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Reimagining shopper marketing



Building brands through omnichannel experiences



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Executive summary



Today's consumers are in a state of flux. The resources they use to learn about, engage with, and build a connection to the brands they love and repeatedly buy are increasingly fragmented. The sources they can tap into span products viewed in the store aisle, online product reviews, mobile price comparison apps, a brand's website, and a friend's social media feed, among others. How consumers interact with brands has become nonlinear and shaped by many interactions across these touch points, leaving them to curate most of their brand experiences.

Enter the omnichannel marketing opportunity. An inevitable extension of shopper marketing, omnichannel marketing offers marketers and retailers a holistic approach to reaching consumers with a more integrated message, through any channel and at any point in their path to purchase. By integrating strategies, insights, content development, and technology across internal and external teams, marketers can evolve the focus of shopper marketing beyond its historical center of gravity. Omnichannel marketing is not just another iteration of how brands collaborate with retailers on events and promotions — it's about how they reimagine their engagement with the consumer-shopper so that it rises above siloed behavior, unlocks value across devices and platforms, and delivers a more curated and interactive brand experience.

The key to releasing this potential is a new set of capabilities, including sophisticated insights, content marketing, integrated data and analytics, agile development, and an integrated partner ecosystem. Together, these capabilities will power brand manufacturers through the omnichannel evolution.

Redefining the path to purchase

Jane and her husband, Tom, are remodeling their kitchen — an ambitious project. Before going to the store, they look for inspiration. While watching a home improvement show on television, they see a kitchen design that gets them talking about possibilities. Tom (who's been multitasking on his iPad) goes to the show's website and finds some related articles and a video that are relevant to their project. The next day, Jane goes online during her lunch break. She finds more helpful content on a number of manufacturers' and retailers' websites — including several mobile apps that help them visualize their new kitchen design, take measurements to see what fits in their space, and find stores that carry the products that interest them.

When Jane and Tom go to the home improvement store over the weekend, they use another mobile app to navigate their way through the store. Arriving at the right aisle, they see a promotional display for one of the brands they are considering and spend some time reading the information presented. They then scan a QR code on the display with one of their smartphones, which pulls up a website that they had already visited. Rather than reentering their information, they click back to a bookmarked page with the designs they saved during their online research. When an employee they've asked for help takes some time catching up on what they are looking to do, Tom and Jane become a little impatient. Once up to speed on their design vision and budgetary constraints, however, the employee makes some helpful suggestions. Tom and Jane check out product reviews and more detailed information on their phones right there in the aisle, and compare the retailer's prices to those advertised by other stores.

Compared with just three years ago, Jane and Tom have an amazing range of content and tools at their disposal to access multimedia content for inspiration, get practical “how to” advice for their project, compare products, find the best deal, and generally make their shopping experience easier and more productive. Yet they are still doing most of the work involved in finding and integrating what they need on their own. The “shopping solution” is fragmented across many content sites and mobile apps. Moreover, the quality of their experience is uneven

across the various digital and physical touch points they use on their path to purchase, ranging from high-value video and interactive kitchen measurement tools to static images and product information pages.

From the marketer's point of view, this presents both a major challenge and an exciting opportunity. Jane and Tom's experience is highly nonlinear, with no clear path that they and others like them could regularly follow as they bounce between consumer mode and shopper mode, and between in-depth and more "snackable" content experiences. Large portions of the data trail they leave are disconnected, and simply lost, making it much harder for marketers to fully understand their needs and deliver the right content and offers at the right time through the right channels. Just as important, Jane and Tom find their in-store experience somewhat frustrating. The promotional display they see helps enhance brand activation, but it does not address their primary pain points: The display is not well integrated with their prior digital experiences, and the frontline employee doesn't know about all the time they've invested and data they've shared before they visit the store.

Yet the opportunity to create a world-class experience for Jane and Tom is mostly within reach for brand manufacturers and retailers today, with the potential for them to rapidly design and implement all the pieces that need to be built over the next few years. We call this omnichannel marketing — the opportunity to reimagine the consumer and shopper experience across all touch points while delivering a higher return on the marketing investment.

