

The NEW Retail
Collaboration:
GO BIG
or go home.

How Consumer Packaged Goods Companies Can Use
New Collaborative Capabilities To Win Influence With Retailers

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How Consumer Packaged Goods Companies can

Win Influence with Retailers through New Collaborative Capabilities

Winning with retailers is critical for today's Consumer Packaged Goods companies. It's essential to be the company that retailers rely upon. But how do you gain and maintain influence — the kind that gives you category advisor status, and ultimately drives sales? What is required TODAY to have success?

The answer: Go big on building collaborative capabilities.

Create differentiating shopper knowledge, build new people skills and revamp core processes to maximize business impact in key areas where manufacturer and retailer goals overlap.

Doing it right means overhauling how your organization collaborates. It's a big undertaking, but it's the best way to succeed in a shopping world ruled by savvy retailers. The new reality in CPG/retailer collaboration is clear — a CPG goes big or goes home.

This white paper explores how CPGs can create disproportionate influence with retailers by developing collaboration as a holistic organizational capability.

The New Reality for CPGs:

Less Power Yet Higher Expectations

Consumer Packaged Goods companies live with a new reality: In today's shopping environment, retailers increasingly call the shots. The balance of power that once favored CPGs and their brands has shifted to retailers, who now have well defined and managed brand images of their own, and who use their own data and assessment tools to understand how shoppers behave, what piques their interests and what drives sales. As a CPG, that means you have to find innovative and strategic ways to keep your retailer's attention. A CPG that fails to act boldly to increase its relevance does so at high price: Losing influence and access to key in-store shopper opportunities, and not having a seat at the table for key strategic discussions.

Retailers want to work with CPGs who are true category-level advisors — who fully understand the retail environment and shoppers, deliver unique insights and strategically align those insights to the retailer's specific strategies. They want CPGs to act like consultants who think strategically and offer deep shopper expertise. They want a relationship that will make them smarter.

Indeed, a Channel Management Survey released in late 2010 by the Grocery Manufacturers Association showed that the most successful CPGs have a high percentage of “customer-aligned functional experts” in areas such as pricing, category management and trade marketing, versus their category peers. They also tailor their customer teams to the unique needs of each priority retailer. Winning CPGs “go a step beyond basic data sharing and provide retail collaborators with information on brand performance, competitor performance and price elasticity,” the survey said.

Retailers want CPGs to be collaborative, but not disruptive. Retailers are increasingly protective of their brands; the data they collect daily demonstrate how valuable their brands are to shoppers.

In short, retailers know they have much control in their relationships with CPGs. If you don't accommodate your retailer's needs, you won't have the influence needed to win in today's retail environment.

To win in a retailer-controlled environment, CPGs must **take an old concept — collaboration — and give it an evolutionary overhaul.**

In New Collaborative Initiatives,

Bold Steps Yield Big Rewards

HOW CAN CPGS WIN IN THIS ENVIRONMENT? You must take an old concept — collaboration — and give it an evolutionary overhaul. You must go big. Deeper, more robust collaborative strategies that go well beyond transactional promotions are shaping today's most successful relationships between manufacturers and retailers. These collaborative initiatives are designed to meet multi-dimensional goals: lifting sales, cutting costs, increasing return on investment and boosting impact for both CPGs and retailers all while making strong shopper connections.

The challenge for the CPG is in taking the big steps needed to transform.

And getting collaboration right is hard. Right now, only about 20 percent of retail-CPG collaborations yield “significant” success, according to the GMA survey.

Those successful collaborative initiatives share key traits in which the retailer and CPG:

- **Form joint goals** based on a common shopper marketing vision with a clear understanding of shopper motivations.
- **Develop a true alliance** that involves not only sharing basic data but also in-depth information — a real swap of insights and experiences.
- **Dedicate experts to the initiative**, going beyond just sharing research to integrate and coordinate departmental efforts in areas such as information technology, supply chain brand organization and new product development.
- **Track performance metrics** to ensure optimum execution.

Case Study: Campbell's and Meijer

What does true strategic collaboration — not just transactional engagement — look like? A prime example is Campbell Soup Co.'s participation in the Meijer Mealbox program, which helps shoppers plan meals by providing recipes, automatic shopping lists and related coupons.

