Are Power Brands Enough?

BY BOB MONAGHAN

STRONG CUSTOMER FRANCHISES HELP TO MAXIMIZE BRAND PERFORMANCE IN THE MARKETPLACE.

For manufacturers of branded consumer products, the Holy Grail has always been developing brands that consumers trust, prefer and make special efforts to buy. These special efforts can include paying more for the preferred brand or foregoing a purchase rather than purchase an alternative brand. Many consumer products manufacturers continue to focus primarily on brand strength. While admittedly that is the most important element of their success, it may no longer be enough to overcome any shortcomings that might exist in their go-to-market capabilities. The importance of strong brands is a key part of consumer products success, but today's retail environment suggests that it might not be the cure-all some consider it to be for the future.

In the sometime contentious relationship among consumers, retailers and consumer products manufacturers, two things are happening:

- Consumers are trying to fulfill their needs, routine and special.
- Retailers and manufacturers are trying, in tandem, to meet those needs.

The consumer, of course, is leading this particular dance and is the ultimate arbiter of the relative success of the other two participants. As such, the consumer is the link that binds the retailer and manufacturer in the common cause of meeting consumer needs.

However, being linked by a common cause does not necessarily mean that retailers and manufacturers focus on the same things. As a matter of fact, they focus on two distinctly different elements of consumer satisfaction:

- Retailers focus on WHERE consumers buy.
- Manufacturers focus on WHAT consumers buy.

This does not mean that retailers don't care about what consumers are buying in their stores or that manufacturers don't care about which stores consumers are shopping. But, at the end of the day, a retailer's senior management wants consumers to come to their stores and spend as much as possible while there. They are not as concerned with which brands the consumers buy. Similarly, a manufacturer wants consumers to buy and consume its brands, regardless of where they are purchased.

The importance of this fundamental difference in focus becomes clear when considered in the light of consumer shopping behavior. This is because, for a given shopping trip, the consumer usually decides where they are going to shop before deciding the particular brands they are going to buy. Figure 1 shows the general sequence of decisions a consumer makes, consciously or subconsciously, when contemplating and executing a particular shopping trip.

I Identify Shopping Need

The first thing that happens is the consumer determines that they have a

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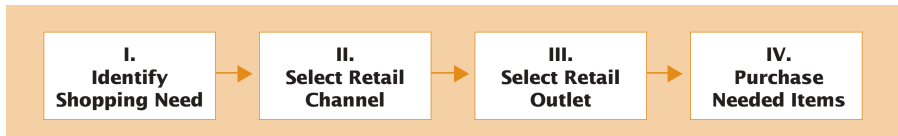
Figure 1:
INDIVIDUAL SHOPPING TRIP CONSUMER DECISION SEQUENCE



need that requires a shopping trip to a retail outlet. The identified need might be quite specific ("I need bread and milk right now,") or more general ("I need groceries for the coming week.")

II Select Retail Channel

Due to retail channel "blurring," a consumer usually has a choice of channel to meet the identified need. Following the food analogy above, the consumer could possibly have a choice among the Supermarket, Supercenter, Warehouse Club, Convenience and, perhaps, even Mass Merchandiser and Drug Channels. The choice of channel will depend on the nature of the identified shopping need.

III Select Retail Outlet

Channel and Outlet selection are closely linked. In some cases the availability of an acceptable outlet choice will drive channel selection. Research indicates that convenience (especially location) and overall value are the major drivers of consumer store selection for a particular shopping trip.

IV Purchase Needed Items

The final decision in the sequence is the choice of the particular items (sku level) that the consumer determines best meets their identified need.

This is an admittedly simplified version of the many consumer decisions that go into a shopping trip, but it serves the purpose of framing the discussion of the role of "brands" in determining consumer products manufacturers' success.

So, when the consumer has identified a shopping need and goes into "shopping mode," the first consideration is where the shopping trip will be. Decisions about what to purchase can also enter into the decision of where to shop to the degree, for example, that a retailer's advertised specials drive the consumer's "where?" decision. But, in many (most?) cases, this item-level decision is not made for brand-preference reasons. Rather, the decision is based on the fact that the retailer is offering an acceptable brand alternative at an attractive price not available elsewhere in the market. Also, it is important to understand that, even if a consumer has a preference for a particular brand and an intention to buy that brand on this shopping trip, the intent to buy is not confirmed until the consumer checks the item through the register and pays for it.

And here is the rub. The consumer's final decision as to what they put in their cart and pay for can be dramatically affected by conditions in the chosen store at the time the shopping trip is made. For example, a consumer makes a shopping trip with the intention to buy, among other things, Brand A, their normal brand. However, the consumer might buy a different brand for any number of reasons, such as:

- There is a large display of a competing brand that diverts the consumer's attention from Brand A before the consumer reaches Brand A in the aisle.
- There is a temporary price reduction offered at the shelf on a competing brand.
- A new item has been introduced in the category and is attractively priced/merchandised to induce trial.
- Brand A is out of stock.

So, particularly in light of the general decline in consumer brand loyalty, the way a product is priced, promoted and merchandised in-store can override brand preference and intent to buy. And, the ultimate decisions regarding what items are carried and how they are priced, promoted and merchandised in-store belong to the retailer.