The opportunity to create a world-class experience for shoppers is mostly within reach for brand manufacturers and retailers today.

A more integrated approach

The omnichannel marketing opportunity applies broadly across categories. It applies in infrequent purchase categories that demand higher involvement, such as home improvement and consumer electronics. And it applies in categories such as beauty and packaged foods, where purchase behavior is more habitual, and where online research, though still prevalent, is focused more on rapidly addressing needs for specific occasions.

Consider, for example, how L'Oréal USA's brand websites — such as L'Oréal Paris, Maybelline, and Garnier — keep the shopper on an omnichannel path to purchase. Recognizing that the ultimate purchase is almost always part of a larger, more diverse basket, the sites offer multiple options to the consumer. She can click to purchase directly from one of the brand's top retailers (CVS, Target, Walgreens, Walmart, and others) or find a store near her that carries the item. Fully 73 percent of consumers surveyed by L'Oréal USA noted that the inability to feel, view, and touch beauty products online prevents them from purchasing, so the company offers additional consumer relationship management tools to guide omnichannel purchases. L'Oréal Paris's My Signature Beauty recommends products based on skin tone, eye color, hair color, beauty needs, and personal style, while Garnier's Color Connection offers live chat and advice to help consumers find their ideal shades online and in stores.

In another example, as a leader in the food content and occasion-based marketing space, General Mills is collaborating with retailers to influence the path to purchase through insight-based content solutions. The company is developing programs to deliver inspiring food content ideas on sites like www.bettycrocker.com, while also tying in purchase incentives. These collaborative programs are supported with integrated marketing designed to influence both in-store and e-commerce sales. Plans typically include retailer dot-com presence, paid media support, and in-store integration.

Although some brand manufacturers and retailers are further along than others in achieving the promise of omnichannel marketing, even

the industry leaders have significant room to take a more holistic approach to integrating the fragmented pieces of today's omnichannel puzzle. To date, most efforts by marketers (including brand manufacturers and retailers) to integrate across the various teams in their organizations that touch the consumer-shopper's omnichannel experience have been limited, and they continue to operate largely in silos. Even picking up this opportunity through the lens of "shopper marketing" can be limiting unless the leadership team works hard to manage the intersections of shopper marketing with the rest of the consumer-shopper's omnichannel experience.

To unlock the best results, brand manufacturers and retailers need to reframe the omnichannel opportunity through a different lens, one that aligns shopper marketing with other capabilities they are building. For example, they will have to integrate more fully their investments in digital content and occasion-based marketing to drive store purchases and enhance conversion for e-commerce. Investments in mobile content and apps must also be better integrated to enhance the shopper experience before going to the store, in the store, and after the purchase. Indeed, maximizing the benefits from omnichannel marketing can't be achieved solely by getting the reporting structure right or picking the right agency and marketing services partners. It requires actively managing these key intersections to bring together cross-functional talent, enable access to the right content and data, and put in place new technology, business processes, and performance metrics.

