would be to integrate both using the C&S journey concept as a guide.

"Spices are Passion"

At home on the web, a manufacturer developed web page links spices to meal recipes to communicate the added value of spices as a passion element in cooking



In the store touchscreen provides a convenient way to find the right spices for the desired meal.



Source: Santa Maria Belgium

Both retailers and manufacturers need to win with the same shopper/consumer by uncovering insights from the C&SJ that identify how to improve the consumer/shopper's total experience and build a more loyal relationship both for the retailer and the manufacturer. The C&SJ Framework provides a common platform upon which retailers and manufacturers can merge their insights into a more complete understanding of the total C&SJ for targeted segments. The Framework provides the vehicle to remove the key barriers that have stood in the way of this goal.

These barriers include short term growth and profit goals that impede the development of longer term collaborative business plans. There are also structural barriers. The manufacturer most commonly meets the retailer in a sales-buyer relationship; while the marketing department focuses on the consumer needs understanding to drive innovation for the brands often having insufficient insight into the role of the brand for the retailer's equity development.

Today, many retailers are placing more emphasis on building differentiation through a retail brand equity building strategy. Choices, however, are often profit or price related and not shopper/consumer based. This in turn can lead to “value downgrading” because of insufficient insights into what the retailer’s target shopper/consumer really wants.

In-store implementation is part of the C&SJ and is best delivered with integrated elements from the manufacturer as well as retailer owned touch points in and out of the store. The Herta example shown below demonstrates this integration.

Herta

On the manufacturer website, recipes are suggested of all types: traditional meals, light meals ...



In the store promotion communicates the recipes on the website.

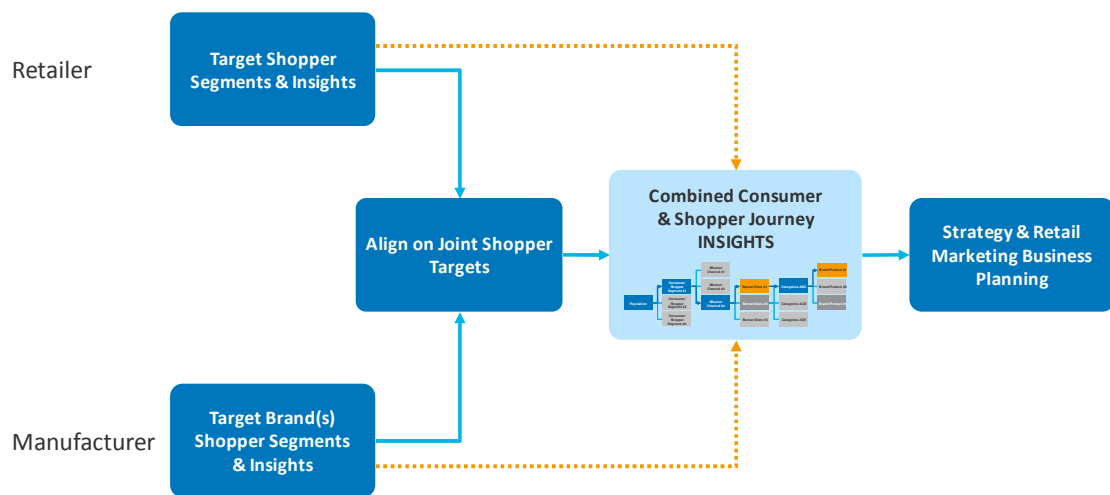


Source: storecheck Belgium

Merging Retailer and Manufacturer Insights

The C&SJ provides a common platform and a common language upon which the retailer and the manufacturer can merge their complementary insights. These merged insights, as shown in Figure 3.11, become the foundation for the development of aligned and mutually beneficial business plans.

Figure 3.11 – Collaboration on C&SJ Insights



Source: emnos and TPG

The first component of the C&SJ Framework consists of two related Insights Models – the Segmentation Model and the C&SJ Insights Model. Together these two models provide the foundation for a complete set of insights into the key steps of the journey for different segments of consumers and shoppers.

Figure 3.12 provides an example of an Insights Summary Chart. It summarises the insight-based learnings from the combined consumer and shopper insights of the manufacturer and the retailer. The underlying structure is provided by the steps of the Consumer & Shopper Journey. The insights are uncovered from the answers to the insight questions as listed previously in Figure 3.8.

Figure 3.12 – C&SJ Insights Summary Chart

C&SJ Insights Summary for:		Mums of Smaller Families, Bulk Grocery Shop in B&M outlets, Soft Drinks (Fictional)					
Journey Steps / Lead Questions	Decisions Made to Build Journey	What They Do/ Spend		Key Reasons / Motivations	How they can they be influenced?	What are the Key Opportunities?	Opportunity Value? (€)
		All Categories	Focus Category(ies)				
1. Consumer/ Shopper is Consuming	• What are their Consumption Behaviours & Motivations?	• Focus is on the 'Take Home' Soft Drinks Category	• N/A	• Household consumes 163 litres of soft drinks	• "Quench thirst" = #1;	• Increasing number of meals where a soft drink is consumed from 38% to 42% would be worth +10% growth with this segment	• €6m in the market
2. Consumer/ Shopper is Influenced				• "Keep kids happy" = #2	• Key meal types more likely to drive soft drinks consumption e.g. XXXX		
3. Consumer/ Shopper creates a Shopping Mission	• What are their Missions & Channel Behaviours & Motivations?	• Focus on Bulk Shop Mission in Bricks & Mortar Grocery Outlets	• Target Shopper undertakes 153 all category shopping missions per year spending €6,100	• Household consumes 163 litres of soft drinks	• Mum is gatekeeper for kids	• When it's gone in the home, it's gone - soft drinks not a driver of trip planning	
4. Shopper makes a Channel and Banner Choice	• What are their Store Choice Behaviours & Motivations?	• Focus Mission & Channel is 26 times a year value €1,840	• Target Shopper undertakes X shopping missions per year to buy soft drinks spending €X	• Convenience - one stop shop for grocery and fresh foods	• High Service levels in other channels or 'category killer' pricing encourage switching into other channels	• Attract share of wallet from other channels via non-grocery categories by further 5% (+1.5% points)	• €90m channel opp'tunity
5. Shopper makes a Purchase	• What are their Category Selection Behaviours & Motivations?	• Focus is on ACME Retail vs its key competitors	• Target Shoppers spend at ACME index at 95 vs channel	• ACME seen as equal but not better value to competition	• Highlighting "value" offerings in ACME	• Driving Basket Spend Per Visit	• €23m
	• What are their Purchasing Behaviours & Motivations?	• Focus is on Soft Drinks	• Target Shoppers spend at ACME index at 95 vs channel	• Target Shoppers criticise ACME soft drinks assortment - want more 'value packs'	• Social Media campaigns with Voucher incentives encourage Banner loyalty	• Gaining ACME's fair share spend index across all categories	• €1.5m
6. Consumer/ Shopper evaluates Purchase Decision	• What are their Post Purchase Behaviours & Motivations?	• Focus is on Soft Drinks	• Top X Categories by spend are	• Target Household buys soft drinks 3.1 litres 9 times a year worth €14.00	• Highlighting Value multipacks	• Increasing Basket Spend of Soft Drinks to shopper average	• €Xm
			• XXX	• Average ACME Household buys 4.2 litres 10 times a year, worth €21.00	• Value in everyday basics	• From €14.00 - €X with target shoppers= +X%	• €Ym
			• YYY	• Soft Drinks:	• Displays and Promotions in Power Aisle	• Using Brand B to drive value message	
			• ZZZ	• Brand A = 40%	• CRM Mechanic X		
				• Brand B = 20%			
				• RCB = 20%			
				• Fastest growing brand is Brand B			
				• Household typically consumes take home soft drinks within 1 week of purchase, longer in winter, less in summer	• Products that engage the family with on-pack communication/ competitions etc	• N/A	

Source: emnos and TPG

Summary

This chapter introduced the foundation component of the C&SJ Framework – the two Insights Models. The primary objective of this component is to deliver the insights that allow the target consumer and shopper segments to be identified and the behaviour of these segments to be understood. These insights, especially when retailer and manufacturer insights are merged, provide the fuel for the next component of the C&SJ Framework – the Collaborative Business Process.

The Collaborative Business Process is now described in Chapter 4.

Chapter 4: The Collaborative Business Process

"Key Takeaways in this Chapter"

- Definition of the 3 Steps of the Collaborative Business Planning Process
 - Strategic Context and Preparation for collaborative work
 - Strategic Alignment between the retailer and the manufacturer partners
 - Business Planning & Implementation to develop and activate the plan with the target segments
- The key output of the process - The C&SJ Business Plan Summary

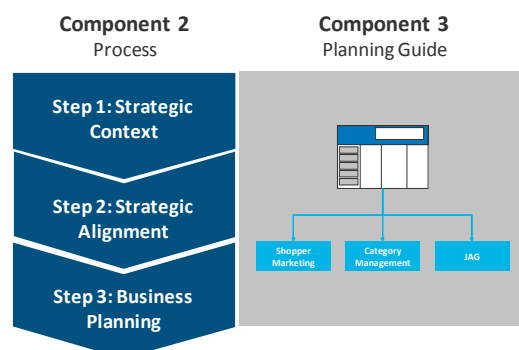
Steps in the Process

The second component of the Consumer & Shopper Journey Framework (C&SJ Framework) is the Collaborative Business Process. As briefly introduced in Chapter 2, this process consists of three steps:

- Step 1 – Strategic Context / Preparation
- Step 2 – Strategic Alignment
- Step 3 – Collaborative Business Planning

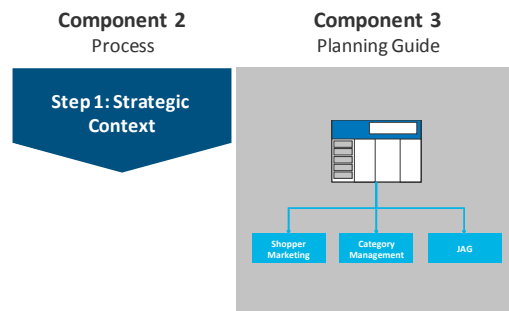
Figure 4.1 shows the scope and elements of the recommended Collaborative Business Process. This chapter describes the purpose of each of these steps, the work undertaken by the retailer and the manufacturer in each area, and the outputs of each step.

Figure 4.1 – The 3 Steps of the Collaborative Business Process



Source: emnos and TPG

Step 1 – Strategic Context / Preparation



The essential starting point for any successful collaborative initiative is for each partner to clearly define the internal requirements for a successful collaborative effort and to complete the internal tasks needed to prepare for collaborative work. This work must be undertaken independently by the retailer and the manufacturer to ensure that each of their organisations is prepared to begin the joint business planning and implementation work. To complete this preparation, as shown in Figure 4.1, three specific tasks should be completed:

1. *Set the Internal Direction* – the retailer and manufacturer, working independently, answer key questions to ensure that the collaborative work will deliver results that are consistent with each firm’s business objectives and strategies.
2. *Select Target Consumers and Shoppers* – the retailer and manufacturer gain internal agreement within their respective organisations on the consumer and shopper segment, or segments, to target through collaboratively developed programmes.
3. *Select and Engage Target Partner* – each partner defines the criteria to be used to select the appropriate partner for the collaborative effort and uses these criteria to select and engage the selected partner.

The following questions are designed to help in this preparation stage:

Retailer Questions
<ul style="list-style-type: none">▪ Who are my most valuable shoppers and why?▪ Where do they shop and why?▪ How can I meet the expectations of those shoppers in a superior way?▪ What are their consumer needs and aspirations?▪ What are the opportunities to improve my position in my target segments against my competition?▪ Who can help me build a superior value proposition to enable me to win?

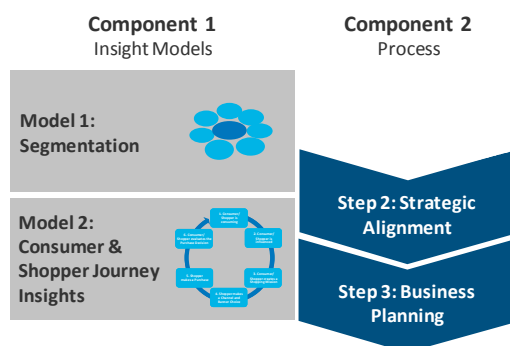
Manufacturer Questions

- Who are my most valuable consumers and shoppers?
- How can my brand proposition be superior in delivering my target consumers and shoppers' satisfaction?
- Where do my most valuable consumers and shoppers shop?
- Which retailers get most preference in shopping trips and spending by my most valuable consumers, and in which shopping trips?
- Where will my initiatives deliver the highest impact with my most valuable consumers and shoppers?

There are three key outcomes from this step:

1. Internal alignment within the retailer and manufacturer organisations on how a collaborative effort is connected to key internal goals and strategies;
2. Selection of a suitable partner for collaboration based on a belief that the goals and strategies of the retailer and manufacturer are likely to produce win-win outcomes;
3. Agreement by the partners to move forward with a collaborative effort.

Step 2 – Strategic Alignment



The next step in the collaborative process is to achieve alignment between the retailer and the manufacturer partners on the targets, scope and direction to follow, and the desired outcomes of the collaborative initiative. This involves the completion of three tasks:

1. *Aligning on Consumer/Shopper Targets* – In Step 1, each partner defines independently their target consumer and shopper segment, or segments. Subsequently, the partners need to agree on which target segments will be the focus for their collaboration. This alignment is essential prior to beginning the detailed work of developing a business plan to deploy strategies and tactics against the selected target segments.

2. *Merging Consumer & Shopper Journey Insights* – As highlighted in Chapter 3, the retailer and the manufacturer bring different consumer and shopper insights into the collaborative work. A major goal of the C&SJ Framework is to synergise these insights in the development of segment-focused value propositions and programmes. This task identifies these insight synergies and also any significant information gaps that should be addressed to better understand and influence the consumer and shopper journey for the selected segment, or segments.
3. *Setting High Level Shopper Strategies* – Based on the opportunities identified through these combined insights, the retailer and manufacturer develop a set of preliminary, high level strategies that provide guidelines for more detailed tactical programmes.

