LEAD Marketing Conference

Loyalty Engagement Analytics Digital

Dear LEAD Attendees,

We hope you enjoyed the first annual LEAD Marketing Conference. Our aim was to present a cutting-edge event that spotlighted emerging technologies and strategies to connect with shoppers.

Our speakers delivered a wealth of information in the form of case studies, strategies and advice. To make sure you don't forget anything, we have put together this Executive Summary. The depth and variety of presentations combine to yield a state of the art of what we like to call Shopper Technology.

Meanwhile, we are pleased to announce that the next LEAD Marketing Conference will take place October 11-13, 2010 at the Westin O'Hare in Rosemont (Chicago), Ill. – the same venue as this year's event.

We look forward to seeing you next October.

Regards,

John Karolefski, Marc Millstein and *Linda Winick*

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2009 EXECUTIVE SUMMARY:
Leveraging Technology to Connect with Shoppers

Engaging and satisfying today's shopper is challenging in tough economic times. Loyalty is more difficult to maintain, while attracting new customers is another hurdle.

Meanwhile, there are sophisticated tools and applications emerging to connect with shoppers in new and exciting ways. Leading-edge retailers and manufacturers are using advanced analytics to segment shoppers and to improve loyalty to stores and brands. They are taking CRM to a new level with enhanced behavioral targeting. They are harnessing the power of shopper media for a new generation of customers.

These new solutions now available to retailers are often deployed in partnership with manufacturers, who have their own unique applications for brands. Instant communications, new and emerging in-store and integrated technologies, and changing retail-supplier relationships are reshaping the industry from top to bottom in all trade channels.

Many of these new technologies were presented at the LEAD Marketing Conference October 3-5, 2009 in Chicago. Following is a summary of the presentations.

IBM: Marketers Must Work Hard to Keep Consumers Loyal

The retail business has changed dramatically in the past nine months and marketers need to work harder to win the loyalty of occasional shoppers.

Rob Garf, global retail strategy leader, IBM, Armonk, N.Y., identified two types of shoppers as "Advocates" and "Shifters."

- "Advocates" are shoppers who are loyal to their primary retailer. Their number has increased as consumers increasingly rely on retailers they trust.
- "Shifters" are moving all or some of their purchases to new retailers, but are a consumer segment that is motivated to seek new relationships.

"In this uncertain time, consumers are looking for retailers that they trust, and we need to figure out as a collective industry how to turn 'Shifters' into shoppers. But ultimately, once we get them shopping with us, we need to turn them into – and make them stay – as trusted and loyal 'Advocates,'" Garf said.

Among the trends listed by Garf:

- 90% of consumers are sacrificing in some spending areas.
- 59% of consumers have less discretionary spend than last year.
- Two-thirds of consumers are postponing purchases or buying fewer items overall.
- When they do buy, 60% of consumers are buying items on sale more often.

"We are all feeling it. Consumer behavior has fundamentally shifted," he said.

"'Shifters' are more discerning than any other shoppers," but they can be won over, but not just by price, he said.

Once "Shifters" are identified by customer analytics or some other means, marketers should not rely on a one-size-fits-all marketing effort, but rather create personalized, relevant and time communications. Quality of store experience, and even offering a multi-channel experience, can help in building their trust, Garf said.

Retailers Test Digital Receipts on Internet

Leading retailers are expanding their use of digital receipts to provide instant access to purchase histories for their customers, according to a retailer panel.

Online retailers can gather a great deal valuable information about consumers making purchases, noted panel moderator, Janet Sherlock, research director, AMR Research, Boston. However, "a lot of retailers don't have that in their brick-and-mortar environment. They are hungry for that type of information, and they are also interested in marrying it with their online purchases to be able to get a 360-degree view of their customers."