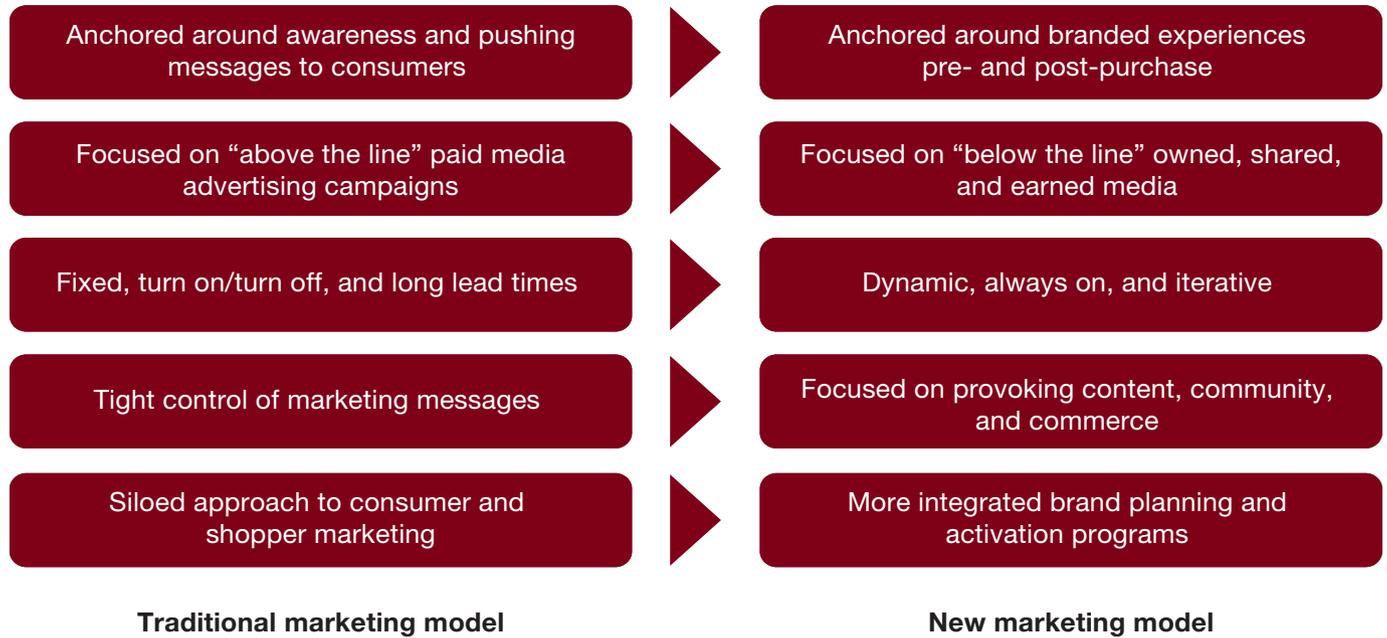
Therefore, realizing the promise of omnichannel marketing requires evolving the focus of shopper marketing beyond its historical center of gravity — brand manufacturers collaborating with retailers on trade promotion events and in-store merchandising programs. Shopper marketing has typically reported up through sales, and in some cases also incorporates shopper insights, category management, and digital shopper marketing as part of an integrated team. Within sales, collaboration with retail customer teams and trade promotion planning have been critical to boosting the impact of investments in shopper marketing, given that most spending on shopper marketing has been used either to buy into retailers' calendars of events around key shopping periods like back-to-school or holidays, or to sell in custom programs to retailers that are typically an overlay on trade promotion events.

At the same time, as consumer insights, content publishing, and managing digital platforms like mobile, social, and e-commerce have grown in importance for brand manufacturers and retailers, shopper marketers have begun collaborating more closely with brand teams, digital centers of excellence, and media teams. In some cases, shopper

marketing has moved into the marketing organization to further enhance collaboration at these key intersections. As the number of intersections among these teams grows, however, the potential to optimize them simply by reshuffling the organization chart is reduced.

Now, as marketers look to reimagine what it means to curate and deliver great omnichannel experiences, the need to develop strategic and integrated approaches that rise above this siloed behavior is more critical than ever. Better collaboration needs to occur at multiple levels: across functions, between brand manufacturers and retailers, and among an ecosystem of vendors with which brand manufacturers and retailers will need to work. These investments in better collaboration are best seen as part of an overall shift to omnichannel marketing in the marketing model for building brands, not as an evolution in shopper marketing alone (*see Exhibit 1, next page*).

Exhibit 1
Marketing's digital shift



Source: Strategy&

The power of content

Content is king in the world of omnichannel marketing. But content goes well beyond TV commercials or print ads for brand marketers or customized merchandising displays for sales teams selling in promotional events to retailers. The consumer experience has become nonlinear and always on, and the number of ways marketers can interact with the consumer has exploded. Driving digital engagement needs to go beyond building a simple microsite for a promotional event or sending targeted email to a retailer's loyalty program members. Traditional channels must now be augmented by new ways of engaging directly with the consumer-shopper. These include owned media (such as brand and retailer websites), shared media (content created by users that brand manufacturers can then syndicate across their own and retailers' digital assets), and earned media (such as expert blogs and media coverage).