The recommended questions that should be answered jointly by the retailer and the manufacturer to accomplish strategic alignment are these Shared Strategic Alignment Questions:

Shared Strategic Alignment Questions
<ul style="list-style-type: none"> ▪ Who are our aligned consumer and shopper targets? ▪ What are the Shopper Journeys we want to win with for our chosen targets? (shopping missions, channels / store format / etc.) ▪ What are the growth opportunities identified by the C&SJ Framework that we want to focus on together and what are they worth – what is the “size of the prize”? ▪ What strategies will ensure our mutual strengths deliver maximum impact along the consumer and shopper journey?

There are four key outputs of the Strategic Alignment step:

1. Selection and agreement as to the target shopper segment, or segments
2. The desired behaviour change within this segment, or segments
3. The overall strategy to be used to activate this behaviour change
4. The expected improvements in business results from activating this change in behaviour.

Figure 4.2 is an example of the summarised output of this step.

Figure 4.2 – Example of Output from Strategic Alignment

C&SJ Business Planning Shopper Segment(s) Strategy	
Target Shopper Segment	Young Mums of Smaller Families
Target Consumer/Shopper Journey	Bulk Grocery Shop in Bricks & Mortar Hypermarkets with a focus on buying Meals for The Family at ACME Retail
High Level Shopper Strategy	Convert Young Mums to shop at ACME using Soft Drinks
Target Categories & Products	Soft Drinks & Quick and Easy Family Meals; Brand X
Target Behaviour Change & Prize	Increase conversion at ACME Retail of Target Shopper; Increased Conversion of Soft Drinks Increasing from A to B will be worth €Xm

Source: emnos and TPG

Kraft Philadelphia Cream Cheese

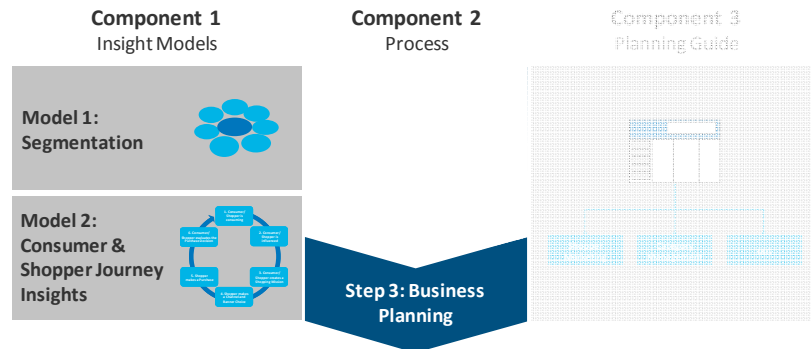
Context

- ✓ Target shopper (time poor foodies and families).
- ✓ Solution in store, not just product display.



Source: Kraft Europe

Step 3 – Business Planning and Implementation



The work completed in this step focuses on the development of the detailed plan to achieve the objectives and strategies agreed to in the Strategic Alignment step.

The key tasks completed in this step are:

1. *Identify the Scope of the Plan* – Before starting the development of the Business Plan, it is important to agree on the scope of the plan and the joint opportunities that will be the focus of the plan. Shopper segment business plans can encompass a wide range of opportunities, touch points and communication media as the target shopper navigates the C&SJ. To provide direction and focus, the elements that the plan should encompass should be defined. The objective is to reach agreement on the scope of the plan in terms of the opportunities that have been identified through the C&SJ insights. The key questions include:
 - Which opportunities will the focus be placed on and why?
 - Which consumer and shopper insights will be leveraged the most to get the desired results?
 - Should the plan cover both out-of-store and in-store touch points?
 - What social media communication vehicles should be considered or excluded?
 - Which tactical elements will be emphasized?

This joint scoping task will ensure that unproductive work in plan development and deployment is minimised and that expectations will be met. The outcome is a prioritised set of opportunities, a quantification of the expected results, and agreement on the range of tactical elements that will be used to address these opportunities.

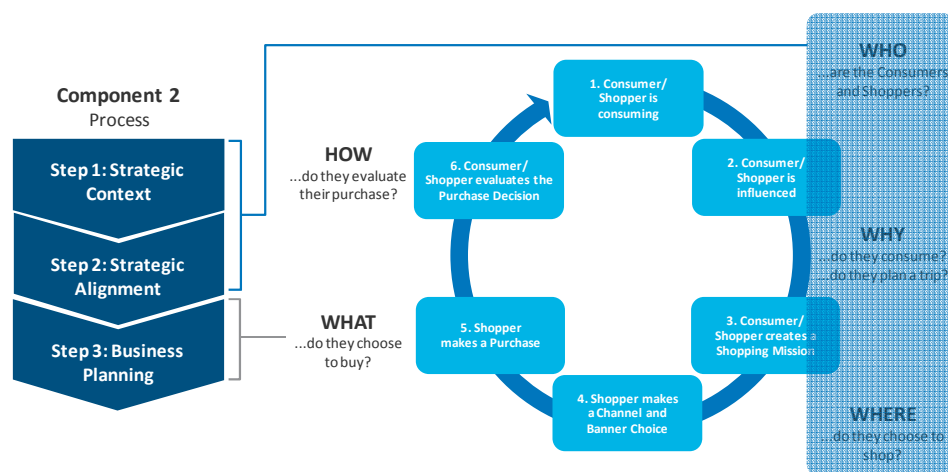
2. *Develop and Revise Shopper Marketing, Category and Joint Plans* – in this step the value propositions to be offered to the target segments and the detailed tactical plans for how to deliver and communicate these propositions are developed.
3. *Implement and Evaluate* – this step develops an implementation plan, deploys this plan, and evaluates the results of this implementation against pre-set objectives.

There are three key outputs of this step:

- The value propositions that will be offered to the target consumer and shopper segments
- The programmes that will be deployed to deliver these value propositions and activate the desired behavior of the target consumer and shopper segments
- An implementation plan to activate the plan with the target segments.

The primary purpose of the three components of the Collaborative Business Process described above is to provide a roadmap that enables a retailer and a manufacturer to leverage their combined C&SJ insights in the development and implementation of marketing platforms (value propositions) and programmes (tactical elements) aimed at impacting the behavior of agreed upon consumer and shopper segments. Each component focuses on leveraging insights from the different steps in the C&SJ. The first two components (Strategic Context / Preparation and Strategic Alignment) focus primarily on leveraging insights derived from answering the WHO, WHY and WHERE questions of the C&SJ; the third component, Business Planning and Implementation focuses on leveraging the insights obtained from answering the HOW and WHAT questions. These relationships are shown in Figure 4.3.

Figure 4.3 – Linking the C&SJ to the Business Planning Process



Source: emnos and TPG

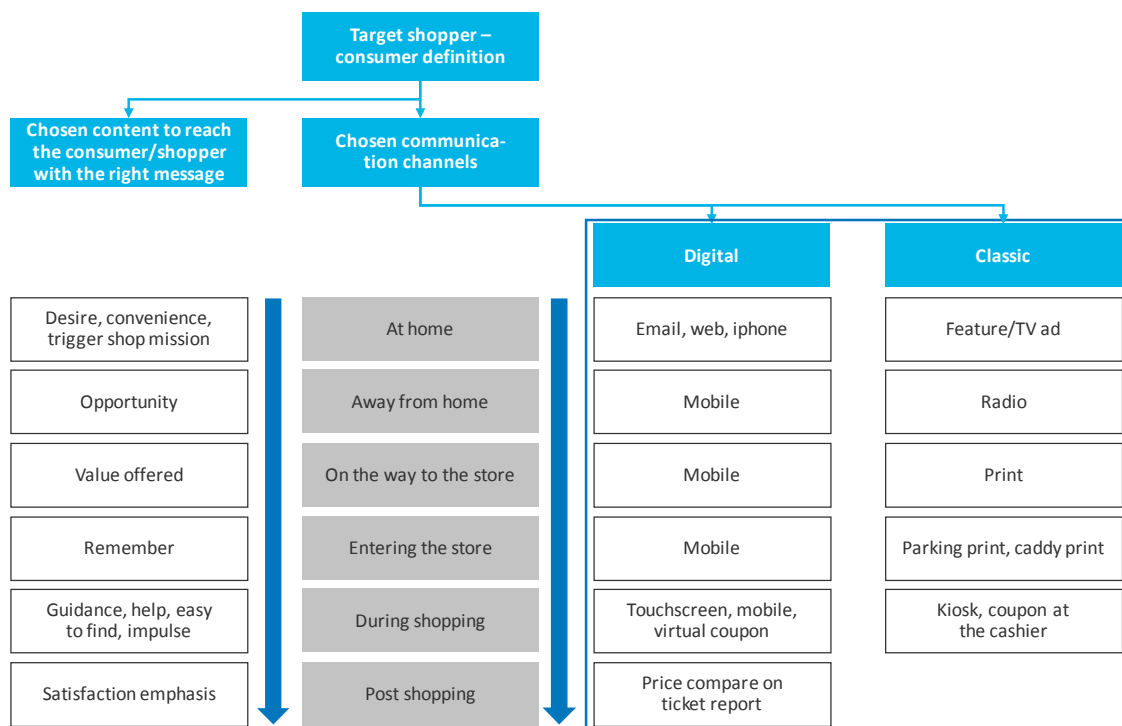
There are two key outputs from the C&SJ-based Collaborative Business Process:

1. *The Value Proposition and how it will be offered* to the target consumer and shopper segment, or segments. The Value Proposition should be defined in terms of category coverage (whether it involves consumer and shopper behavior in a single category or whether it is a solution-based value proposition that involves a number of categories)

and in terms of the tactical elements that will be the focus for creating value for the shopper (assortment, shelf presentation, pricing or promotion).

2. *How this Value Proposition will be communicated* to the target segment in terms of media options and message content at the various touch points along the C&SJ. This communication of the “superior” offer finds its architecture along the path to purchase at the various touch points where we can reach our target.


Figure 4.4 – C&SJ Path to Purchase - Illustration



Source: Demeulenaere&Co.

The decisions arising for the collaborative process are summarised in C&SJ Business Plan Summary chart an example of which is shown in Figure 4.4. This is based on the key outputs from the Strategic Alignment step (top section of the chart) and outlines a complete set of marketing communication, category management and in-store merchandising (assortment etc.), and operational tactics to deliver a value proposition to the target segment in a consistent and impactful manner as the shopper navigates the steps of the C&SJ. The size of the each opportunity is also estimated. This starts the process of developing the KPI measures and targets against which the results of the plan will be measured. The C&SJ Business Plan Summary is the core output of the C&SJ Framework. It is a simple, one-page summary of the key elements of the jointly developed business plan aimed at the target segment.

Figure 4.5 – Collaborative Business Plan Summary

C&S Business Planning Summary							
	Target Shopper Segment :		Young Mums of Smaller Families				
	Target Consumer/Shopper Journey:		Bulk Grocery Shop in Bricks & Mortar Hypermarkets with a focus on buying Meals for The Family at ACME Retail				
	High Level Shopper Strategy:		Convert Young Mums to shop at ACME using Soft Drinks				
	Target Categories & Products:		Soft Drinks & Quick and Easy Family Meals; Brand X				
	Target Behaviour Change:		Increase conversion at ACME Retail of Target Shopper; Increased Conversion of Soft Drinks. Increasing from A to B will be worth £Xm				
Journey Steps	Opportunities from C&S Insight Model (To guide Business Planning Choices)	Touch Points	Business Planning: Marketing Programme/ Tactical Implications				
			Shopper Marketing Communication	Category Management Tactics			
				Assortment	Merch.	Price	Promo
1. Consumer/ Shopper is Consuming	<ul style="list-style-type: none"> Increasing number of meals where a soft drink is consumed from 3.8% to 4.2% would be worth +10% growth with this segment 	CONSUME Stimulate Consumption	<ul style="list-style-type: none"> TV and Press Advertising using the 'Big Night In' theme – showing great meal times as a family with a Soft Drink 				
2. Consumer/ Shopper is Influenced							
3. Consumer/ Shopper creates a Shopping Mission	<ul style="list-style-type: none"> Attract share of wallet from other channels via non-grocery categories by further 5% (+0.5% points) 	AWARENESS Stimulate Purchase Planning					
4. Shopper makes a Channel and Banner Choice	<ul style="list-style-type: none"> Driving Basket Spend Per Visit Gaining ACME's fair share spend index across all categories Gaining ACME's fair share spend index for soft drinks 	AWARENESS Stimulate Channel & Banner Choice	<ul style="list-style-type: none"> Social media 'Big Night In' loyalty activity with vouchers off Brand X ACME Car Park Banners – Big Night In – Great Meal Ideas in Store Now 				
5. Shopper makes a Purchase	<ul style="list-style-type: none"> Increasing Basket Spend of Soft Drinks to shopper average from £14.00 – £16 with target shoppers: +6% Using Brand B to drive value message N/A Increasing number of meals where a soft drink is consumed from 3.8% to 4.2% would be worth +10% growth with this segment 	ATTRACT Across The Store ENGAGE Near the Shelf MOTIVATE At Shelf PURCHASE Close the Sale	<ul style="list-style-type: none"> Off Shelf Display for Brand X next to Pizza Meals 	<ul style="list-style-type: none"> increase coverage on 2l Packs 	<ul style="list-style-type: none"> 2l Packs in Hot Spot 	<ul style="list-style-type: none"> 2l Packs Buy 3 Get 1 Free 	
6. Consumer/ Shopper evaluates Purchase Decision	<ul style="list-style-type: none"> Attract share of wallet from other channels via non-grocery categories by further 5% (+0.5% points) 	REINFORCE Follow up the Sale	<ul style="list-style-type: none"> Press Campaign – Send us your Big Night In Meal Ideas 			<ul style="list-style-type: none"> Buy Drink Get Pizza Free Deal 	

Source: emnos and TPG

Kraft Philadelphia Cream Cheese

Execution

- ✓ Philadelphia cream cheese as a key recipe ingredient.
- ✓ Simple, tasty, easy and quick to prepare (Philly + herbs as baked topping for fresh salmon).
- ✓ Recipe cards/book + multiple siting in store e.g. next to Salmon.
- ✓ Offer the solution in one location.

Result

- ✓ Delighted shoppers (relevant and highly attractive solution).
- ✓ Increased purchase frequency and increased basket value (win/win).