Foodservice retailer and distributor Smart & Final, City of Commerce, Calif., children's apparel merchant Peek… Aren't You Curious, San Francisco, and specialty import retailer Cost Plus World Market, Oakland, Calif., are participating in a pilot in the Phoenix area with Intuit, Mountain View, Calif., on QuickReceipts, which allows consumers to get receipts online in one place.

Smart & Final was using a solution from afterBOT, Norcross, Ga., which is also involved in the pilot. "This new program extended what we currently were doing with our digital receipt program," said Tom Montano, director of loyalty marketing. It allows Smart & Final to direct customers to the MyQuickReceipts Web site to participate, he said.

"The digital receipt provides another means to communicate to our customers," said Cliff March, vice president, applications, Cost Plus World Market. "With the digital receipt in a format that our customers can access on the web, we can provide different marketing materials on the web for our customers to view."

In the case of Peek…Aren't You Curious, "we saw an opportunity with the digital receipts to empower the store associate," said Bob Graham, chief operations officer. "Often, they want to be able to take a look at the basket and understand what the customer has been buying, and what other opportunities there are when the customer visits the store again," he said.

Green Hills Market, Syracuse, N.Y., is in the process of implementing the afterBOT digital receipt solution and is looking forward to when it can participate in the web-based system, said Gary Hawkins, chief executive officer. "This is perfect example of the consumer being empowered, and in the process of doing so, having the ability to market truly one-to-one with that consumer with relevant, personalized timely content."

Path to Purchase Starts at Home

To supplement data-driven technology, marketers need to talk to shoppers and observe their behavior to understand how and when they make purchase decisions.

"You have to know where the purchase decision is made," said John Dranow, chief executive officer, Smart Revenue, Ridgefield, Conn. "Is it made at home? Is it made in store? Is it made at the point of purchase? Is it made post-store? Knowing where the purchase decision is made will enable you to target your marketing effectively."

The stakes are high, Dranow pointed out, with 50% of buying decisions made at the point of purchase. Also he noted that only 30% of total revenue-generating expenditures are hitting the desired target.

Dranow and Candace Adams, president, global retail strategy, Smart Revenue spoke in a presentation called, "Charting the Path to Purchase."

"As exciting and important as data-mining and CRM is, it is a rear-view mirror approach – trying to understand tomorrow based on yesterday. There's really no substitute for talking to shoppers and understanding what they might have purchased had you offered it, and what they might of purchased had they seen something in the store, had they been to a certain section," Dranow said.

Such research needs to consider shopper behavior at home before going to the store, in-store, at the point of purchase, and after the purchase, said Adams, who was formerly an executive in charge of customer in-store experience insights at Wal-Mart.

On the "pre-store" research, Adams said: "Make sure that you optimizing media. Make sure that you know who is in your store. You need to know how to communicate to these people so that you can better target them, and so you can incent them better to come into your store, or to purchase your brand," Adams said.

Create Shopper Relevancy by Connecting Digital Dots

Connecting all the digital retail systems to create more relevant, individualized marketing for consumers will boost efficiencies for all in the supply chain.

Gary Hawkins, president, Hawkins Strategic, Skaneateles, N.Y., spoke about "Retail 3.0: The Next Generation Retail Eco System."

Retail 1.0 was the era of the national brands, and it lasted until the mid 1990s when Wal-Mart entered food retailing. "That began the power shift," he said.

Retail 2.0 marked the rise of the retailer, as power shifted to the chains and they "applied sophisticated marketing skills to their private label programs."

Now comes Retail 3.0, which Hawkins called "the age of the shopper." He defined this as: "The next generation retail eco system, driven by relevant marketing to the individual shopper, and supported by real-time marketing and supply chain synergies, all built on a foundation of shopper identified transaction data."

Relevant individualize marketing is the key to understanding this. Shoppers are "bombarded" by irrelevant marketing messages, and abundance of information on the internet, including social networking, Hawkins said.

So marketers are looking to retail. "The store is now being seen as a marketing canvas, driven by shopper insights and shopper marketing. Brands and marketers are searching for new opportunities in-store to communicate with the shopper when they are making decisions and purchases," he said.