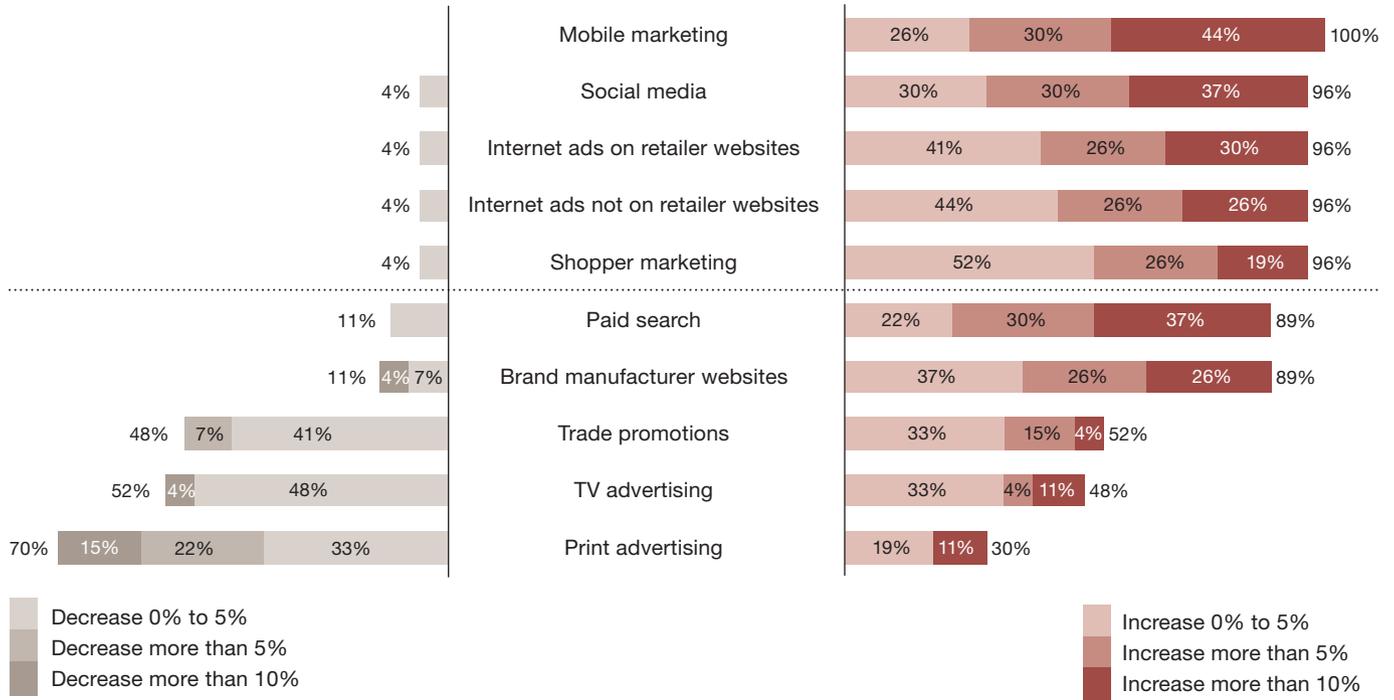
This shift in the marketing model is occurring rapidly, as CMOs reassess how they spend their marketing dollars, and move more of their investments into digital channels. The ongoing growth in shopper marketing budgets reflects a shift in how brands are built, with investment priorities moving away from paid media and promotions and toward approaches that directly engage consumer-shoppers with targeted content experiences that activate desired behavior.

Strategy&'s recent survey of brand manufacturers, conducted in collaboration with the Brand Activation Association, indicates that overall funding levels for trade promotions are essentially flat. Many brand manufacturers say they will increase spending on trade promotions, but nearly as many say they expect to decrease it. TV advertising is also expected to be flat on balance, and print advertising is expected to continue its downward trajectory over the next couple of years (*see Exhibit 2, next page*).

In this context, the sustained high growth rate for shopper marketing is more like that of digital paid, owned, shared, and earned media than that of trade promotions. This is despite the "trade plus" nature of most shopper marketing programs today, which buy into retailers' calendars

Exhibit 2

Brand manufacturers shift their spending



Question: In the next two years, how do you believe your company will change each of the following elements of its advertising and promotions mix?