Campbell's leveraged its brand awareness — for Pace, Prego, and its signature soups — and used its strong meal-preparation platform to align with Meijer's Mealbox, the strong shopper appeal of both.

The collaborative initiative drove sales for both partners.

The collaborative initiative:

- Focused on the needs of a strategically important common shopper — namely the on-the-go working mom who wants quick and easy meals.
- Aligned the strategies of both companies around this common shopper target.
- Leveraged both companies' assets — Meijer's Mealbox and the Campbell's Kitchen Web site.
- Solidified the collaborative bond between the companies through a sustained, long-term program.

Are You Capturing the

Power of Collaboration as a Capability?

To become the kind of expert collaborator who can thrive in today's marketplace, you must start with introspection. Knowing how you collaborate today will allow you to take the steps needed to collaborate better tomorrow.

Most companies approach collaboration in one of three ways; each has value and gives the organization certain benefits.

Which approach do you use?

DO YOU PROMOTE RETAILER COLLABORATION AS A CORE PRINCIPLE OF YOUR ORGANIZATION? Is collaboration a stated part of the company mission or values? This approach relies on leadership to define and continually emphasize collaboration as an organizational imperative. It can energize and motivate, but the overall impact is typically low, and often does not yield sustainable and scalable collaboration across the business.

DO YOU PROMOTE COLLABORATION AS A SKILL? This approach focuses on training individuals in order to develop individual collaborative competencies. It increases collaborative results. But when used alone and not empowered by improved work flows and tools, this approach provides a mid-range impact that does not adequately move the needle.

DO YOU FULLY ORGANIZE THE BUSINESS FOR COLLABORATION? This approach integrates collaborative capabilities into all aspects of doing business. It focuses on designing business processes and supporting them with the tools and knowledge needed to fuel

collaboration that is fully aligned throughout an organization.

Driving collaboration as a capability is incredibly powerful for a CPG. It creates a sustainable, scalable and differentiated way to go to market with retailers. For example, just as Campbell's has found a winning collaborative strategy (see case study above), candy maker Hershey's has established a differentiated expertise in deeply understanding candy shopping missions and truly understanding the drivers of confection demand, honing its insights and building skills on their customer teams to provide retailers with deep, unique perspectives on this area of shopper behavior.

Collaboration as a capability grounds insights around a joint win, driving a long-term, aligned business view between you and your retailer and allowing you to focus on shopper-led solutions that stretch into the future. It gives you status as a key partner and advisor. (See Figure 1, Page 7)

This is true collaboration that cements the relationship between you and your retailer. Only an organization that has collaborative capabilities (not just collaborative principles and people) will have stamina for such long-term partnerships.

Finally, collaboration as a capability allows you to leverage the strength of two brands, creating opportunities to enhance both CPG and retailer messaging at the store level. The bottom line: Employing collaboration as a capability gives you exceptional, disproportionate influence with retailers.

How to

Embed Collaboration in Your Organization

Employing collaboration as a capability is a sea change in the way you operate partnerships — inside your organization and out. Here are the steps that will help you transform your organization into one built on collaborative capabilities:

CREATE A COMMON, DETAILED VISION FOR WHAT ‘COLLABORATION AS A CAPABILITY’ MEANS FOR YOUR COMPANY. Make sure that vision is specific and fully understood at all levels of your organization. Getting it right requires leaders to be advocates.

IDENTIFY AREAS FOR TRANSFORMATION. What are the obstacles to building collaborative capabilities? For example, do your brand experts understand the broader retail environment well enough to act as category experts? Are your insights geared to specific retailer needs? Are your salespeople business-centric and consultative, with knowledge of the entire category? If not, determine the changes needed to overcome these obstacles.

DEVELOP PROCESSES THAT CREATE VALUE AND BOOST PERFORMANCE. Redefine how the work gets done to put collaboration as a capability in the forefront. This is the point at which old-style collaboration really undergoes a transformation: You change how people do things.