Source: Kraft Europe

Summary

This chapter describes the core component of the C&SJ Framework – a recommended Collaborative Business Process that leverages the insights from the Consumer & Shopper Journey of the target consumer – shopper. The key outputs of this process are a value proposition, or “platform”, that defines the value that will be offered to the target segment and a set of tactics, or “programmes”, that will communicate and activate this platform with the target segment. This plan provides the foundation for differentiation and growth for both the retailer and the manufacturer and for increased value for the target consumer/shopper segment.

The first two components of the C&SJ Framework together provide the strategic and tactical direction for how to influence the consumption and shopping behaviour of a selected segment of shoppers. This insights-based information can now be leveraged to its full potential through the use of set of Business Planning Guide and Tools.

The Business Planning Guide and Tools is the third component of the C&SJ Framework which is the focus of the next chapter.

Chapter 5: Business Planning Guide and Tools

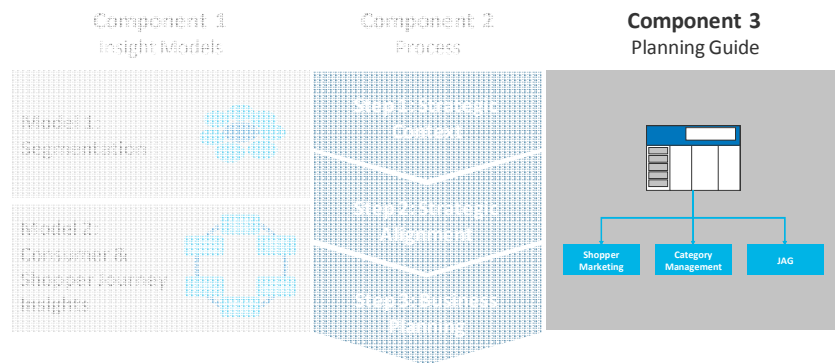
"Key Takeaways in this Chapter"

- Practical Applications for Consumer & Shopper Journey Framework
 - Shopper Marketing
 - Category Management, particularly in assortment planning
 - Joint Agreements for Growth (JAG) Plans

Practical Applications for Consumer & Shopper Journey Framework

Now that we understand what the Consumer & Shopper Journey Framework (C&SJ Framework) is, this chapter will focus on a number of the key applications of the Framework and how the C&SJ Insight Models can add significant value to existing key Collaborative Business Planning Processes. The positioning of this component in the overall C&SJ Framework as highlighted in Figure 5.1.

Figure 5.1 – The Business Planning Guide and Tools Component



Source: emnos and TPG

One of the key challenges faced by retailers and manufacturers in their day to day business planning is how to ensure that high level strategies and insights are translated into detailed decision making quickly and easily. This arises because of a number of factors including the skills and capabilities of the people making the decisions, the time available to plan and the perceived wins from alignment.

In this situation, where the C&SJ Framework can provide critical direction and insight, the Collaborative Business Plan Summary (see Figure 4.5 and Figure 5.2) provides a critical shortcut

to help enhance day to day business planning. This tool is also an ideal ‘one page’ for creating alignment between a retailer and manufacturer on the big opportunities, and where and how these opportunities can be realised.

Figure 5.2 - Collaborative Business Plan Summary



Source: emnos and TPG

Shopper Marketing

As we discussed in Chapter 2, Shopper Marketing is regarded by many as the next logical step for manufacturers and retailers in the evolution of retail marketing methods. The insights generated by the C&SJ Framework provide critical inputs into Shopper Marketing and can be regarded as *the* lead planning approach to gain mutual benefits from the application of C&SJ Framework.

The work that has been developed in the CS&J is aligned with and informed by the existing work developed by the US Retail Commission on Shopper Marketing. (See Appendix D for an overview of this industry initiative).

By way of summary, the Commission developed the following definition:

“Shopper Marketing is the use of insights-driven marketing & merchandising initiatives to satisfy the needs of targeted shoppers, enhance the shopping experience, and improve business results and brand equity for retailers and manufacturers”.

Source: US Retail Commission on Shopper Marketing

Shopper Marketing is best considered as a collaborative process that combines each partner's respective intellectual and organisational strengths for maximum effect to produce a Shopper Marketing Plan, a document that identifies:

1. A clear set of Target Shoppers with Insights
2. A Platform (Value Proposition) for how to unlock growth with these Shoppers
3. A Programme of activities focused on key touch points along their Shopper Journey.

Like the C&SJ Framework, Shopper Marketing also relies on a solid set of strategic foundations in each partner in order to enable the approach to deliver optimised Shopper Marketing plans.

The Shopper Marketing model consists of **3 high level stages**:

1. Establish Strategic Framework

There are two parts to this:

- First each partner needs to answer the question 'What does Winning mean?' – i.e. to clarify their own objectives, strategies and guidelines to provide direction and context for any Shopper Marketing collaboration.
- Secondly, partners come together to answer the question 'Who will we win with?'

In practice this means:

- Sharing Shopper Segmentation models and consumer and shopper insights
- Agreeing on Target Shoppers
- Combining Insights around these Target Shoppers
- Setting High Level Shopper Marketing Strategies ("Who we will target and with what desired result"?)

We can see that the C&SJ Framework has a role to play in the second part of this stage, by providing a common language and structure for partners to share and combine consumer and shopper insights.

2. Develop Platform(s)

This stage involves creating a Shopper Marketing Platform; the Value Proposition that will be used to underpin execution of the Shopper Marketing Strategy. A creative process, it involves developing the 'big idea' that will provide unique shopper benefits to the target shopper segment.

It is accompanied by the key messages that will be used to motivate the shoppers and a refinement of targeting – e.g. store formats, more detail or the desired behavior change.

We can see that the C&SJ Framework is a critical tool at this stage as it helps partners clarify the target missions, channels and stores and even more important, the barriers and triggers the platform must address and/or activate.

3. Develop Programme(s)

This stage involves selecting the out-of-store and in-store marketing and tactical initiatives to present the Platform(s) to the target shoppers to achieve the desired behaviour changes.

Critical at this stage is the identification of the priority touch points along the target shoppers' journey to purchase and the selection of the right marketing or tactical mechanics to influence the shoppers. In practice this means answering the following:

- Which of our priority touch points can we practically access? (e.g. In-store, out-of-store points)
- What are the best marketing mechanics to communicate with?
- What are the tactical mechanics to use?
- How will we allocate investment according to desired behaviour changes?

As with the previous stages, we can see that the C&SJ Framework plays a critical role in this stage. It helps identify the priority touch points, and then by using creativity and/or technical effectiveness studies, directs the selection of the right communication and tactical activities to build the programme.

It is worth highlighting the reality that as with the C&SJ Framework, Shopper Marketing is an activity where collaboration can occur in many different ways – with larger more sophisticated partners collaborating at all stages and smaller partners collaborating around programme development and implementation.

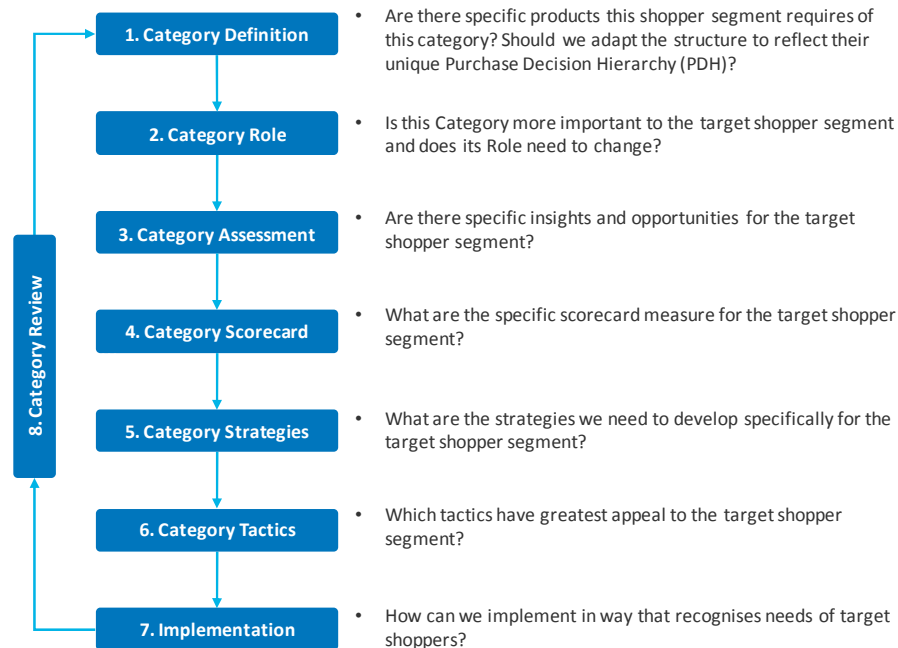
In both extremes, the C&SJ Framework provides a way of looking at understanding shoppers that facilitates more effective and efficient decision making.

Category Management

Category Management is a well understood business planning process that creates a business plan around a product category. As such, its starting perspective is one of products (and services) that best meet a defined set of consumer and shopper needs.

As Category Management has evolved and been refined, one key area of increased focus is how to apply new shopper insights into the Category Management process to improve its effectiveness as a business planning approach. Figure 5.3 highlights in concept the many areas in which CS& J insights can be used to enhance the Category Management process.

Figure 5.3 – Integrating Insights into the Category Management Process



Source: emnos and TPG

Although the potential use of CS&J insights is quite wide in theory, in practice we believe there are three key areas in which CS&J insights can be leveraged in the Category Management Process. In summary these are:

1. Improving the insights in the Category Assessment step
2. Refining and enhancing Category Strategies
3. Building more targeted and specific Assortment Plans in the Category Tactics step (Category Assortment Management).

We will look at each of these in turn.

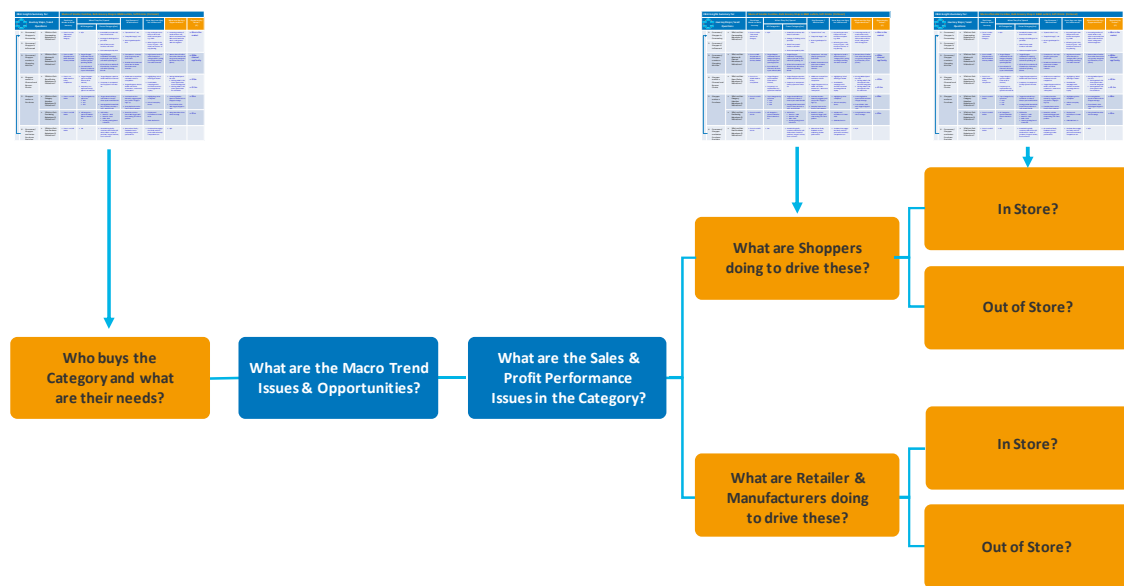
1. Category Assessment

The Category Assessment step looks to understand the opportunities that are available to improve the performance of the category, through answering key business questions. These questions typically look at Macro, Current Category Performance, Consumer and Shopper Needs, Supply Chain/Profit and Tactical performance areas.

The CS&J insights can be used to create a deeper and more targeted understanding in the Category Assessment, particularly in the ‘who buys the category and what are their needs’ areas. Also by understanding shopper metrics we can improve category performance (for example penetration, weight of purchase etc.).

Figure 5.4 highlights how these CS&J insights can flow through the Category Assessment phase.

Figure 5.4 – The Tools – Key Assessment Questions



Source: emnos and TPG

2. Category Strategy

The purpose of Category Strategy is to translate the opportunities identified in category assessment into the few big ideas that a retailer and manufacturer can collaborate on in order to create mutual growth in the category. A core element of the Category Strategy is identifying the target shopper for the strategy, and through understanding them, their needs and barriers and triggers, designing the big tactical ideas to unlock the opportunity.

Figure 5.5 highlights the core areas that can be enhanced in Category Strategy through the use of CS&J insights. These are:

- Shopper Targets – The CS&J approach creates absolute clarity on the target shopper, and their current and desired behavior change
- Barriers to Overcome – within the CS&J approach, barriers to purchase are involved to enable better understanding of what needs to be done to unlock growth with this shopper segment

- Triggers to Focus On – the opposite of barriers, the CS&J insights provide understanding of the positive triggers or prompts that will encourage shoppers to change their shopper behavior
- Tactics – The CS&J planner maps at a high level the big ideas that can be used in a Category Strategy to deliver the change in shopper behavior we have identified.