Note: Sums may not total 100 due to rounding.

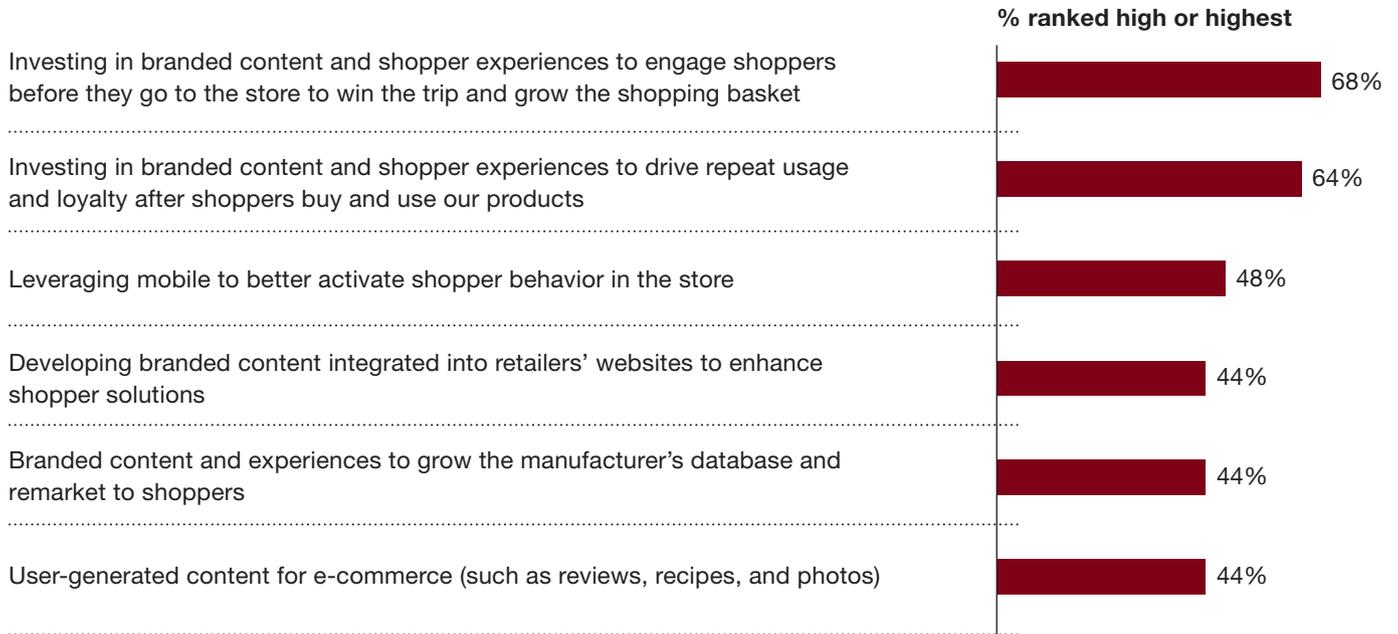
Source: Brand Activation Association; Strategy& analysis

of promotional events or sell in customized promotional events that go beyond price to deliver a shopper solution.

This evolutionary shift in shopper marketing toward a set of programs more tightly integrated with the rest of the marketing playbook is also reflected in how media budgets are being spent. Many brand manufacturers, for example, are investing in co-op display advertising and search in coordination with retail trading partners as part of integrated programs to win the trip and grow the shopping basket. They are also investing in custom content syndicated across retailers' digital assets to jointly engage shoppers and create higher-quality experiences that build the brand and drive conversion to the store and to e-commerce (see *Exhibit 3, next page*).

Breaking free from the gravitational pull of trade promotions will be hard work for brand manufacturers and retailers, however. It requires taking a strategic view of how shopper marketing fits into the new marketing model. It also requires executive sponsorship and a sustained commitment to overcome historically siloed behavior in the organization as well as across the broad set of vendors with which brands and retailers work. Looking ahead, brand manufacturers can help drive ownership and accountability for these efforts by acting as a "digital captain" with select retailers, similar to the role they have historically played for category management. Building this strategic vision and overcoming the inevitable institutional inertia requires a new focus on capabilities rather than individual campaigns and promotional events.