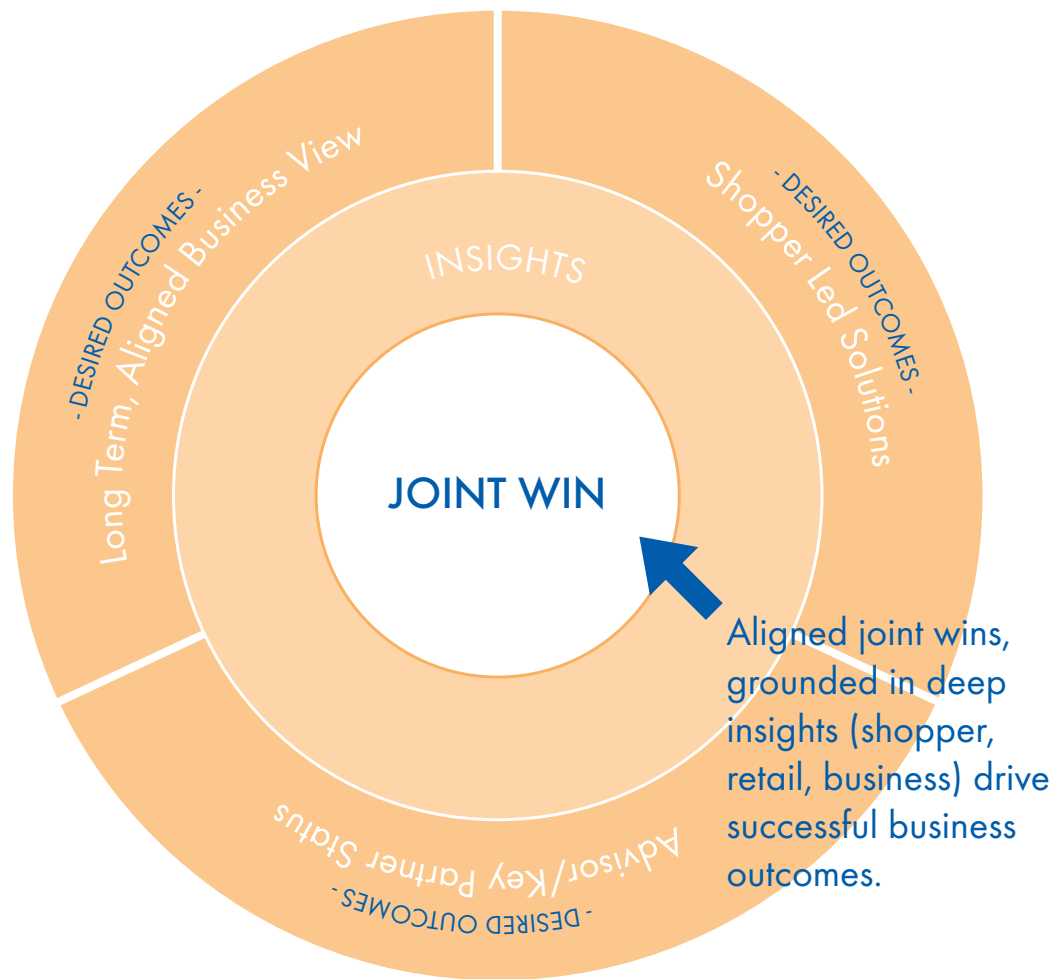
ENABLE COLLABORATIVE PROCESSES AND ORGANIZATIONAL LEARNING. Acquire the necessary tools and knowledge. Change templates to accommodate a longer-term joint planning process. Align calendars with retailers. Make sure your software and other planning tools can accommodate large-scale collaboration.

DETERMINE WHICH RETAILERS WILL MAKE HIGH-IMPACT COLLABORATIVE PARTNERS. Not every retailer is ready for collaboration as a capability. Understand which retailers are ready, and go after the ones that best fit your category and brands.

MEASURE AND REWARD SUCCESS. This is key for reinforcing the benefits of the hard work that you’ve done internally. It also keeps you and your retail partner focused on the same goals and helps you calibrate as projects move forward.

Figure 1: Joint Win Planning Framework

Winning With Shoppers Is Not A One-Sided Proposition



Conclusion

With so many CPGs vying for influence with retailers, the best way to succeed — drive sales — is to overhaul how you collaborate. You must create robust collaborative capabilities built upon joint CPG-retailer goals. In today's retailer-driven environment a CPG must either go big on collaboration or go home.

To see how you can increase
your collaborative capabilities,
give us a call at 678.443.2280

See where capabilities & rēresults intersect

The Capre Group is a strategic marketing firm focused on shopper marketing. We use our deep industry experience and proven success driving brands at major CPG companies to help our clients develop the core capabilities that drive success in today's retail world.

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