Figure 5.5 - The Tools – Sharper Strategy Format

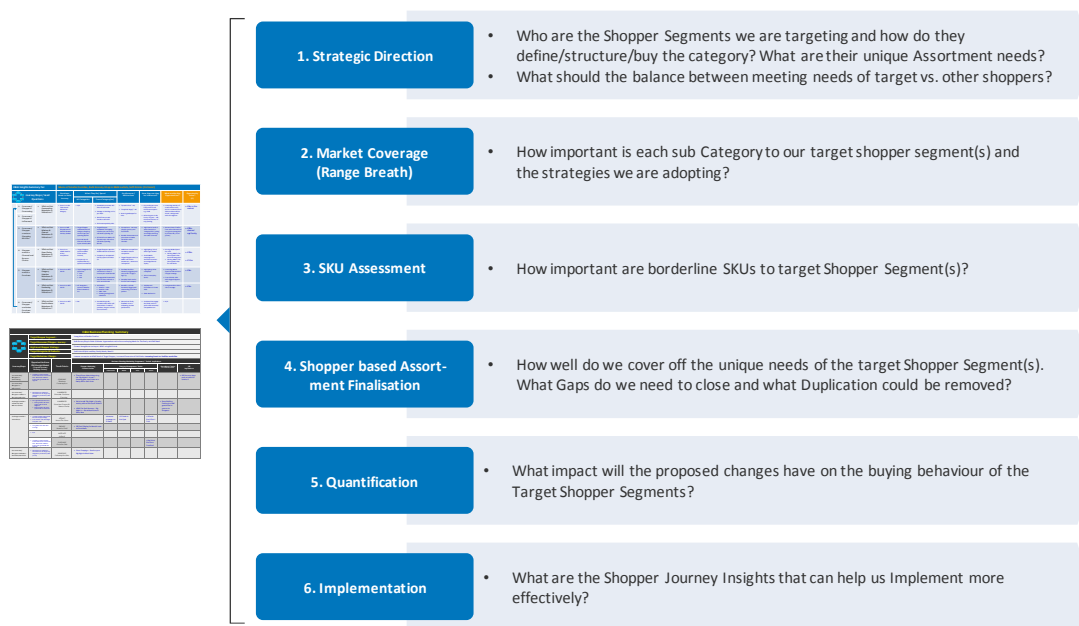


Source: emnos and TPG

3. Category Assortment Planning

Category Assortment Planning is a sub-set of the 8 step process, and is a detailed approach to delivering the most efficient and effective assortment in a category plan to deliver the Category Strategies. Figure 5.6 highlights the overall Efficient Assortment process, and the many potential areas to leverage CS&J insights. However, as in the overall Category Management process, in our view a key focus should be in the area of the Assortment Finalisation step.

Figure 5.6 – Efficient Assortment Process- Additional Questions to consider



Source: emnos and TPG

In this step the assortment is planned through using the purchase decision hierarchy in the category, to map the proposed stock-keeping units (SKUs) in the assortment, and ensure all shopper needs are met, and also that duplication of SKUs against needs are minimised.

A key tool to enable this approach is the 'Assortment Attribute Matrix'. The purpose of this tool is to map the SKUs against shopper needs, and allow retailers and manufacturers to make pragmatic decisions on tailoring the assortment.

C&SJ insights can be leveraged to refine the purchase decision hierarchy to that of the target shopper segment. This will ensure that assortment decision are made with this group in mind, versus planning an assortment at a total market level, which by definition will be a broad and wide ranging assortment intended to meet a very wide range of shoppers needs.

Using C&SJ insights in this tool will allow for targeted assortment, and can also be used to carry out different store format plans, or even store specific plans, if the data to identify target shoppers at that level can be accessed. Figure 5.7 highlights how this tool can work.

Figure 5.7 - The Assortment Attribute Matrix

Target Shopper Sub Category Purchase Decisions	Sub Category: Drink Now Still Drinks	Regular (1)				Lite (1)			
		330ml (3)	500ml (3)	Pouch (3)	Carton (3)	330ml (3)	500ml (3)	Pouch (3)	Carton (3)
1. Sugar Level ↓ 2. Flavour ↓ 3. Size/Format	Orange (2)	• SKU 1 • SKU 16 Duplication?	• SKU 18	• SKU 2 • SKU 8 • SKU 10 (Circled)	• SKU 15 • SKU 20 • SKU 22 • SKU 28 (Circled)	• SKU 13 Duplication?	• SKU 27	Gaps? ?	?
	Lemon (2)	• SKU 12	Gaps? ?	?	• SKU 9	• SKU 21 • SKU 23	• SKU 29 • SKU 31	Gaps? ?	?
	Lime (2)	Gaps? ?	• SKU 4	Gaps? ?	• SKU 17	Gaps? ?	• SKU 24 • SKU 33	• SKU 25	• SKU 30

Source: emnos and TPG

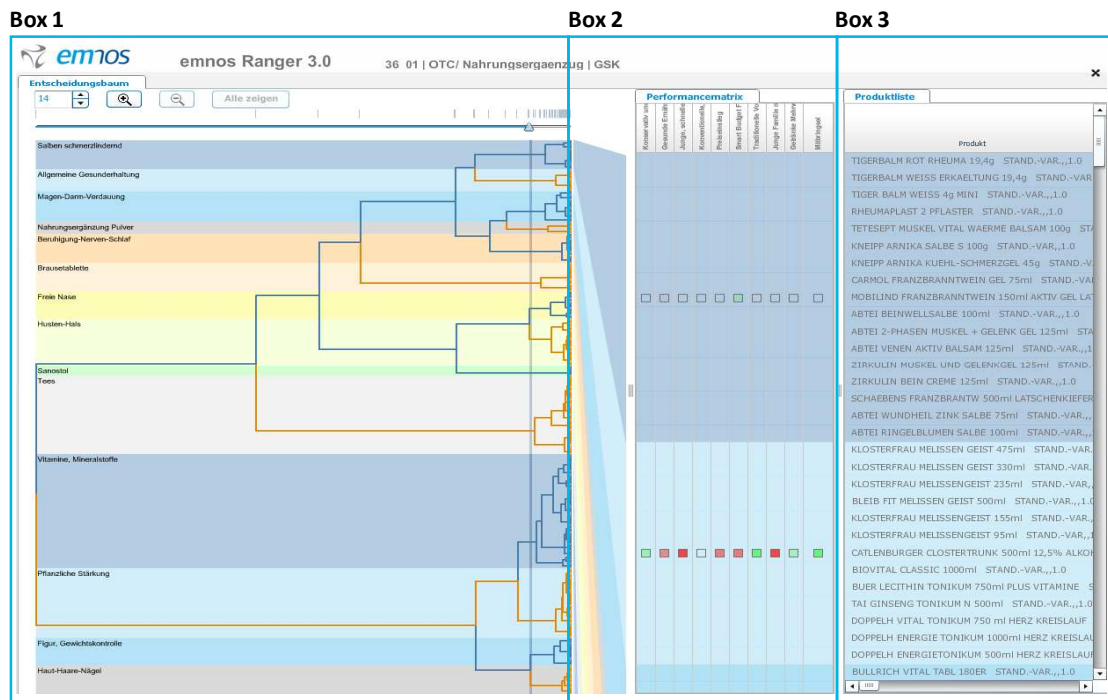
Where data on a purchase history is available (such as loyalty data or banking card data, etc.) automated tools, such as the *emnos RANGER*, support these processes by providing the user with a detailed visualisation of the shopper decision tree at the SKU level, which is based on real shopping behaviour.

- By analysing shopper's purchasing behavior we gain the ability to identify product attributes that are closely linked to consumers/shoppers subjective perception of the product (e.g. healthy, modern, etc.);
- Moreover for each SKU a range of important KPIs to support assortment decisions (such as customer penetration, product loyalty, etc.) can be provided.

Figure 5.8 is a screenshot of the *emnos RANGER*, that shows:

- *Box 1*: The shopper decision tree for a specific category to uncover shopper needs and help understand what products are cross purchased within the category;
- *Box 2*: A visualisation of which shopper profiles (shopper segments) are showing which need;
- *Box 3*: A detailed list of SKUs and associated KPIs that represent a specific need.

Figure 5.8 - emnosRANGER Decision Tree

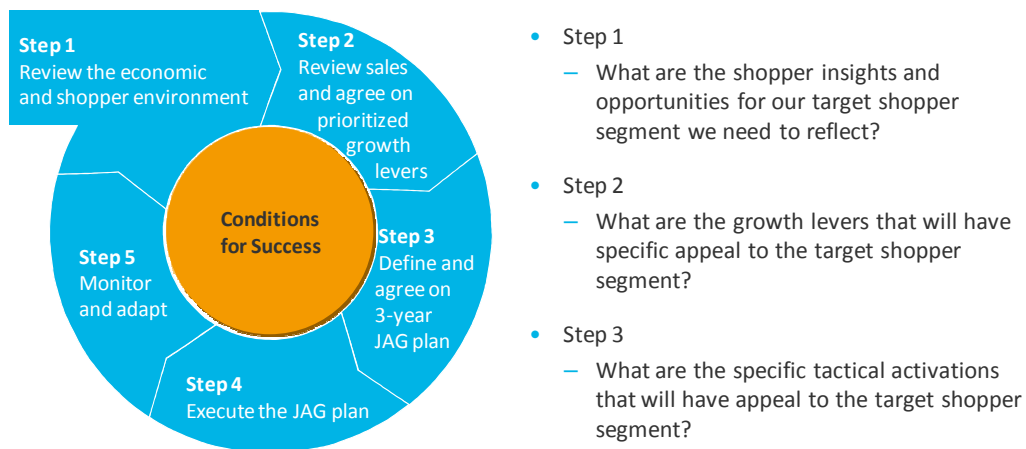


Source: emnos

Jointly Agreed Growth Planning

The 'Jointly Agreed Growth' (JAG) Plan is a business plan format to enable a retailer and manufacturer to develop a joint business plan at a company-to-company level. As with the other existing planning processes described in this chapter, C&SJ insights can enhance the JAG Plan effectiveness by providing a greater focus on the selection of target shoppers, and incorporating the insights uncovered using the C&SJ Insights Models into the JAG Planning Process. Figure 5.9 highlights the current JAG process, and it highlights the steps in the process that can be enhanced with CS&J insights.

Figure 5.9 – JAG Process



Jointly Agreed Growth Plan							
Category:	Min						
Retailer:	1						
Supplier:	1						
Country:	EUR						
Date:	2023/01/01						
Agreement on Growth Strategy and its relevant targets							
		Actualized	Current	Plan			
		N-2	N-1	N YTD	N	N+1	N+2
SALES TURNOVER FOR SUPPLIER BRANDS IN CATEGORY (in € mil. from cat. net)							
Current Assortment (Total all growth activities to support sales)							
Linear growth (market/consumption growth rate, no specific initiatives)							
In-store activities (displays, features, in-store media...)							
Pricing discounts							
Assortment Extension							
- Existing products not previously listed at retailer (listed on market)							
- New products (to be launched)							
Total (Current Assortment + Assortment Extension)							
GROWTH RATE (%)							
Sales of Supplier brands in Category at retailer							
Retailer Category Sales nationwide							
INVESTMENTS (Marketing, Trade, etc.) IN VALUE							
LOGISTICS							
Inventory Turnover							
Annual Turnover							
Inventory Level (N of Days)							
Service level							
DISTRIBUTION							
Number of Channels							
Number of Stores							
Country or region of distribution							
SHOPPER METRICS							
Penetration							
Frequency							
Loyalty							
Manufacturer				Retailer			
Account Manager				Buyer			
Director				Director			
VP				VP			

Source: ECR Europe, emnos and TPG

These enhancements can then be directly input into the JAG Plan one page tool to create absolute clarity and alignment on which shoppers are the focus of the plan, and which shopper metrics will be included in the scorecard of the JAG Plan.

Summary

This chapter focuses on how the C&SJ Framework can be used to enhance the outcomes of a number of key business processes. These include Shopper Marketing, Category Management, Assortment Planning and Jointly Agreed Growth Planning.

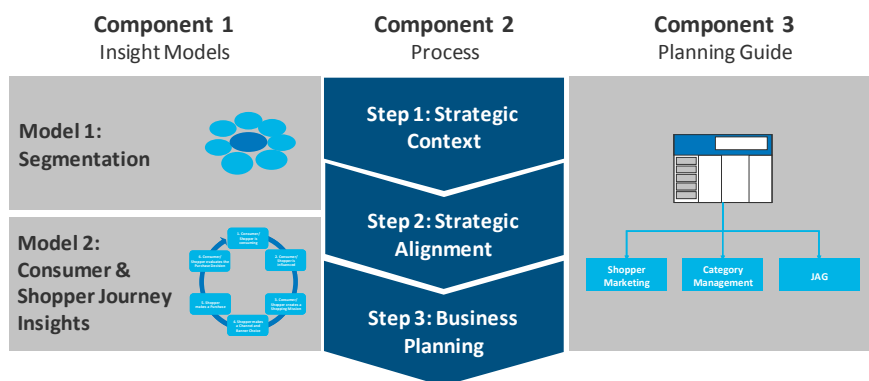
Chapter 6: Putting the C&SJ Framework into Action

"Key Takeaways in this Chapter"

- The outcome of the C&SJ Framework
- The 4 Enabling Capabilities to ensure success: Strategy Foundation; Information, Insights and Measurement; Business Process; Organisational Capabilities
- Capability Levels for the Retailer and the Manufacturer
- A recommended roadmap
- Requirements for success
- A practical guide for getting started

The Outcome of the C&SJ Framework

Figure 6.1 - The C&SJ Framework



Source: emnos and TPG

The starting point for defining what will be required to successfully use the C&SJ Framework in Figure 6.1 is to clearly understand the desired outcome from use of this approach. Once this is understood, the capabilities needed to deliver that output can be more clearly defined. As we showed in Chapter 4 of this report, the most definitive outcome of the C&SJ business model is the summary of a collaboratively developed, shared insights-based marketing plan for a target consumer/shopper segment (a "C&SJ Business Plan" for a target segment). An example of this simple one-page summary was shown in Chapter 4 and is repeated in Figure 6.2.

As shown in Figure 6.2, the C&SJ Business Plan Summary describes how a specific group of consumer/shoppers that has been selected as a target segment will be marketed to as they navigate through their Consumer & Shopper Journey. The key elements of the plan that are summarised in Figure 6.2 are:

- The *consumer/shopper segment* that will be targeted in the marketing plan
- The key *Consumer and shopper insights* that have been generated based on the steps of the C&SJ Journey
- An overall *shopper strategy* that will guide the elements of the marketing plan aimed at this target segment
- An estimate of the *financial improvement opportunities* possible by changing the behaviour of this segment at different points along the journey
- An *integrated mix of marketing and merchandising tactics* that are developed to activate the desired behaviour change at the appropriate touch points along the C&SJ.