To deliver the relevance that shoppers are looking for, existing digital technologies need to be integrated. "There are a lot of different technologies and solutions that are already

in market and that are coming to market, but what excites us is the opportunity to take all these opportunity to take all these different solutions that are all digital and connect them together," Hawkins said.

"When you do that and then focus on maximizing each shopper's lifetime value, aligning supply chain activities to that, and optimizing the entire system, it's a whole new world. We think there is a massive opportunity out there for value creation across the supply chain – for manufacturers, wholesalers, retailers, but also for the shopper," he said.

"There is $60 billion-plus in trade promotion that flows just through supermarkets, there is $100 billion that flows through retail in total trade promotion. And different studies have shown that 50% to as much as 70% of those dollars are wasted. So you could make the case that there is almost $1,000 per household in this country that is wasted each year, Hawkins said.

Stop & Shop/Giant Sees Sales Lift from Handheld Device

After the rollout to over 260 stores of a handheld customer checkout device, Stop & Shop/Giant Food, Quincy, Mass., has found that shoppers using the device spend an average of up to $7 more per trip, said Stephen Vowles, senior vice president, marketing.

The Scan It! device is part of an in-store media network that also includes the Order It! kiosk for the deli, Vowles said.

"This is not a pilot. This is very real and it is delivering a lot of value," he said. "It can be a coordinated media network, but it also works as the individual pieces."

Following other tests by Ahold USA of handheld self-check out dating back many years, the retailer started with this version of the device about two and a half years ago, Vowles said. The hardware is from Motorola, Holtsville, N.Y., and the software is from Modiv Media, Quincy, Mass. It was rolled out to the 260 stores earlier this year. The retailer has more than 560 total stores.

"This allows you to present highly relevant content and offers to customers at the point at which they are considering a purchase. That's the golden future we've all been talking about for a long time," he said.

The Scan It! device has been a big hit with shoppers, Vowles said. "It works with the consumer, not against the consumer."

Store theft has not been an issue with the self-checkout devices, although a minor problem from some people taking the devices has resulted in some special security precautions, he noted.

Stop & Shop/Giant Foods is now trying to get other retailers interested in the technology as it sees a benefit if it is used on a wider scale. "We are trying to build a network effect. So the more other retailers that are involved, the better the proposition to CPGs. The more other retailers, the greater the platform on which the device can be developed going forward," Vowles said.

With the Order It! Kiosk, also from Modiv, consumers can be notified when their deli order is ready either by automated in-store announcement, or with a text message, so they can keep shopping instead of waiting, he noted. Vowles sees an eventual integration of the digital systems. For example, Scan It! users now get "order ready" alerts from the Order It! system.

Kellogg's Leverages Virtual Shopping Platform

The Kellogg Company will be working with key retail partners in 2010 to implement new planograms for the ready-to-eat cereal category. The shelf sets will be based on research using a virtual shopping platform provided by Decision Insight, Kansas City, Mo.

"We have spent the last two years learning how shopper and consumer dynamics could be leveraged to optimize the shelf set in the cereal category," said Katie Paul, Senior Manager of Shopper Insights, Morning Foods for the giant cereal maker based in Battle Creek, Mich.

Kellogg's developed seven planograms based on a multi-stage research project that involved shopping trips and purchase decisions made in a virtual cereal aisle of a supermarket.

The Consumer Decision Tree part of the online research focused on category structure, product perceptions, and decision influences – that is, what product attributes are most important to shoppers. Kellogg's was especially interested in learning shopper perceptions of category and how to leverage strategic brands.

Paul acknowledged testing multiple planograns in stores would be too time consuming. Online research could yield a national sample, she explained, and the results could be available in as little six weeks vs. several months for in-store.

Plans call for implementing the planograms with key retail customers in early 2010 as they reset their shelves. That will be the Phase One.