For manufacturers of consumer products brands, both power brands and secondary brands, the implication is clear. They cannot rely on brand strength alone to ensure the size, the profitability or the long-term viability of their businesses. They must also look to build/maintain the franchise they have with retailers, and they must do this with the right retailers.

Dechert-Hampe & Company has developed a tool to assist brand manufacturers in determining the strength of their "franchise" with retail customers by analyzing in detail the quality of the manufacturer's working relationships with key retailers. The framework for the analysis is the *DHC Customer Relationship Model*. (Figure 2)

The model defines all of the processes where the manufacturer and retailer "touch" in the course of doing business.

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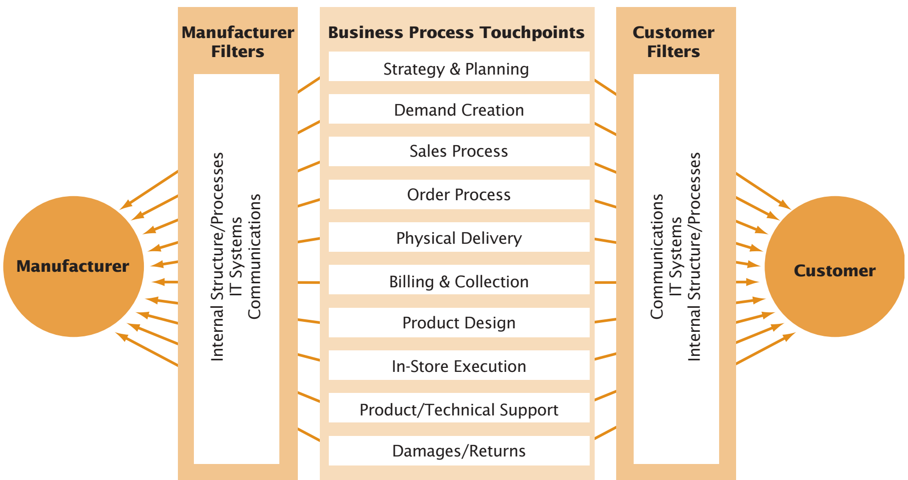
Figure 2:
DHC CUSTOMER RELATIONSHIP MODEL



All model elements are not present in all relationships, Private Label for example. The benefit of using the Touchpoint model in analyzing the franchise a manufacturer has with it's customer is that, by definition, it allows/requires the relationship to be analyzed from both the manufacturer and retailer perspectives.

For a given customer, the Customer Relationship Touchpoint Model can be used to:

- Define existing customer relationships at the touchpoint level
- Define existing relationship performance at the touchpoint level
- Identify gaps between existing relationship levels and desired levels
- Focus resources on touchpoints of greatest importance/opportunity
- Depending on available cost data, quantify the cost/benefit of improving relationship performance or raising/lowering the level of the relationship.

Summary

Manufacturers of consumer products brands today must value the franchise they have with their key customers just as they value the franchise their brands have with key consumers. For manufacturers with power brands, strong customer franchises help to maximize the brand's performance in the market thereby enhancing brand dominance. For secondary brands, strong customer franchises can help to protect the brand from its stronger competitors thereby enhancing the brand's long-term viability. And the Customer Relationship Touchpoint Model can be used to evaluate the strength of a manufacturer's customer franchises and manage them at the most effective and efficient level, the touchpoint level.

For more detailed information regarding managing the customer relationship, please see the next article *Trying to "Manage Relationships"? Get A Map.* V

INFO AND INSIGHTS

Self-Scan Lanes Impact Consumer Shopping Patterns – Front-End Merchandising Consortium Discovers

Recent findings from the Front-End Focus study highlighting the impact of self-scanning at retail show that both retailers and manufacturers lose when there is little to no merchandising at a check out lane. A lower percentage of consumers purchase checkout products at the self-scan compared with non self-scan lanes.

Only 12% of shoppers using self-scan lanes purchase additional products at checkout, compared with 20% of shoppers using a regular checkout lane, or 17% of shoppers using a traditional express lane. Further analyses show that for those self-scan lanes with either a limited assortment or no product at the checkout at all, the incidence of additional purchases at the front-end drops to 10% and 4%, respectively. In contrast, self-scan lanes with full merchandising assortments result in additional purchases 14% of the time.

Other learning shows that at least in these early years, the self-scan user differs from the non-user in a number of key ways. Current self-scan users skew younger and more upscale. They are more comfortable with technology, view self-scanning as modern and see it as quicker and more convenient. Shoppers using self-scan also tend to be more frequent shoppers and purchase fewer items at a time.

Masterfoods USA (Mars, Inc.), Time Distribution Services (TDS), a division of AOL Time Warner, and the Wrigley Sales Company, in partnership with Dechert-Hampe & Co. (DHC), have formed a consortium to study front-end merchandising and management. The group has been working with retailers to define Best Practices in merchandising, seek ways to improve consumer shopping satisfaction and maximize front-end performance.

For additional information about front-end merchandising and management, see *Progressive Grocer Magazine* 9/11/2003, Vol. 82 Number 12, "Rethinking the Front End."