Figure 6.2 – The Core Output of the C&SJ Approach

C&SJ Business Planning Summary							
	Target Shopper Segment :		Young Mums of Smaller Families				
	Target Consumer/ Shopper Journey:		Bulk Grocery Shop in Bricks & Mortar Hypermarkets with a focus on buying Meals for The Family at ACME Retail				
	High Level Shopper Strategy:		Convert Young Mums to shop at ACME using Soft Drinks				
	Target Categories & Products:		Soft Drinks & Quick and Easy Family Meals; Brand X				
	Target Behaviour Change:		Increase conversion at ACME Retail of Target Shopper; Increased Conversion of Soft Drinks. Increasing from A to B will be worth £Xm				
Journey Steps	Opportunities from C&SJ Insight Model (To guide Business Planning Choices)	Touch Points	Business Planning: Marketing Programme/ Tactical Implications				
			Shopper Marketing Communication	Category Management Tactics			
				Assortment	Merch.	Price	Promo
1. Consumer/ Shopper is Consuming	<ul style="list-style-type: none"> Increasing number of meals where a soft drink is consumed from 38% to 42% would be worth +10% growth with this segment 	CONSUME Stimulate Consumption	<ul style="list-style-type: none"> TV and Press Advertising using the 'Big Night In' theme – showing great meal times as a family with a Soft Drink 				
2. Consumer/ Shopper is Influenced							
3. Consumer/ Shopper creates a Shopping Mission	<ul style="list-style-type: none"> Attract share of wallet from other channels via category spend index across all categories by further 5% (+45% points) 	AWARENESS Stimulate Purchase Planning					
4. Shopper makes a Channel and Banner Choice	<ul style="list-style-type: none"> Driving Basket Spend Per Visit Gaining ACME's fair share spend index across all categories Gaining ACME's fair share spend index for soft drinks 	AWARENESS Stimulate Channel & Banner Choice	<ul style="list-style-type: none"> Social media 'Big Night In' loyalty activity with vouchers off Brand X ACME Car Park Banners – Big Night In – Great Meal Ideas In Store Now 				
5. Shopper makes a Purchase	<ul style="list-style-type: none"> Increasing Basket Spend of Soft Drinks in shopper average From £14.00-£16 with target shoppers= +6% Using Brand B to drive value message N/A Increasing number of meals where a soft drink is consumed from 38% to 42% would be worth +10% growth with this segment 	ATTRACT Across The Store ENGAGE Near the Shelf MOTIVATE At Shelf PURCHASE Close the Sale	<ul style="list-style-type: none"> Off Shelf Display for Brand X next to Pizza Meals 	<ul style="list-style-type: none"> Increase coverage on 2l Packs 	<ul style="list-style-type: none"> 2l Packs in Hot Spot 	<ul style="list-style-type: none"> 2l Packs Buy 3 Get 1 Free 	
6. Consumer/ Shopper evaluates Purchase Decision	<ul style="list-style-type: none"> Attract share of wallet from other channels via category spend index across all categories by further 5% (+45% points) 	REINFORCE Follow up the Sale	<ul style="list-style-type: none"> Press Campaign – Send us your Big Night In Meal Ideas 				<ul style="list-style-type: none"> Buy Drink Get Pizza Free Deal

Source: emnos and TPG

This “one page” marketing plan for the target segment provides a clear and simple picture of the key deliverable from the C&SJ Framework. It defines both the strategic and tactical actions as well as the short and long term actions that will be taken to market to the target segment.

The challenge for retailers and manufacturers is to understand and develop the capabilities needed to deliver this output.

The Enabling Capabilities

There are four areas of Enabling Capabilities:

- Strategy Foundation
- Information, Insights and Measurement
- Business Process
- Organisational Capabilities

These four areas are shown in Figure 6.3 along with the key elements of each.

Figure 6.3 – The Four Enabling Capability Areas



Source: The Partnering Group

Strategy Foundation

A clearly articulated vision and shopper-focused strategy that begins with senior leadership and is communicated throughout the organisation is essential. There is recognition that the strategy establishes longer-term expectations and must generate benefits for both the manufacturer and retailer partners to be successful. Sufficient resources are budgeted to accomplish this goal.

Internal direction setting is the most important requirement to succeed with a shopper-based strategy deployment. Leadership must give a clear signal to the organisation that a shopper-based strategy is to be an important part of decision making and results measurement. Too often organisations hope this can result from middle management initiatives that develop and

deploy new, superior insights on the shopper. But unless senior management drives the organisation to use these new insights to transform the organisation's go-to-market strategies and to change traditional ways of working, any changes will be too slow to achieve a competitive advantage.

An essential element of this strategic foundation must be a clear definition and understanding of who are the most valuable consumers and the most important shoppers and what investment will be necessary to capture their potential. For both a retailer and a manufacturer, strategic partners will then be defined in terms of their potential to co-create value with those target shoppers/consumers.

Information, Insights & Measurement

The information needed to uncover consumer and shopper insights must be clearly understood. The C&SJ model provides the basic structure for organising this information. A shopper research plan to provide this information should be developed based on an identification of the biggest gaps that currently exist. Manufacturers should install mechanisms that translate their consumer insights into actionable shopper insights organised around the steps of the C&SJ. All functions within the company should establish and accept a comprehensive, balanced set of metrics that includes clear measurement of partner benefits. Traditional sales-based metrics need to be supplemented with brand equity and/or shopper loyalty measures to create a set of KPIs that measure the results of the marketing plans developed from the C&SJ Framework.

Information

Achieving a better understanding of consumers and shoppers has long been a goal of different information sources. These include qualitative research (interviews, focus groups etc.), EPOS data, basket analysis, household panel data analytics, traditional market data analytics and more recently from the use of combined sources, for example household panel with traditional measures or from loyalty card analysis with online panel interviews or questionnaires. In the C&SJ approach, information at the *segment level* for shoppers or consumers is the focus as we look for to better understand and influence specific target shoppers and consumers. We also look into information that is more real time and sufficiently granular to deliver actionable insights.

Insights

What is important in our insight models is that we learn from past behavior and build on attitude/expectation-oriented insights to deliver superior offers ("value propositions") for consumer/shopper segments which, from the insight model, have common value definitions. This can be in the consumer need area, but also in the shopper "price/quality equation" area. While strategic insights go over a longer timeframe, we also look to uncover shorter term insights that result from analysing the commercial results from our tactical planning. Sources of these kinds of insights can come from analysing competitive reactions or from measuring the response of the target shoppers in the store.

Measurement

To effectively track progress, the right measures must be in place. These must be a combination of result measures and key performance indicators that show the reaction of the shopper/consumer to the commercial action that was undertaken. Examples of KPIs include share of requirements spent within the banner of a certain mission basket for a certain shopper segment; closure rate of the category which drives the choice of store; store index versus national (what is a shopper segment in the retailer's revenue compared to the national share of that shopper segment).

Another dimension that should be included in the measures area is how to measure (evaluate) people in terms of how they bring the consumer and shopper dimension into their decision-making. For category managers, for example, it may be appropriate to measure the results of Category Business Plans and initiatives related to the more important segments for the company as defined from a strategic perspective.

Organisation Capability and Business Process

These two areas of capabilities are closely related. The C&SJ Framework defines a new business process. Like any new business process, its success will depend on the willingness and capacity of the organisation to understand, accept and adopt it as part of the planning and decision-making processes.

As a business process, the C&SJ Framework is a multi-functional planning process that integrates the objectives of marketing, merchandising, sales, consumer and shopper research, category management and store operations. The process will encompass work done both at the headquarters level as well as at the field/store level. This process will enable different levels of collaboration between a retailer and a manufacturer. It also will encompass retail-level activation procedures and measures.

The capability area that is most challenging and will require the most change is in the area of Organisational Capabilities. This is true for both retailer and manufacturer organisations. These challenges stem from the need to adopt new business processes that focus business planning on a more strategic shopper/consumer scope, where joint equity building with well-defined shopper/consumer targets is the primary goal. This is a major change from traditional buyer – seller business processes. Developing the organisational capabilities to make this change is not easy.

The marketing function will play a key role in this game. Building awareness of new and better brand or banner-offers, generating trial, sampling, promotions to build retention and loyalty require new skills in both the marketing and buyer/seller relationship areas. The internal strategic equity building plans for brand and banner need to be integrated into collaborative planning with the different retailers. Brand managers and retail marketing directors now have to take into account the consumer and the shopper, as well as the stakeholders who can help build their respective equities. Also the communication channels give opening to a 360° consumer –

shopper touch point interaction. This is very different from the traditional processes that defined the retailer/ manufacturer business relationship.

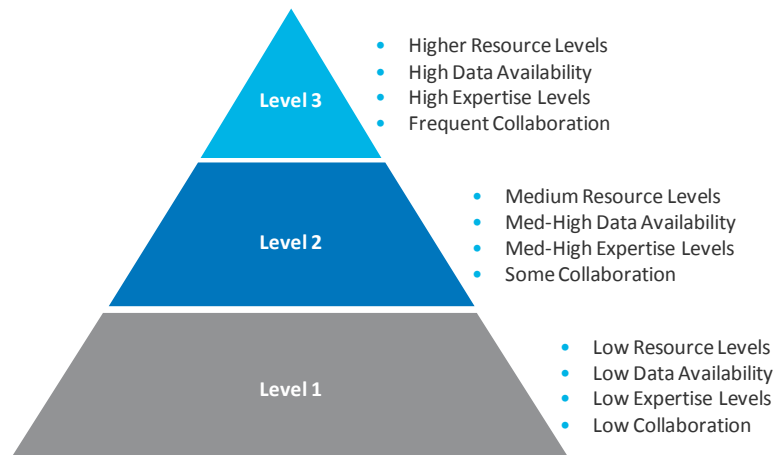
The need to upgrade organisational capabilities is being driven by the new consumer/shopper segment based business processes. This is why we link these two enabling capability areas. Organisations, both retailer and manufacturer, must be redesigned and made them capable of performing the new shopper focused business processes. These processes are more integrated and multi-functional integrating buying, marketing, merchandising on the retail side and sales and brand marketing on the manufacturer side.

Capability Levels for the Retailer and the Manufacturer

While each enabling area is important, we recognise that not all companies have the full expertise, or the process implementation level, or the full data availability in place. The C&S Journey model has been designed to create value for any retailer or manufacturer regardless of the level of starting capability. The basic value of the model derives from the fact that it provides a logical framework for thinking about consumers and shoppers and how best to serve their needs and add value to their consumption and shopping behaviour. Whether an organisation starts this process data poor or data rich, whether or not it has the desired organisational resources and expertise, the logical thought process embedded in the C&SJ Framework can lead to superior insights and improved sales and profits.

To provide a roadmap for developing the necessary capabilities over time, three levels of capabilities can be defined. Each level is characterised by different levels of resources, data availability and expertise. These varying capability levels also help define three potential levels of collaboration. These are shown in Figure 6.4. Level 1 capabilities describe those organisations that currently have limited data, resources and expertise levels for performing collaborative C&SJ work. At Level 2, capabilities are at the medium level with more capabilities to do collaborative C&SJ work. At the highest level, Level 3, the organisation is highly capable of using the C&SJ Framework and can bring high levels of data and resource capabilities to the collaborative process.

Figure 6.4 – The Capabilities Pyramid



Source: emnos and TPG

All retailer and manufacturer organisations will be at one of these capability levels as they start using the C&SJ Framework. The general characteristics that define capabilities in each of these three levels are summarised in Figure 6.5. These characteristics provide a set of benchmarks for determining an organisation’s current capability state and identifying the areas in which the capability gaps are the greatest.

Figure 6.5 - Assessing and Benchmarking Capabilities

Capability Level	Data Available	Strategic Framework	Process and Organisation	Level of Strategic Partner
1	Traditional market measures; EPOS data	Proof of concept is focus; projects initiated to validate concept and to determine internal commitment, direction and resource investment	C&SJ project process is used, no formal organisation structure in place, apart from project team	No requirements from outside partners apart from project participation
2	Traditional market measures, household panel data; EPOS data or basket data; qualitative research data	Direction setting by commercial management or CEO; strategic assessment on most valuable consumer/ shopper performance versus competition; strategic concept selling to potential strategic partners in place	Projects underway with dedicated multi-functional resources; C&SJ business process is followed	Strategic partners are ready for piloting new approach
3	Household panel data; loyalty card data; qualitative research data; combined source research	CEO commitment in place; strategic business plan in place; strategic partners selected with strategy concept prepared	Multifunctional organisation (sales-buying-marketing-merchandising) is working collaborative business plans with partners	Strategic partners have minimum of Level 2 capabilities

Source: emnos and TPG

What is most important is that regardless of the current capability level, the C&SJ Framework provides an entry and expansion roadmap for any retailer or manufacturer organisation. As shown in Figure 6.6, as capability levels expand, the business goals of the retailer and manufacturer that become the focus for using the C&SJ Framework become more advanced.

Figure 6.6 – Business Goals for C&SJ Framework by Capability Level

Level 1 Goals	Level 2 Goals	Level 3 Goals
Retailer: <ul style="list-style-type: none"> How can I enhance category performance with a Manufacturer brand through superior business planning? Manufacturer: <ul style="list-style-type: none"> How can I build brand performance at a retailer level through superior business planning? 	Retailer: <ul style="list-style-type: none"> How can I build shopper loyalty to my store with a Manufacturer brand through superior business planning? Manufacturer: <ul style="list-style-type: none"> How can I use my brand in its category to build shopper loyalty to a retailer through superior business planning? 	Retailer: <ul style="list-style-type: none"> How can I identify and attract target shoppers to my store through collaboration with a Manufacturer, implemented through superior and innovative business planning? Manufacturer: <ul style="list-style-type: none"> How can I use my brand and business expertise to collaborate with a retailer, to help them identify target shoppers, and use my brands to attract and retain those shoppers across a wide portfolio of categories?