"We want to measure the results from the planograms we are launching in early 2010," said Paul. "We will work with our retail and research partners to understand what works best for them going forward. This is an evolutionary situation for us. We hope to have final recommendations for Phase Two in late 2010."

Simulated Supermarket Helps Frito-Lay

Frito-Lay may dominate the snack aisle of the grocery store, but it is always looking for a competitive edge to increase sales.

What's providing that edge nowadays is its two-year-old S.M.A.R.T. Learning Center in Dallas, a 15,000 sq. ft. simulated supermarket that tests the effectiveness of various marketing solutions to drive impulse purchases. Through automated observation and other research methods, the marketer studies the behavior of actual consumers as they shop the aisles and react to different merchandising tactics.

"In two years, we've learned a tremendous amount. But what we continue to learn is how little we've known all along and how much we still have to learn," said Michelle Adams, Director, Consumer Strategy and Insight Group, Frito-Lay North America.

Frito-Lay built its Shopper Marketing and Retail Testing Learning Center to answer three fundamental questions:

- What would lure shoppers to the snack aisle?
- What merchandising solutions would encourage people to go down the snack aisle?
- Once there, how could the shopping experience be improved?

Some of the changes were using different product sets, creating sub-sections in the aisle, and re-merchandising with new displays and various graphic elements.

Frito-Lay seeks to determine the effectiveness of displays in attracting shoppers and to understand the relative performance of different merchandising concepts in driving impulse purchases. Overall, the simulated store serves as a platform for transforming in-store marketing.

One company contributing to the success of the simulated supermarket is Video Mining, which provides video tracking and analysis. The firm's in-store technologies and analytics form a scalable measurement platform designed to deliver precise metrics on shopper response at very retail touchpoint.

Video Mining can quantify all of the shopping and tell, say, that people are lingering a lot more at certain points in the aisle. "Heat maps" show where shoppers are spending more time. The video measurement has helped Frito-Lay understand which merchandising works and which does not.

"The best way to measure shopper response is to watch them in action," said Rajeev Sharma, Founder & CEO of the firm based in State College, Pa.

Market Structure Is Key to Customer Strategy

Market structure is a view of the market that products compete in. It allows manufacturers and retailers to view alternative products and services from the consumer's perspective. Put another way, market structure is the way consumers organize a product category based on their actual behavior.

But why is market structure important for customer strategy?

"Market structure is grounded in consumer usage and purchase behavior and provides a line of sight on how an item competes in the marketplace," said Mike Downey, managing partner with Henry Rak Consulting, a Chicago-based consultancy.

"Having market structure allows companies to develop better sales and marketing strategies because they have a real sense of where they source volume from," he said. "Secondly, market structure ensures alignment between sales and marketing teams which ultimately leads to better retail execution."

That's really important, according to Downey, when launching a new product innovation. It's important that the sales team understands why a new item is being introduced, where it competes and how incremental it will be to the category. Gaining alignment with the sales organization early in the process makes a for a much new item launch which ultimately benefits both manufactures and retailers, he explained.

Transferring consumer insight into using market structure to develop customer strategy provides insight on usage behavior, according to Downey.

"As we begin the process of developing customer strategies, usage behavior helps me understand where I am competing in a broad area such as the world of breakfast or the world of beverages," he said.

"Say I have a new product coming out and it competes in a completely different segment of the category then where it competes today," he continued, "I need to understand where it's going to source volume from so that so I can start to formulate shelving strategies. I need to think about category adjacencies that are going to give me the best chance to win."

Recipe Kiosks Can Help Drive Niche Product Sales

Increasing sales of consumer packaged goods food items is a matter of wagging the tail, Frank Beurskens, chief executive officer, Shop-to-Cook, Buffalo, N.Y.

He used the image of an animal with a tall body and a very long tail to illustrate retail food sales. The body is the 20% of items that account for 80% of sales. The tail is the other 80% of items, and represents the greater opportunity for sales growth. For traditional supermarkets, it can also bring an advantage over the big-box competition.