Exhibit 3
The new marketing playbook



Question: Thinking back over the past two years, which of the following have been major priorities for your investments in omnichannel shopper marketing? 1=not a priority; 5=high priority

Source: Brand Activation Association; Strategy& analysis

Building winning capabilities

Putting the consumer-shopper at the center of omnichannel marketing requires building out a winning capabilities system. To address this imperative, brand manufacturers need to change the game from a focus on “one brand, one drive period, one promotion, with one retailer” to a more strategic filter that guides investments and collaboration across all of the various teams that touch the omnichannel experience. This strategic filter can then be used to better focus investments in insights, scalable shopper solutions programs, digital content publishing, social media communities, mobile apps, and e-commerce.

Retailers, too, need to pursue a more scalable and strategic approach to developing their programs, while embracing ways to collaborate with brand manufacturers that allow both sides to build greater scale and fully leverage the strength of their respective brand portfolios, content assets, and marketing investments.

Being strategic isn't easy, however. It demands that brand manufacturers and retailers choose the best way to play, given the nature of their markets and their unique brand portfolios, and then develop a limited but distinctive set of capabilities that enable them to execute that way to play. Just as there can be any number of ways to play, depending on the company and its mix of markets and products, every company will likely develop its own set of capabilities. As a rule, however, the capabilities required to succeed at omnichannel marketing are likely to include the following as a foundation on which to build:

Sophisticated insights: Insights are the fuel that powers effective marketing. They need to address the various pain points along the path to purchase and alleviate them by delivering a better experience. But to truly unlock the most value and enable better alignment at all the key intersections, insights need to be elevated from a tactical focus on point-in-time shopper activities to a holistic focus on the consumer-shopper experience and leveraging the full brand portfolio to address consumer-shopper motivations. As marketers focus on high-value use cases to deliver value across the omnichannel consumer-shopper experience, there is significant potential to drive new insights from a

Being strategic demands choosing the best way to play and developing capabilities that enable execution of that way to play.

broad set of data sources, including but not limited to point-of-sale and loyalty data. Social sentiment can be a valuable source of data for optimizing advertising and promotions content and targeting. Analytics around how the consumer-shopper engages with content during his or her purchase journey is another valuable new source of insights. This lever is important not only for brand marketers, but for retailers as well. Most retailers hold deeply rich troves of data and insight into the purchase habits of their most loyal shoppers, the types of events and occasions that drive their shopping trips, and their relationship with the products they purchase most. Value from omnichannel marketing is unlocked as brands and retailers build sophisticated insights of their own — but even more so as they connect these capabilities to one another through broader collaboration and partnership.

Content marketing: Omnichannel marketing is a complex endeavor. Marketers must integrate and curate the experiences they deliver across an enormous number of moving parts. Already they are shifting their priorities to include new content formats, new activation platforms, and deeper consumer-shopper analysis across a variety of digital channels, including the Web, mobile services, and social media. Building a winning playbook requires the ability to integrate all of these elements while maintaining the flexibility to customize the approach where needed to enable and drive effective collaboration.

Agile development: Given the need to demonstrate the ROI of new approaches, pilots will be required to prove the benefits and build momentum around what works best. But being agile requires more than structured pilot tests. It also requires adopting lessons learned from digital product development, taking a user-centric approach to product design, and embracing agile development to rapidly iterate across multiple versions to optimize engagement and conversion. This also creates greater flexibility in taking a “digital first” approach, one that is less constrained by the long lead times and rigid operational requirements needed to execute in-store. It flips the model — rather than simply adding microsites, QR codes, and email blasts around promotional display events, retail activation now becomes an extension of digital solutions.

Coordination among ecosystem partners: For omnichannel marketing to succeed, many different players must come together — retailers, agencies, media, and technology providers. Marketers must be able to ensure that these many moving parts blend into a smoothly operating ecosystem that enables capabilities complementary to the marketer’s primary playbook, and carries out campaigns at the speed now demanded by rapidly changing market conditions. Brands, retailers, and agencies must work together to understand the post-purchase loop, placing an importance on open and iterative feedback. Doing this with

an eye to improving how the ecosystem works together will increase benefits every step of the way.