Source: emnos and TPG

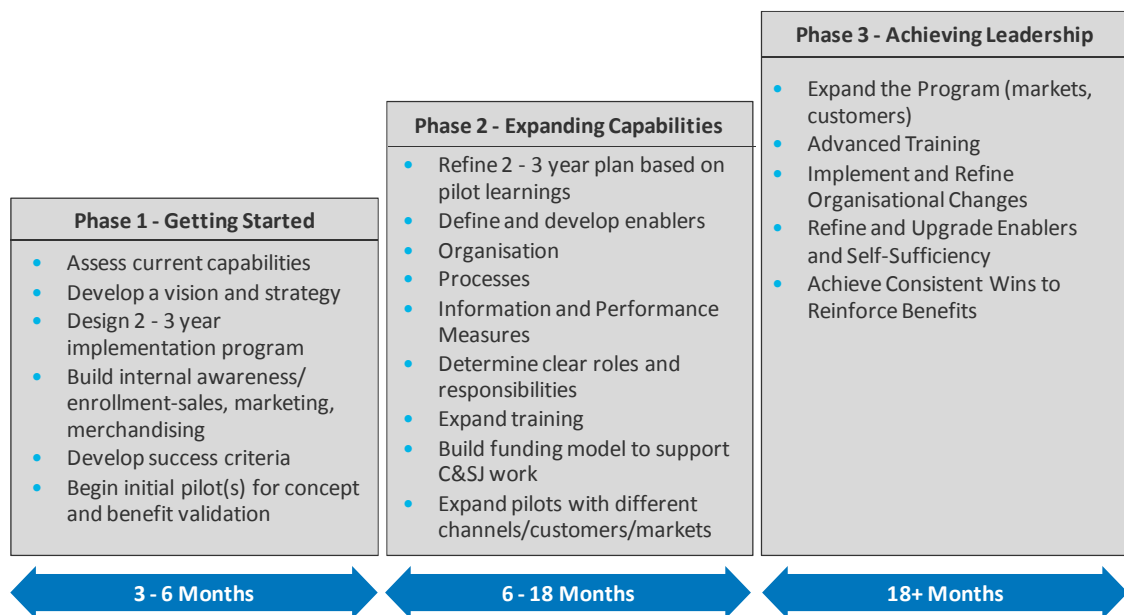
A Recommended Roadmap

A 3-Phase Roadmap is recommended to guide the development of the capabilities needed to successfully put the C&SJ Framework into practice:

- Phase 1 - Getting Started (Level 1 Capabilities)
- Phase 2 - Expanding Capabilities (Level 2 Capabilities)
- Phase 3 - Achieving Leadership (Level 3 Capabilities)

Figure 6.7 shows this roadmap and indicates the priority areas of work in each phase that should be addressed to continually upgrade the organisation's capabilities to maximise the benefits from use of the C&SJ Framework. Anticipated minimum timeframes for each phase are indicated based on having the necessary commitments and investments in place.

Figure 6.7 – A 3-Phase Roadmap



Source: emnos and TPG

As indicated in Figure 6.7, the successful completion of pilot programmes is an important component of the overall capability development plan. Figure 6.8 describes a step-by-step programme that has been successfully used in completing the ECR Europe C&SJ pilots. It is a 6-step process that engages the partners, aligns their business goals, develops and implements an integrated marketing plan for a target consumer/shopper segment based on the combined C&SJ insights of the retailer and manufacturer partners. This has proven to be an effective model for conducting a pilot of the C&SJ business process.

Figure 6.8 – Steps in a C&SJ Pilot



Source: emnos and TPG

Requirements for Success – What’s Needed to Put it into Action

There are several key requirements for the successful use of the C&SJ model:

Management Commitment: First and foremost, the collaborative C&SJ process presupposes that the involved parties already understand, at the highest management levels, the importance of having shopper-centric marketing strategies. This commitment must be supported by investing in developing the enabling capabilities (information and insights, people and programme funding) to put this approach into practice with the highest quality. The on-going deployment of the C&SJ process must be viewed by all levels of management as an important component of the organisation’s overall go-to-market strategy.

Internal Alignment: The C&SJ process is multi-functional in nature. It is therefore essential that the key functional groups are aligned as to its importance and that this alignment is reflected in integrated, multi-functional plans. In manufacturer organisations, brand management, sales and customer marketing functions must be aligned in terms of objectives and strategies. Similarly, in retailer organisations, buying, merchandising, category management, marketing and operations functions must be aligned around shopper-based objectives and strategies.

External Alignment: The collaborative process is based on the understanding that the partners have reached the necessary level of alignment and organisational commitment before moving into the development of detailed C&SJ-based business plans. This upfront alignment is crucial to ensure that goals and success measures are aligned and that resources are not wasted. It also provides the foundation for the sharing of consumer and shopper insights that is essential for the success of a collaborative C&SJ initiative.

Ownership: Specific individuals within each organisation must assume ownership of the C&SJ business process, and this ownership must be communicated clearly both internally and with outside partners. Since the C&SJ business process is a cross-functional activity, clear ownership must be established to make sure that the process does not get lost among the functional silos.

Measuring Performance: The C&SJ Framework calls for clearly defined KPI measures that align with the goals of the retailer and the manufacturer. The specific measures on a C&SJ scorecard should consist of a balanced mix of measures that allow the benefits to the consumer/shopper, the retailer and the manufacturer to be determined. Importantly, these measures should also include asset productivity measures that ensure that the ROI on the investments made by the retailer and the manufacturer in shopper influencing programmes are achieving acceptable levels.

Funding Expectations: Funding the development of the C&SJ business process should be viewed by both the retailer and manufacturer as a strategic investment for long term growth and differentiation. It should not be viewed by retailers merely as an additional source of manufacturer funding, or by manufacturers as an opportunity to increase their departmental budgets. These short term perspectives distract from the core goal of shopper-centricity and significantly diminish the potential benefits from the collaborative process. It should be viewed

as an opportunity for organisations to better leverage existing assets and optimise the use of available funding by influencing shopping behaviour in ways that will benefit both partners.

Confidentiality: Collaborative C&SJ business processes require close cooperation and confidence between retailer and manufacturer. Partners must be willing to share information and insights needed to implement the collaboration (see Appendix E for general guidance on information exchanges). To this end, confidentiality agreements that foster an atmosphere of confidence and trust should be in place.

Implementation/Follow-through: One of the more frustrating realities of retail marketing has been historically less than desired levels of store-level execution of marketing and merchandising programmes that were approved at the corporate level. The collaborative C&SJ model assumes that the work will not end with approval of the plan, but continue through high-quality execution in the field and post-programme evaluation. Roles, responsibilities and performance measures must include the tasks of implementing C&SJ business plans.

A Plan for Getting Started

Figure 6.9 provides a practical checklist of questions and considerations that can be used to help prepare your organisation to start the development of an internal process based on the C&SJ model or to start an external pilot using the C&SJ Framework. The checklist is structured around five key areas to think about in the preparation phase (Shopper Insights and Knowledge etc.) and what is needed, what to do, and what are the deliverables in each of these areas.

Without considering these elements you are likely to miss out on the significant opportunities that the C&S Journey model can bring. Focusing on these elements as you prepare your organisation for this work ensures that the C&SJ model is being directed at the challenges of the future with regard to the new generation of consumers and shoppers, their needs and new behaviours and how your organisation can capitalise on these new opportunities.

The checklist also includes elements that require decisions on how you want to build a relationship with your retailer or manufacturer partner. It helps define if new ways of working together are needed to guide this relationship as you migrate from push-oriented mass marketing methods towards more 1-1 relationships over time.

Figure 6.9 – A Getting Started Checklist

Area	Key Questions	What to do	Deliverable
Shopper Insights and Knowledge	<ol style="list-style-type: none"> How can we use the data we already have to segment my Consumer/ Shoppers? Can we identify the Consumer/ Shopper Segments most attractive to us? What elements of the C&SJF can we complete for our most attractive segments? What do our potential partners have access to? 	<ul style="list-style-type: none"> Simple Segmentation of Consumer/ Shoppers Map information along C&S Journey for selected segments 	<ul style="list-style-type: none"> Enhanced clarity on the most attractive Consumers/ Shoppers Insights to improve existing value propositions
Commercial Innovation Strategy	<ol style="list-style-type: none"> How can we formalise our desire to adopt a Consumer/Shopper focus? Can we agree on who our target Consumer/Shoppers should be? How can we use C&SJ Insights to develop a better Vision for where growth will come from? 	<ul style="list-style-type: none"> Review C&SJ Insights for target Consumer/ Shoppers Identify key Consumer need moments and how they get translated into shopping missions Identify how our business can use its brands/ retail offering to shine with new value propositions, and the partners who could help do this 	<ul style="list-style-type: none"> Strategy Foundation Revised Growth Vision Outline 2-3 year plan for commercial innovation and identify potential pilots for collaboration
New ways to win with the Consumer and Shopper	<ol style="list-style-type: none"> What are the Consumer/ Shopper drivers of change we need to understand to unlock our Growth Vision? What are the touch points to access our target Consumer/ Shoppers? 	<ul style="list-style-type: none"> Build on C&SJ insights to understand how Consumer/ Shoppers are changing Use the C&SJ Business Plan Summary tool to identify new ways to connect with target consumer/shoppers 	<ul style="list-style-type: none"> Revised Growth Drivers New media channels or tools to explore with different Consumer/ Shopper targets and partners
Ways of Working	<ol style="list-style-type: none"> What are the ways of working for engaging Consumer/Shoppers? What are the ways for working with partners? 	<ul style="list-style-type: none"> Agree on Consumer/ Shopper privacy policies where non-public data are involved Identify preferred ways of working with partners including data sharing do's and don'ts Agree on data, research and activity funding principles etc 	<ul style="list-style-type: none"> Internal policies and guidelines Policies and guidelines to use in working with potential partners

Resources & Organisation

1. How can we ensure we involve the people in the organisation with the skills needed?
 - Identify people in the business with Data/ Research/ Insights/ Creative/ Collaboration skills
 2. How can we ensure cross functional / department thinking?
 - Create clarity around who does what
 - a. Insight generation
 - b. Partner joint working
 - c. Value proposition development
 - d. Business planning
 - e. Activation
 - Establish a cross functional working group involving Marketing, Category, Insight, Commercial etc
- Right people involved
 - Ownership and multifunctional thinking

Source: emnos and TPG

Summary

This chapter offers a roadmap and a set of success factors for successfully putting the C&SJ Framework into practice. First, from the C&SJ Framework, a “one page” marketing plan is the key deliverable from the collaborative process. Next, the four Enabling Capabilities (Strategy Foundation, Information, Insights and Measurement, Business Process and Organisational Capabilities) that should be put into place to deliver this output are defined. A 3-Phase Roadmap is recommended to guide the development of the capabilities needed to successfully implement the C&SJ Framework. To conclude the chapter, a list of success requirements and a pragmatic plan for getting started is presented.

Concluding Comments

The ability of retailers and manufacturers, large and small, to grow their businesses in the new business environment will depend heavily on their success in developing and delivering the right value-creating propositions to the right consumers and shoppers targets. First and foremost, this requires a deep understanding of the needs, expectations and behavior of consumers and shoppers. The insights generated from this understanding provide the foundation for the value-creating platforms and programmes offered to the targeted consumers and shoppers.

To be productive, however, investments in these insights must be guided by a model of consumer and shopper behavior that reflects the realities of the new shopping environment. Multi-channel shopping combining both traditional “brick & mortar” store and on-line and mobile digital shopping and the expanded range of touch points and media options is characteristic of this new shopping environment.

To succeed in this new world, insights must be generated from an integrated consumer-shopper insights model. The Consumer & Shopper Journey provides a simple but powerful concept to accomplish this goal. It guides, in a logical manner, the search for insights and where, and how, in the journey these insights can be leveraged to change behaviour and improve business results. The Consumer & Shopper Journey Framework provides the collaborative platform which allows the combined and complementary insights of manufacturers and retailers to be leveraged. These integrated insights are converted into consumer/shopper benefits and increased retailer/manufacturer sales and profits by following the steps of the Consumer & Shopper Journey Framework.

The C&SJ Framework is the foundation of shopper-centric marketing, the next step in the evolution of retail marketing. Its principles and methods, as described in this report, will define the next era of collaborative business practices in the world of consumer goods marketing. Supported with the right commitments and investments, the C&SJ Framework will play a key role in delivering the significant benefits promised from the deployment of shopper-centric business strategies by retailers and manufacturers.

The solid theory of the C&SJ Framework, however, will only deliver its promise if retailers and manufacturers put it into action. This requires a senior management commitment, a strategic vision driven by a shopper-centric business philosophy, and the development of the capabilities to enable the organisation to put this new business practice into action. This report lays the foundation of methods and tools for retailers and manufacturers to succeed in the exciting era of integrated consumer-shopper marketing. Let the action begin!

Appendix A: Glossary

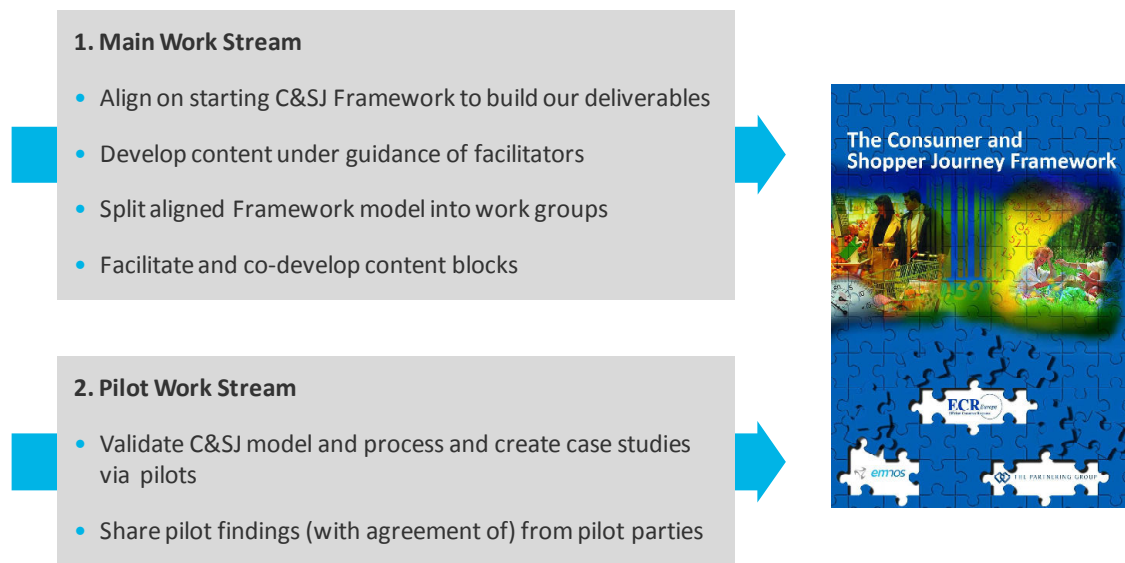
The Purpose of this Glossary is to clarify the meaning of terms that have specific relevance to the C&SJ Framework – as such we will not aim to clarify *all* technical terms used in this publication, in particular terminology from already established processes. (e.g. Category Management, JAG etc.)

