

Achieving peak performance in 2020 and beyond

By Jim Mackey & Judy Chang Cody

The rise of the digital age is having a transformative effect on American lifestyles and the way consumers procure goods and services. Disruptive change has already revolutionized major industries such as entertainment, transportation and lodging. Now the formidable winds of change are buffeting the packaged goods industry as the players race to adapt their organizations and marketing methods to a world in which empowered consumers have a vast array of new options for how, when and where they shop. With the tipping point of same-day delivery becoming reality, standard rituals like the weekly stock-up trip are giving way to an “always on” approach to shopping. As consumers increasingly disaggregate their purchasing between traditional stores and the internet, marketing and sales

management is left to forecast the pace at which channel shifting will occur and who the retail “winners and losers” will be. While traditional brick-and-mortar retail continues to dominate consumer trips and transactions for packaged goods, manufacturers increasingly understand the need to secure their base business while learning to exploit the growth potential unfolding in the digital world.

Pinnacle 2020: Redefining the 4Ps

The incredible power of digital technology has put life as we know it on steroids and, in order to translate that same impact to the world of marketing, the nearly 50-year-old 4P framework must be revolutionized. While the fundamental principles of the 4Ps remain the same, the e-translation today must capture the power, the potential and the demands of a new digital world. The new 4Ps of marketing must



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now become the 4Es in a digitally enabled environment:

- From Product to Experience. Where product used to be king, the focus must now expand to the entire experience of using the brand, from the product itself to the experience of buying, trying, living and sharing the brand. It's about carefully creating a 360-degree, immersive experience that inspires, connects and catalyzes.

- From Promotion to Engagement. No longer a one-way street where the brand message is broadcast through a handful of media vehicles like TV and print, promoting a brand today must be a two-way process that seeks to build an ongoing relationship and dialogue between the brand and consumer. True engagement today continuously seeks to strengthen the trust and deepen the bond, far beyond the purchase occasion itself.

- From Place to Everywhere. Enabled by digital and mobile technology, the new “place” is everywhere the consumer is, online, on-the-go and, yes, still in stores. Shopping has become a 24/7 activity, and the consumer wants it conveniently available wherever she is — at work, at home, at play or in the stores.

- From Price to value Equation. In the digital age, it's not just the price that matters. Con-

sumers are willing to pay for the complete experience, as long as it outweighs the total cost of acquisition, including both price and effort. Factors such as ease, convenience, speed, content/information and social affinity are some of the critical value drivers that alter the equation and level of price sensitivity.

For the “digital immigrant,” the new 4Es and digital best practices offered here provide an enduring strategic framework by which to engage, delight and motivate the new digital consumer. The framework will go a long way to help you work more effectively as a “digital citizen.”

Pinnacle 2020: Reinventing market activation

Manufacturers looking to drive growth and gain competitive advantage in this rapidly evolving new world order must ask themselves these fundamental questions:

- Which retailers will emerge as important sources of growth over the next five years? Dramatic retailer consolidation over the past decade often led to customer segmentation and strategic prioritization of the highest-volume retailers. As volume increasingly disaggregates and shifts across outlets, how do we ensure that new “pockets of growth” are effectively identi-

fied and resourced?

- Is our sales and marketing organization effectively structured, resourced and skilled to meet the challenges of an increasingly digital world? Many manufacturers find themselves tethered to structures, processes and skill sets that served them well in the mass market/mass media environment, but are they moving fast enough to successfully attract the omnichannel consumer and capture the possibilities of e-commerce? A window now exists for forward-thinking manufacturers to reassert themselves in the buyer-seller relationship. Are you ready to seize this opportunity?

- Are our promotional resources deployed in a way that effectively delivers the base volume but also maximizes new sources of growth? Marketing and sales tactics can become skewed toward brands, customers and activities geared toward generating the base volume, but those tried-and-true tactics are becoming less effective and offer minimal return on investment. How does management ensure that spending is optimized to secure the base but also to fund the new pockets of growth?

- How do we manage organizational change in a way that allows our team to operate at peak performance while retooling to meet the changing needs of the market? Developing an organizational road map for Pinnacle 2020 that determines the pace and prioritization of change initiatives is a prerequisite for success. Risk management strategies like “test and learn” can be helpful in reshaping an organization without placing present day business and organizational focus at risk.

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MPG 4E's Center of Excellence



Source: Market Performance Group

A look ahead at tomorrow's perfect shopper interaction

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sortment to be a critical piece of their value proposition.

The ability to rapidly visualize a variety of assortments, and test them virtually, will be essential. The Kantar Retail cloud-based virtual reality platform represents today's manifestation of how this testing can be done at low cost and with powerful results.

Virtual reality has enormous potential for changing the nature of how retailers get their work done — in particular, it's easy to envision a world in which virtual or augmented reality becomes an essential part of a retailer's in-store execution plan.

Store associates wearing simple specialized eyewear will have a virtually rendered plano-

gram they are setting against that should ensure 100% accurate shelf set execution — the virtual reality can do a quick visual check against the set and decide whether it is in compli-

Many retailers face resource-based challenges at an execution level.

ance or needs more work. Analytics attached to this process should allow stores to reset against sales data much more quickly and precisely.

The road to this execution nirvana is going to be a slightly bumpy one, of course, and in the short to medium term one of the critical factors for both sup-

pliers and retailers will be the state of in-store conditions.

Many retailers today are facing resource-based challenges at an execution level: With same-store sales flat or declin-

ing and wages rising, the labor available in-store is often not enough to execute everything that needs doing. This challenge gets exacerbated when buyers, facing the same declining sales trends, start to run more promotions to drive sales — the stores get more work to do with less labor to do it.

Avoiding this “unproductivity loop” requires great strategy, but also a quantum shift in how we measure in-store execution.

The final piece of Kantar Retail's contribution to Vision 2027 highlights our Panorama technology — the industry leader in image recognition-based shelf condition management. By using whatever device an associate has (rather than proprietary hardware), Panorama can tell you in minutes whether a shelf or store is properly executed and, with the right data attached to it, Kantar Retail's analytics can tell you what the economic impact is of that imperfect execution.

The brick-and-mortar retail ecosystem will still be vital to most retailers and supplier

business models — and this level of precision (achievable today) is symbolic of how we think truly collaborative execution will work going forward.

The store of 2027 will be an interesting hybrid of “analog” merchandising, shelving and product and a whole collection of assets from the digital ecosystem of tomorrow. The relationship between suppliers and retailers and the underpinning analytics that drive that store will mirror that duality.

Kantar Retail looks forward to seeing many of you at Total Store Expo for a live preview of how we see that evolution unfolding.

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