Putting all this together into a winning capabilities system requires rethinking both formal and informal organizational alignment. No longer can companies afford to organize in siloed groups, each with its own mission, standards of behavior, and cultural expectations. Omnichannel marketing requires the breaking down of such silos if everyone in the organization is to be thinking digitally, and the entire organization's culture must reflect that shift.

As people begin to work cross-functionally, it is critical to ensure that all of them understand their roles, and that a proper governance structure be in place to allow decisions to be made quickly. In turn, companies must make sure they have people with the flexibility, talent, and skills to function under these demanding circumstances. They also need to pay sufficient attention to informal organizational change levers such as fostering networks across key talent pools and identifying and rewarding desired behaviors to help the culture evolve.

Getting started

Realizing the promise of omnichannel marketing requires embracing an approach centered on the consumer-shopper and driving greater integration across legacy silos and a fragmented ecosystem of vendors. In this environment, shopper marketing becomes a key discipline that fits within and amplifies the broader omnichannel marketing capabilities system. This system encompasses not just integrating the activities of brands and retailers in the store, but also marshaling every other channel in the effort to activate consumer-shoppers throughout their engagement cycle. It requires a sustained effort from talent throughout the company — marketing, sales, IT, and divisional leaders — and from a wide range of partners.

A company looking to rise to the challenge of omnichannel marketing needs to start now. You should generate a strategic vision for what your marketing efforts will look like in three years, and put together a road map for getting there. You should form cross-functional teams that can contribute to the strategic vision and road map, while also creating shared ownership for the capabilities system you develop together. And you should begin forging a true partner ecosystem by prioritizing where to focus for win-win-win benefits across the consumer-shopper, the manufacturer, and the retailer.

Finally, remember that gaining expertise in omnichannel marketing is an evolution, not a leap. As you invest further in the digitization of your capabilities system, you have an opportunity to leverage best practices for agile development and frequent experimentation. Develop a series of pilot projects with members of your ecosystem to demonstrate the validity of your insights and refine the execution of your playbook. Define the returns you expect from the investment, and then make sure to calculate the actual returns you are capturing with every project.

Taking an omnichannel approach to marketing better leverages the full strength of your brand portfolio to deepen consumer-shopper engagement and move your business toward a true always-on and digital-first approach. It will change the game for brand manufacturer and retailer collaboration across the consumer-shopper's entire path to purchase.

Methodology

This report is based on a study conducted by Strategy& and the Brand Activation Association, designed to provide insight into how digitization is impacting shopping marketing for both brand manufacturers and retailers. We surveyed a total of 26 marketing executives at major consumer brand companies and retailers. The survey included a series of attitudinal and opinion-based questions; responses were provided on a five-point scale, from strongly disagree to strongly agree. (A copy of the entire survey is available on request.) In parallel,

we conducted a series of roundtable discussions with more than 40 marketing executives from brands, retailers, and marketing agencies to further substantiate the trends we captured in the survey. Finally, we conducted phone interviews with 20 executives across the marketing and media ecosystem. In combination with Strategy&'s client experience, these three aspects of the study offered a clear perspective on the key trends in omnichannel marketing and key requirements to unlock new opportunities.

The Brand Activation Association (BAA) — the rebranded Promotion Marketing Association (PMA) — is the national nonprofit trade association dedicated to the industry of marketing disciplines that motivate behavior, activate response, and build brands. Representing more than US\$750 billion in sales, brand activation disciplines include all the myriad connection points with the consumer, such as digital/mobile/social media marketing, shopper/retailer marketing, experiential marketing, marketing law, promotion marketing, multicultural and niche marketing, cause marketing, and sports, entertainment, and sponsorship marketing. Founded in 1911, the BAA has championed this industry through its combination of research, education, advocacy, and collaboration opportunities. The organization's membership comprises Fortune 500 companies, top marketing agencies, law firms, retailers, service providers, and academia, representing thousands of brands worldwide. The BAA is headquartered in New York City with its affiliate, the BAA Educational Foundation Inc. For more information about BAA, visit www.baalink.org.

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