Term	Description
Banner	The Retailer Brand.
Channel	The path by which goods and services reach Consumers (via Shoppers) in this case encompassing different types of Digital and Bricks & Mortar channels.
Consumers	The people who have specific needs that drive consumption of a product or service.
Consumer & Shopper Journey	The mapping of the behavior and decisions of a group of consumers/shoppers, from Consumption through to Purchase and Post Purchase.
Digital	On-line purchases / On-line marketing.
Format	The type of store for both digital and B&M – e.g. Hypermarket versus Convenience.
Insight (Consumer/Shopper)	A penetrating discovery that gets to the heart of consumer or shopper motivations, behaviors and/or market trends and dynamics that translates into business opportunities.
Segmentation	The classification of Consumers/Shoppers into groups that have some set of similar needs/characteristics/ behaviors, resulting in the ability to build segment specific insights and be targeted with marketing initiatives.
Shoppers	The people who make the purchases either physically in a store or digitally on line. They can be the same people as the consumers.
Shopper Marketing	The use of insights-driven marketing & merchandising initiatives to satisfy the needs of targeted shoppers, enhance the shopping experience, and improve business results and brand equity for retailers and manufacturers.
Shopper Segment	A group of Shoppers identified as having similar needs, characteristics and/or behaviors.
Store	The actual outlet used for shopping – Physical or digital.
Touch point	A point along the Consumer & Shopper Journey where the Consumer/Shopper interacts and/or can be influenced.
Value Proposition	The sum total of benefits a shopper is promised to receive in return for the price she or he is proposed.

Appendix B: C&SJ Project Methodology

The work was completed in two phases – a Development Phase and a Pilot Testing Phase. Figure B.1 summarises the work completed in each of these phases.

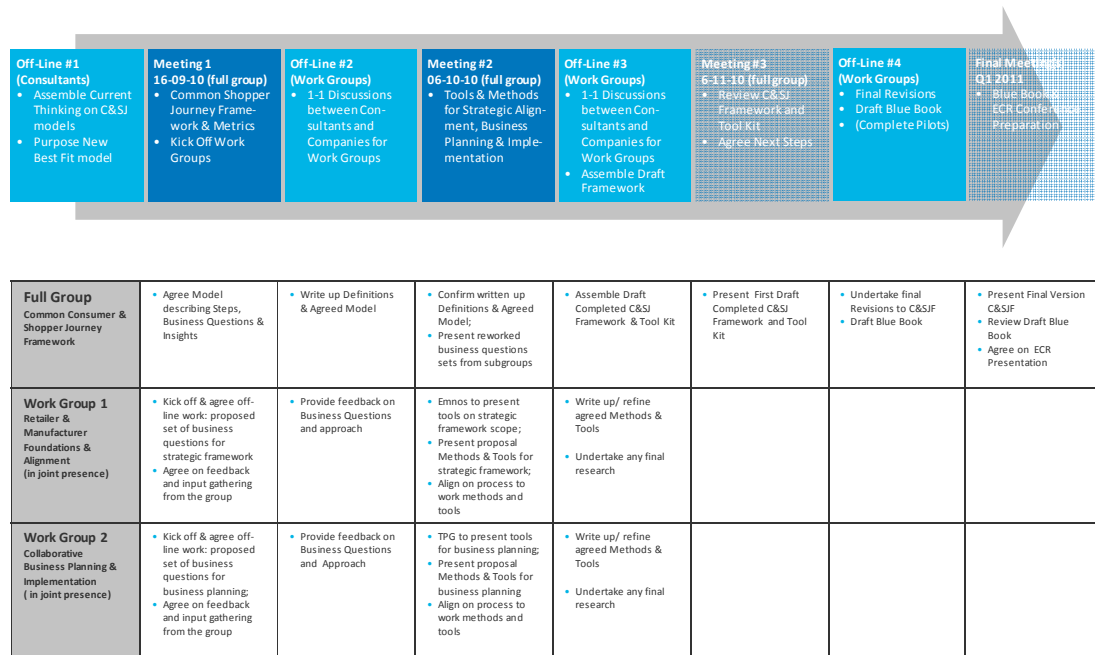
Figure B.1 – The Two Phases of the Project



Source: emnos and TPG

The Main Work Stream phase focuses on the development of the C&SJ Framework and its components. This work was completed in the June to December 2010 period. The timeline that was followed is shown in Figure B.2.

Figure B.2 – The Main Work Stream



Source: emnos and TPG

The second phase of the work is the pilot phase which began in December 2010 and will be completed by April 2011. The objectives of this phase are to validate and refine the C&SJ Framework and provide a compelling success story for broader application of this approach throughout the industry. Several pilots are being completed. The timeline for the pilots is shown in Figure B.3.

Figure B.3 – The Pilot Work Stream

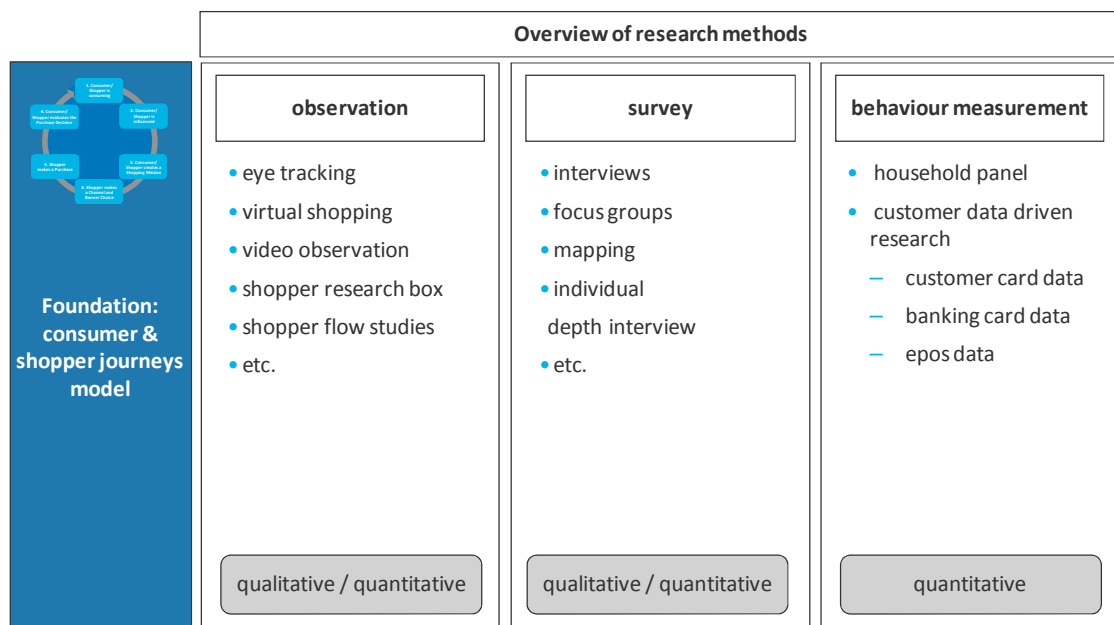


Source: emnos and TPG

Appendix C: Overview of Best Practice Segmentation and Research Methodologies

There are different kinds of research methods that can be used to measure and understand shopper behavior. Figure C.1 gives an overview of common methods.

Figure C.1– Overview of Research Methods




Source: Shopper Research Methoden - Beschreibung und Bewertung, 2010, GS1 Germany

For each step of the Consumer/Shopper Journey there are different kinds of methodological approaches to unlock the relevant consumer/shopper insights.

Figure C.2 gives an overview of methods to identify the relevant consumer/shopper segments, their main characteristics and potentials for growth.


Figure C.2– Methods to Segment Consumers/Shoppers (WHO)

Who?	Methods to Segment Consumers/Shoppers				
	Research Method	Data Sources	Tools/ Methodologies	Approach	
				Basic	Advanced
 Who?	Survey	Questionnaire	Segmentations and shopper profiles based on predefined customer attributes (age, income, lifestyle, etc.)		x
		Customer Card Sign Up			
		Panel Research (existing / individual)			x
	Behavioural Measurement	Ad hoc Surveys (online, tel, instore, etc.)	Segmentations and shopper profiles based on specifically designed questions	x	x
		Household and Consumer Panels	Segmentations and shopper profiles based on observed quantity (Recency, Frequency, Value) and quality (need based) of actual shopping behaviour	x	x
		Payment Card Transactions	Segmentations and shopper profiles based on observed quantity (RFV) and quality (need based) of actual shopping behaviour		x
		Loyalty Card Transactions	Segmentations and shopper profiles based on observed quantity (RFV) and quality (need based) of actual shopping behaviour		x

Source: emnos and TPG

The overview shown at Figure C.3 is about research methods to understand the reasons, motives and influences that trigger a specific “shopping mission”.


Figure C.3– Methods to Understand Mission Drivers (WHY)

Why?	Methods to Understand Mission Drivers				
	Research Method	Data Sources	Tools/ Methodologies	Approach	
				Basic	Advanced
 Why?	Survey	Questionnaire Customer (e.g. focus groups)	Identify most relevant shopping missions and gain in depth understanding of underlying reasons and motives	x	
		Panel Research (existing / individual) or adhoc surveys	Quantify the relevance of different shopping missions for customer segments and identify and quantify factors that impact shopping missions (e.g. location or competitors)	x	x
	Behavioural Measurement	Household and Consumer Panels	Identify shopping missions through quantitative analysis; combine survey based and behavioural insights		x
		Scanner data	Identify shopping missions through quantitative analysis; provide quantitative insights into shopping missions	x	x
		Loyalty or Paycard data	Identify shopping missions through quantitative analysis; provide quantitative insights into shopping missions		x
		Promotional Contact / Multichannel Communication History	Marketing efficiency modeling (Above The Line, Below The Line)		x

Source: emnos and TPG

The following Figure C.4 gives an overview of methods to understand the shopper's choice drivers among channels / formats and stores.


Figure C.4– Methods to Understand Channel/Format/Banner Choice Drivers (WHERE)

Where?	Methods to Understand Channel/Format/Banner Choice Drivers			
	Research Method	Data Sources	Tools/ Methodologies	Approach
				Basic Advanced
 Where?	Survey	Panel Research	Direct questions on channel / format / banner preference to identify major channel / format / banner choice drivers	x
		Ad hoc Surveys (online, tel, instore, etc.)	Direct questions on channel / format / banner preference to identify major channel / format / banner choice drivers; Catchment area definition by check-out surveys	x
	Behavioural Measurement	Household and Consumer Panels	Analysis of channel / format / banner choices based on actual behaviour; Identification of choice drivers through link with customer attributes, segments, mission preferences	x
		Scanner data	Analysis of mission preferences (as identified in the data) across stores and formats, which allows some conclusions about choice drivers	x
		Loyalty or Paycard data	Analysis of channel / format / banner choices based on actual behaviour; Identification of choice drivers through link with customer attributes, segments, mission preferences	x
		Geo-demographic data	Catchment area analysis per segment and mission	x

Source: emnos and TPG

Figure C.5 shows best practice research methods to understand the behavior of shoppers in each channel/format/store and how this is influenced and activated.

Figure C.5– Methods to Understand Buying Behavior (WHAT)

What?	Methods to Understand Buying Behaviour			
	Research Method	Data Sources	Tools/ Methodologies	Approach
				Basic Advanced
 What?	Observation	Eye tracking	Analysis of orientation and search behaviour in store	x
		Virtual Shopping	Analysis of orientation, search behaviour and purchase in store, allows test of new products and commercial concepts	x
		Video Observations	Analysis of complete shopping process orientation, search behaviour, customer paths, purchase behaviour)	x
		Shopper Research Box	Analysis of orientation, at the same time tracking of changes in the shelf	x
		Customer Flow Analysis	Analysis of orientation, information and purchase behaviour in store (hidden observation or accompanied shopping)	x
	Survey	Interviews	Net promoter score to measure overall customer satisfaction price expectations, price image, etc.	x
		Focus Groups	Interactive group setting with direct and open questions on shopping experience and reasons for shopping decisions	x
		Decision Tree Mapping	mapping of products regarding different product attributes, revealing which attributes are most important and decisive to the customer	x
		Individual Depth Interview	Direct and open questions on shopping experience and reasons for shopping decisions	x
	Behavioural Measurement	Household and Consumer Panels	Identify shopping behaviour through quantitative analysis; combine survey based and behavioural insights	x
		Scanner data	Identify shopping behaviour through quantitative analysis	x
		Loyalty or Paycard data	Customer decision trees Price sensitivity and price elasticity analysis Promotion impact analysis Shelf space elasticity analysis	x

Source: emnos and TPG

Appendix D: Overview of U.S. Retail Commission on Shopper Marketing Initiative

Source – material in this Appendix consists of excerpts from the report published by the Retail Commission on Shopper Marketing in April 2010. Included with permission of The In-Store Marketing Institute and The Partnering Group.

Key Findings from Commission Initiative

Shopper Marketing is the next evolutionary stage in strategic retail marketing, and a mandatory component of effective consumer marketing in general.

The most essential and effective form of shopper marketing involves collaboration between retailers and product manufacturers.

To flourish, shopper marketing demands a blueprint for collaboration that will help standardise many of the operational processes necessary for the practice.

The Retail Commission on Shopper Marketing was formed to develop a model for effective retailer-manufacturer collaboration that will drive mutually beneficial business results for both parties.

The Commission's objectives also include developing a framework of strategic, operational and organisational requirements that retailers will need to effectively integrate shopper marketing into existing business practices.

Successful Shopper Marketing begins with the development of a strategic plan to serve as a blueprint for retailers to follow internally and a guide for their manufacturer partners.

Collaboration may, in certain cases, begin at the strategic planning level, but more often will manifest itself in the joint development of shopper-focused communication platforms and actionable marketing and merchandising programmes.

To fully realise the potential of Shopper Marketing, retailers and manufacturers must develop working relationships that are more open, productive and results-oriented than has been the historical norm.

Purpose of the Commission

The Retail Commission on Shopper Marketing was formed by the In-Store Marketing Institute and The Partnering Group (TPG) in April 2009. The objective was to develop guidelines for a rational, deliberative process that enables retailers to leverage manufacturer insights and other resources in transformative initiatives that enhance the shopping experience and increase customer loyalty -- while driving sales and profits for both parties.

