

Diff Innovate to Differentiate

A top industry exec elucidates how retailers and manufacturers engaged wary shoppers in 2009.

By Todd Hale, SVP, consumer & shopper insights, The Nielsen Company

When the going gets tough, the tough innovate. Despite the challenging economic environment, successful grocery retailers and consumer packaged goods (CPG) manufacturers continue to find new ways to engage value-conscious consumers. Of course, getting customers to buy has always been a challenge, but how do today's retailers and manufacturers inspire consumers to buy when few are in the mood to shop?

A number of companies are taking advantage of technology innovations to broaden their brand reach, reinforce marketing efforts, and extend and expand their relationships with consumers to drive sales. Nielsen presents an overview of some of the notable innovations currently making waves in the industry:

Taking a Multifaceted, Integrated Approach

Remember when reaching customers meant a weekly insert in your local newspaper? Those days are long gone. Connecting with today's consumers requires reaching them where they live — including in the store, online, on their cell phones and through social networking sites like Facebook and Twitter. And let's not forget traditional media, which is still a powerful way to connect with consumers. Innovative companies integrate their marketing messages so that each vehicle reinforces and complements the others.

Harnessing the Power of Stores

Brick-and-mortar stores are one of the most powerful marketing tools in a retailer's arsenal. Besides making their stores more welcoming and shoppable, technology advances have enabled retailers to create convenient in-store consumer solutions that target promotions at consumers as they enter or shop a store. In a bold move, Wal-Mart recently installed 27,000 flat-screen televisions in 2,700 stores to deliver commercial in-store broadcasts at the shelf, opening a world of promotional and branding opportunities.

In other store innovations, Food Lion's Bloom stores equip shoppers with hand-held scanning devices

as they enter the store. Customers can scan their own purchases as they shop and avoid long checkout lines. Ahold's Stop & Shop uses on-cart scanners to scan purchases and keep a running total of each trip. When consumers ring up a sale item, the machines reinforce the value delivered by making an appealing "ch-ching" sound. Manufacturers can purchase special

marketing programs to promote products on the device's display screens. While these technologies can be expensive, we fully expect to see continued growth in these innovations.

Make Web Sites Work Overtime

As companies grow more experienced marketing online, we're seeing the development of sophisticated Web sites to engage consumers. Rather than simply providing corporate or store information, many retailers are showcasing videos and valuable resources. For example, stores like Save-a-Lot, Food Lion, Hy-Vee, Kroger and Jewel have taken recipe marketing to the next level, featuring manufacturer and store brands in various recipes. Consumers can get recipe ideas online, watch videos of chefs preparing meals and follow links to online shopping lists and special deals.



On the manufacturer front, Kraft's recipe and product Web site provides consumers with recipe ideas organized by theme and how-to videos for meal preparation using Kraft products. In addition, Kraft recently introduced a new joint venture with Sam's Club to help consumers put together a two-week meal plan, complete with a shopping list, recipe tips and the ability to place an order online for pickup at a local Sam's Club. Finally, the company recently launched kraft-store.com, a destination site that sells cookware and cooking accessories online, providing everything consumers need to cook and serve meals — from barware to frying pans. General Mills also has a similar offering at BettyCrockerStore.com.

The Birth of the Grocery App

Few devices have revolutionized the way people communicate and live more quickly than the Apple iPhone. As of Sept. 10, 2009, eager users had downloaded more than 1.8 billion apps.

Today, there are iPhone applications to help consumers manage their budgets, pay tips, organize shopping and stay connected to social networks. Companies like Whole Foods have created free applications that enable customers to search an electronic Whole Foods recipe database for meal ideas. Other stores, such as Meijer in Grand Rapids, Mich., have invested in iPhone applications to help customers browse hundreds of wines or meal ideas. More

grocery-related apps are sure to come.

Coupons Make a High-Tech Return

Coupons made a strong return this year as consumers continue to seek value, and as manufacturers simplify coupon delivery and redemption. Manufacturer coupon redemptions increased 23 percent in the first six months of 2009, according to Inmar, a leading promotions logistics company. Real benefits exist for manufacturers and retailers that incorporate coupons in their marketing mix.

Coupons themselves are hardly innovative, but what's new is how grocers and manufacturers are getting coupons to consumers, and how consumers are redeeming them. Today, 90 percent of all coupons are distributed through free-standing inserts (FSIs) in newspapers. However, only 50 percent of coupons redeemed are from free-standing inserts. The fastest growth is coming from online coupons delivered through the Internet, mobile phones and in-store kiosks. Consumers can simply print the coupons at home or at a kiosk in the store, or download them to their cell phones, and redeem them at the checkout.

Linking Savings to Loyalty Cards

Another notable innovation is the integration of coupon distribution and loyalty cards. For example, Kroger and Safeway work with Cellfire, a mobile coupon distribution company, to enable shoppers to download coupon offers directly to their frequent shopper cards online or via their cell phones. The selected items are registered on the customer's loyalty account and automatically deducted from his or her checkout bill when the cashier swipes the loyalty card. Tom Thumb, Randalls and A&P have similar programs.

In addition, Kroger provides shoppers with incentives to earn free groceries and gas discounts with the Kroger MasterCard. Shoppers earn rewards anytime they use the card, and earn even more for shopping at Kroger and purchasing Kroger store brands, thus delivering value to consumers and building brand loyalty in the process — not to mention collecting valuable consumer shopping behavior data. Innovative companies are finding new ways of leveraging loyalty card data to tightly target marketing efforts.

Social Networking to Support Brands

The rapid growth of social networking sites is a trend that retailers and manufacturers can't afford to ignore. Facebook and Twitter have revolutionized how friends stay in touch, and how retailers communicate with their customers. Nielsen research shows that moms — particularly new moms — are using Facebook and Twitter to stay connected, and find solutions to common household problems. Hy-Vee recently added a link to its Facebook page to its Web site, using the Facebook page to announce special offers, get customer feedback and promote community involvement.

Innovate, Integrate, Differentiate

While change is taking place around us at a breathtaking pace, one thing that hasn't changed is the ability of a retailer's people — their product knowledge and customer service — to create a powerful differentiator. Still, ongoing success as a retailer or manufacturer today requires an innovative, multi-faceted approach. As consumers have quickly adopted new technologies, retailers and manufacturers will need to master engaging them through a variety of vehicles. **n**

The rapid growth of social networking sites is a trend that retailers and manufacturers can't afford to ignore. Facebook and Twitter have revolutionized how friends stay in touch, and how retailers communicate with their customers.