The Central Role of Mutuality in Account Specific Marketing

By Ben Ball

The Evolution of Account Marketing

With today's consumer products manufacturers focusing on the retail outlet as the primary marketing vehicle, we are seeing history coming full circle. In the early days of U.S. retailing, the store was not only the marketing vehicle - it was the brand itself. The classic example is Sears Roebuck & Co. For generations, the answer to "What kind of widget is that?" was often "It's a Sears." As the mass market emerged with television, manufacturers began to build strong brand franchises with these consumers and the retail outlet became "a place to buy the brand." But then brands proliferated, market shares fragmented and, as prices increased, private label (or store brand) products entered the fray. Now brands are available everywhere and, once again, what became important is where you buy the (branded) product.

So what does this have to do with account marketing? The point is that in the early days of retailing, manufacturers were forced to work with the retailer to get their products in front of consumers. To gain the incremental availability or attention that a manufacturer needs to differentiate a brand or to grow that brand in today's cluttered retail environment, manufacturers must once again work with the retailer. The difference today is that this working relationship is more of a partnership. When the widget was "a Sears" the manufacturer was strictly a supplier of commodities at a certain quality and price. Today's manufacturers have much more to offer with their consumer franchises. This is what makes today's environment more of a partnership. The objective has become to join together to explore both manufacturer and retailer strengths in order to maximize the return to both.

What is Account Specific Marketing?

To accurately define account specific marketing, four critical considerations must be factored in – the retailer's needs, the manufacturer-retailer partnership, the account's brand image and the mutual benefits that exist for the retailer and manufacturer.

An account is a consumer of the services or other attributes of value that a manufacturer has to offer. And account marketing is about recognizing that "consumer's" needs and satisfying them in a way that creates value for that consumer. In this case, the consumer is a retail account instead of an individual household...but the objective is still to satisfy the customer. So one definition of "Account Specific Marketing" could be "satisfying the consumer's needs."

A retail account is also a conduit for products to their ultimate consumers. As well as being a consumer of manufacturers' services, the account is also a business that needs to make a profit. For any one manufacturer's programs to be accepted and supported by the account, that manufacturer must demonstrate that supporting the program will make the account more profits or otherwise improve the account's business. From this perspective, we could define Account Specific Marketing as "creating a business partnership."

Beyond these considerations, a retail account is also a "brand" that has to build a strong and meaningful image with consumers in order to grow. That brand image may be value, service, exclusivity or any number of other things. But if the retailer wants to have a meaningful brand image, then the things it does must all support that image. For example, a value leader would always want to advertise the lowest price in town on any brand it features if possible. An upscale account, on the other hand, may want to feature that same brand as part of its "Win a Free Trip to Europe" sweepstakes promotion. So another possible definition of Account Specific Marketing may be "understanding and supporting the retailers' brand image with the manufacturers' programs."

Of course, the truth is that all three of these possible definitions must be combined to really define Account Specific Marketing in today's environment. Here is a working definition then:

Account Specific Marketing is understanding our customers' needs and creating a business partnership with them by developing programs that will support the retailers' “brand image.”

This sounds pretty good...but wait a minute. The term we set out to define was Account Specific Marketing. The word marketing implies that manufacturers are selling something...something that will create value for their brands. Something that will cause manufacturers to be more profitable or otherwise improve its business. How is that expressed in the working definition I just gave? It isn't. It ignores the fact that our fundamental goal is to build our own businesses and brand franchises. That is why we are interested in marketing to accounts in the first place. In short, I didn't factor in the principle of mutuality in my definition.

Here is a revised definition:

Account Specific Marketing is understanding needs of the manufacturer's customers, as well as the consumers', and creating a business partnership with retail customers by developing programs that are mutually beneficial and that will support both the manufacturer's and the retailer's “brand images.”

Account Specific Programs – “Buying vs. Selling”

When manufacturers first realized that they could benefit by marketing to accounts, they began to develop programs to address the need. At first, this was usually just a “flexible fund” or “special programs budget” that was held at headquarters and doled out as worthwhile opportunities surfaced. These opportunities were usually subjected to vigorous scrutiny for things such as “payback” and “adhering to the brand strategy” by Marketing or Finance...simply because there were relatively few programs to deal with and this was doable.

Then Account Specific Marketing (or Regional/Local Marketing) exploded in popularity. Suddenly, every business magazine was writing about the leverage to be gained by customizing marketing efforts to accounts. The number of programs also exploded and manufacturers could no longer manage the effort on an ad hoc basis. As a result, programs (usually a menu of tactical promotions) were developed that tried to balance flexibility and decentralized decision making with financial control and brand objectives. These were only modestly successful because, whether they offered “one size” or “ten sizes,” the menu never seemed to have “just the right size” to fit any given account.

This trend took a dramatic change in the eighties. This was the time period in which retailers were beginning to really concentrate on the need to develop their own identities in the marketplace and to stop being “a place to buy a brand.” They began to develop consumer promotions of their own. Promotions that were much more “account specific” than trading stamps or flatware. (In fact, the accounts were often aided in developing these promotions by the same agencies who developed promotions for the manufacturers.) As far as this went, it was fine. But these same retailers were also experts at generating funds from manufacturers by “selling” things like shelf space and warehouse slots. Retailers quickly figured out that if they wanted to defray the cost of their promotions, they could “sell” participation to manufacturers. Suddenly those dollars manufacturers had allocated to the field to develop account specific programs were being used to buy account specific programs - and manufacturer's salespeople became purchasing agents! In and of itself there was nothing wrong with this. After all, it doesn't really matter who designs a program as long as it meets both parties' objectives. Unfortunately, many retailers began to view these programs as a new revenue stream, much like slotting or ad space As a result, many programs delivered little or no benefit to the manufacturers' brands other than the good will generated by transferring dollars from the manufacturers' pocket to the retailers' pocket.

How To Achieve Mutuality

All of the poor practices I've talked about here continue in some degree today. Likewise, all of the good reasons for both manufacturers and retailers to collaborate on account specific programs still exist. So how can we capitalize on these opportunities in a way that benefits both parties?

Here's a list that provides a comprehensive approach:

1) Establish clear objectives for these programs that meet the needs of the brand.

2) Make sure the objectives are fully understood by all associates involved in negotiating and developing these programs.

3) Get an equally clear understanding of the account's “brand image” and the kinds of activities it believes would support and grow that image.

4) Make sure every activity considered is consistent with both sets of objectives.

5) If an activity is judged to be “on target,” then evaluate the probable outcome of the program to determine the financial impact for both parties.

6) Plan together to an agreed strategy. Generally speaking, neither party is well served if one simply “purchases” the other's program.

7) Evaluate the programs after they run. Determine together whether the program met expectations. If not, why not and what should be done differently next time?

Mutuality will only be achieved when both manufacturer and retailer are willing to invest the time and effort to understand each other's needs. Then both parties must be willing to spell out what they expect in terms of return from a program and to stick to it. If either side dominates the relationship, there is no mutuality - and there is no partnership.