The Coca-Cola Co. was the lead sponsor of the project. Twenty –two companies formed the Commission, including 10 leading retailers (Food Lion, Giant Eagle, Marsh Supermarkets, ShopRite, Meijer, Schnuck Markets, Supervalu, Walgreens, Wegmans and Wal-Mart); 10 manufacturers (Coca-Cola, Campbell’s, Chiquita, Clorox, Hewlett Packard, Hershey’s, Johnson & Johnson, Sara Lee, Kellogg’s and Kimberly-Clark) and three agencies (Arc, Mars, and TPN).

Goals of the Commission

1. Create a concise definition for “shopper marketing” that would address the potential benefits for both product manufacturers and retailers.
2. Present a set of key principles to serve as a foundation for all collaborative shopper marketing activity.
3. Develop a basic framework for the collaborative process that can be a “starting point” for efficient and effective planning.

Key Deliverables

The key deliverables from this initiative are:

1. A definition of Shopper Marketing;
2. A set of Principles to guide the practice of Shopper Marketing;
3. A model for Collaborative Shopper Marketing Planning.

Definition - the definition recommended by the Commission is –

“Shopper Marketing is the use of insights-driven marketing & merchandising initiatives to satisfy the needs of targeted shoppers, enhance the shopping experience, and improve business results and brand equity for retailers and manufacturers”

Principles - the following principles were developed to guide Shopper Marketing -

-- *Sponsored and Enabled by Retailers*: In effective partnerships, product manufacturers will take the necessary steps to align with the retailer’s marketing and shopper segmentation model to develop strategic programmes rather than tactical campaigns. They will help the retailer present a consistent brand message and a clear, consistent message to shoppers across all touch points - understanding that the store environment, while essential to success, is not the only medium that can be leveraged.

-- *Delivers Execution Excellence*: Retailers must adopt procedures and measurement systems to ensure functional alignment internally. It is vital for the historic shortcomings of in-store marketing -- namely, poor execution -- to be improved through the collaborative process. One key area to address is the critical linkage between category management and shopper marketing functions.

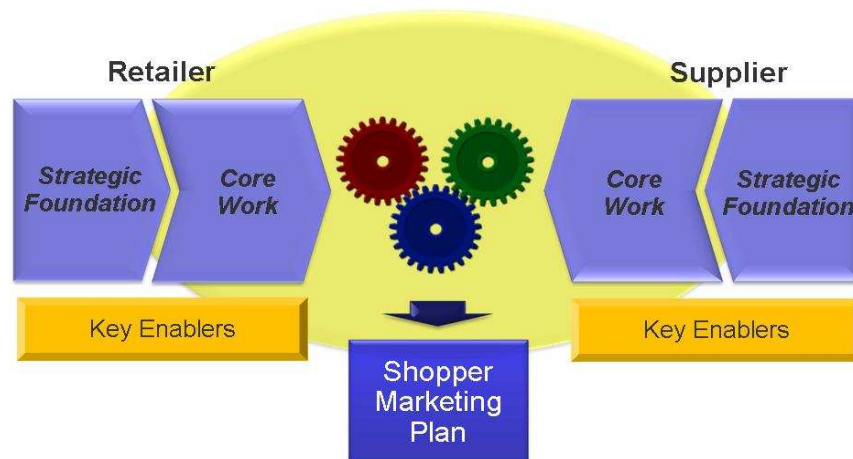
-- *Driven by a Strategic Planning Process*: Successful partnerships will combine the partners' respective intellectual and organisational strengths for maximum effect, sharing shopper and consumer insights and leveraging the brand equity of each. They will link to the business plans of both retailer and manufacturer, who will work together to ensure operational alignment and in-store excellence and develop a shared scorecard of mutually understood performance metrics.

-- *Delivers Real Shopper Value*: Effective shopper marketing looks beyond short-term incentives to enhance the shopper's experience and deliver the promised value, thereby fostering loyalty to both store and brand. While this doesn't exclude temporary price reduction and other basic promotions from the options, it does require such tactics to be more strategically focused on specific shopper segments and stores.

-- *Creates Efficiencies and Improved Returns*: To justify the organisational realignment and ongoing enhancements to current business practices that will be required, collaborative shopper marketing must deliver more efficient ways to reach targeted shoppers. That entails improved shopper satisfaction on one hand, and a better ROI on the other.

Collaborative Shopper Marketing Model – These principles provided the philosophical underpinnings of a more formal process in which retailers and manufacturers jointly develop a “shopper marketing plan” to guide their collaborative activities, outlining objectives, assigning roles and documenting all the necessary parameters of the work involved. The overall macro-model is shown in Figure D.1.

Figure D.1 – The Macro Shopper Marketing Model

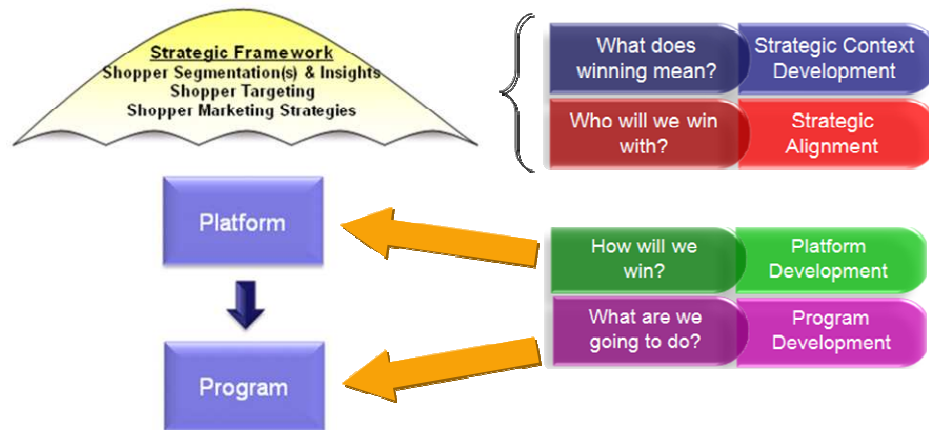


Source: The Partnering Group and US Retail Commission on Shopper Marketing

The Shopper Marketing Plan

The Shopper Marketing Plan will be a physical document that addresses five business areas. The key steps in the process are shown in Figure D.2.

Figure D.2 – Shopper Marketing Planning Process



Source: The Partnering Group and US Retail Commission on Shopper Marketing

Strategic Context Development (What does winning mean?) - What are the company's objectives and strategies at the corporate, store banner and department level? What is the rationale behind them? How is success measured? What are the applicable policies and guidelines?

Shopper Alignment (Who will we win with?) - What are the company's shopper segments? What is important to these segments? How valuable are these segments to the company? How do they align with the shopper segments of key manufacturers? Which segments represent priorities and why?

Strategy Development (What does it take to win?) - What are the key expectations of the targeted segments? How important is each expectation? What departments, categories and brands are important to the targets? What do they expect from the retailer? What strategy will satisfy these expectations?

Activation (How do we make winning happen?) - What are the platforms? What are the programmes? What tactical elements can be utilised? How will they be deployed? How will results be measured?

Measurement (How do we measure success?) - Is the plan delivering the desired results? What modifications may be needed?

The Three Levels of Collaboration

The Commission identified three levels of potential collaboration - Strategy, Platform and Programme.

Strategy Level - There is potential for retailers and manufacturers to work together at the Strategy level to develop their overarching shopper marketing strategies. For the most part, however, the Commission concluded that this work, which involves establishing a company's core mission and business drivers, will be primarily an internal function, with input from key partners obtained on an as-needed basis rather than through joint development.

Platform Level involves the joint development of key planks in the retailer's go-to-market strategy, umbrella themes and marketing value propositions that will allow the retailer to communicate its most important messages to shoppers. Most retailers have multiple platforms through which they conduct a variety of shopper-facing activities. Collaboration at the Platform level requires manufacturers to demonstrate significant insights and other resources in order for retailers to identify them as key strategic partners.

Programme Level entails specific marketing and merchandising campaigns that serve as the activation mechanism for the agreed upon platforms. These programmes can provide an ongoing vehicle for effective communication, or in some cases may involve one-time campaigns. The less-intensive nature of programmes allows for participation from all manufacturers, often in a "come to play" capacity after the retailer's platforms have been developed, or even after the programmes themselves have been planned. Once they have an understanding of the retailer's shopper marketing strategies and platforms, many manufacturers would also have the capabilities to present programme ideas that fit into the retailer's strategic model.

Key Enablers

The Commission identified the following four key areas of capabilities that "best practice" organisations will develop in order to achieve the full potential of Shopper Marketing.

-- *Strategic Excellence*: The company has a clearly articulated vision and strategy for shopper marketing that permeates from top management throughout the organization and is incorporated into all other business planning. It understands that the practice requires adoption of longer-term expectations and strategies designed to benefit the manufacturer or retailer partner equally. It is committed to dedicating sufficient resources to the practice.

-- *Process Excellence*: The company has established a multi-functional planning process that integrates the objectives of (where applicable) marketing, merchandising, sales, customer management, category management and store operations. This process will be adaptive to enable different levels of collaboration, and will include mechanisms for directing and deploying shopper research. It also will encompass store-level activation procedures and measures.

-- *Organisational Capabilities*: Its status within the organisation gives shopper marketing an appropriate level of authority and control, and clearly positions it as a stepping stone for career advancement. Core practitioners ideally will have varied experience in marketing, sales,

research and other functions. Capabilities will be deployed effectively at the partner-facing level and will intelligently leverage the assets of marketing agencies and other outside services.

- *Information Systems/Measurement Capabilities*: All functions within the company have established and accepted a comprehensive, balanced set of metrics that includes clear measurement of partner benefits. The company's traditional sales-based metrics have been supplemented with brand equity and/or shopper loyalty measures, and will evolve to evaluate all aspects of shopper behavior and the shopping process. Manufacturers will install mechanisms that translate consumer insights into actionable shopper insights.

Appendix E: Antitrust compliance in demand side projects – EU competition law guidelines

These guidelines offer only general guidance and are not a substitute for legal advice on specific situations. Companies are individually responsible for their compliance with the law and are therefore urged to obtain legal advice of their own before committing themselves to any demand side or other ECR project. For the avoidance of doubt, no liability can be accepted in connection with the use of these guidelines.

In demand side projects such as Consumer & Shopper Journey Insights, Consumer Value Management, Category Management, Efficient Product Introduction, JAG, etc., close cooperation and confidence between retailer and manufacturer is key to the project's success.

However, it is also essential that all ECR projects are planned and implemented without violating EU competition rules. The European competition rules apply to all businesses in all circumstances, inside or outside the ECR context. Below, we wish to explain the most important application of these rules to ECR demand side projects. The competition rules are however also applicable to supply side projects.

The following basic rules should always be applied. Failure to do so would mean running a serious risk of violating the law. In order to avoid any misunderstandings in their day-to-day practice, trading partners could adopt point 1 of these rules as part of their agreement to cooperate in ECR demand side projects.

1. The respective role of manufacturer and retailer

According to the established practice of the European Commission, any agreements or understandings between a manufacturer and a retailer restricting the retailer's freedom to determine his resale prices are a violation of Article 101 TFEU (resale price maintenance is prohibited). A manufacturer may only give non-binding "recommendations" on resale prices – without any contractual commitment on the part of the retailer to implement such recommendations (and without any pressure or economic incentive by the manufacturer on the retailer to implement the recommended prices).

Similarly, a retailer must not enter into any agreement or understanding with a manufacturer on what products (notably of competitors) should be present on the shelf or what the terms and conditions for stocking any products should be. The manufacturer can of course agree with the retailer which of that manufacturer's own products are to be listed.

Therefore, it is essential that the manufacturer only gives non-binding recommendations to the retailer on how to target specific consumer groups, how to improve the category, what products should be included (removed, retained or added) in the category, what recommended retail price ranges to apply (for example "premium", "discount" range), or how to make a newly launched product more successful on the shelf.

The retailer remains free to follow or not to follow the manufacturer's recommendation. The retailer should not enter into any agreement or understanding with the manufacturer concerning the setting of retail prices in the category, the selection of products for a category, or stocking/listing terms and conditions.

A category adviser may not seek to further its own interest by attempting to persuade the retailer to exclude or apply less favorable treatment to competing products.

Nor should there be any agreement to boycott any third party.

2. No agreements or exchanges of confidential information between competitors

It is a fundamental rule of competition law that there must be no exchange between competitors of commercially sensitive, notably strategic information, such as recent, current or future prices, sales volumes, terms of supply, etc. and certainly no agreement or understanding on these issues. This is not just limited to direct exchange between competitors but also exchanges facilitated by third parties (for example manufacturers must not pass any retailer confidential information, including information on pricing, to another retailer and retailers must not pass any manufacturer confidential information to another manufacturer).

There must therefore be no discussion, agreement or understanding between competitors on their shares in the product assortment, composition of the assortment, prices or promotions. A manufacturer may, to the extent necessary for his category management mission, receive information from the retailer on a competitor, but limited to product sales volumes and current retail prices of specific brands. The category management team at the manufacturer must keep all such information confidential and must ensure that the information goes no wider than the specific category management team concerned (i.e. the information is not passed to other teams within the manufacturer, whether dealing with the retailer on other projects or not). A manufacturer must never exchange information with a competitor on his recent, current or future prices, promotions, or other sensitive business information.

Competitors must not jointly develop a methodology with the intention to give them access to sensitive information on their competitors, which they would not have had without the jointly developed methodology, or to collude with competitors. For example, competing retailers should not use a common category adviser to exchange sensitive information with other retailers or to receive co-ordinate pricing or listing recommendations. Also, manufacturers should not use their category adviser position with a view to coordinating their conduct with their competitors, for example by conferring or agreeing on category shares, promotions or prices.

Category management should always be a relationship between only one retailer and one manufacturer. The decision to appoint or become a category adviser must be taken on a one-to-one basis (one manufacturer and one retailer) and there must be no communication between competitors on this matter.

3. Transparency

To improve transparency, it is recommended that the appointment of a category advisor is made public, for example, through a tender of applications.

It is further best practice that the category management agreement clearly sets out the category advisor's specific responsibilities.

Disclaimer

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