"The bottom line is, the retailer may be selling a lot of these familiar items, but they are not selling the potential of the diversity of items that they stock," Beurskens said.

There may be 40,000 SKUs in a supermarket, and 5% contribute 50% of sales, he said. An average household purchases 400 SKUs in the course of a year, with 150 used on a routine basis. Additionally, customers receive an average of 3,000 in-store messages on every shopping trip.

He noted that 60% of the population doesn't know what to prepare for dinner at 6 p.m. most days. "As a result, we end up in a recipe rut," he said.

Shop-to-Cook's approach is to place interactive kiosks, with large, high-definition screens, in stores. The system has a database of 5,000 to 6,000 recipes. This creates a sense of relevancy to the purchase of featured ingredients, and steers shoppers to the perimeter, and then to the center store aisles, Beurskens said.

The company has 756 of the devices placed with retailers and wholesalers like Bloom, Tops, Schnucks, Spartan, Nash Finch and Price Chopper (Kansas City). He singled out Schnucks as doing a particularly good job with the concept, combining human interaction and the machines in a program called, "Schnucks Cooks."

Oregon Independent to Test Online Coupon System

Bales Marketplace, Portland, Ore., plans to start testing a system that allows consumers to link online coupons to retailer point-of-sale devices this month, said Stacy Brown, POS and new programs manager.

Now being piloted with the independent's employees, shoppers will get use of the paperless CouponBank.com system once kiosks and POS systems in the retailer's two stores are ready, she said. The employee pilot started in August. Among the brands listed on the CouponBank Web site: Stouffer's, Campbell's, Western Family (private label) and Duracell. The site offers a $10 coupon good at Bales.

If successful, the program may be rolled out to 500 stores supplied by Unified Grocers, Commerce, Calif., in 2010, and then as many as 3,000 stores, said Vijay Chetty, president and chief executive officer, CouponBank.com, Los Angeles.

The installation process went quickly, Brown said. "This is really seamless." The retailer plans to involve cashiers in encouraging shoppers to participate. Each store also will have a sign-up kiosk, which will be staffed during the initial startup period.

Other promotional efforts will include brochures at the checkstands, store displays and signage, an ad in the weekly newspaper, postcards mailed to area households, and online links between Bales' and CouponBank's Web sites. Unified is soliciting manufacturer participation, Chetty said.

"It is working in our stores and we are excited to go live with it in the month ahead," Brown said.

Chetty said the online system is easier and more efficient for customers, retailers and manufacturers than other online coupon solutions. Consumers in particular find it difficult to find and use online coupons. With one click, they can put them in their CouponBank account, which the store cashiers will be able to access, he said.

"When we make it easy for consumers, it is just common sense that the consumers will use it more," Chetty said.

Food, Fuel Drive Traffic, Sales at Giant Eagle

Giant Eagle, Pittsburgh, is driving traffic between its supermarkets and GetGo convenience store/gas stations with a pair of customer relationship management programs giving customers discounts based on cumulative purchases.

With fuelperks!, shoppers in the supermarkets get 10 cents off per gallon for every $50 purchased on most items in the store, said Linda Wakim, senior director, customer relationship marketing. A companion program now being tested in Pittsburgh and Columbus is called foodperks!, which offers a 1% discount in the supermarket for every 10 gallons of fuel pumped at a GetGo station.

After the foodperks! program is fine-tuned, it will be rolled out to the rest of the chain, Wakim said. For example, the name was recently changed from "Giant Eagle foodperks!" to "GetGo foodperks!" and this received a better consumer response.

"When we get the messaging right, you will see it outside of Pittsburgh and Columbus," she said.

The discount in foodperks! is cumulative, as in the fuelperks! program, although customers are limited to redeeming 20% in one purchase, and on purchases that do not exceed $300.

"It's a loyalty program really tied to our current customers to drive traffic back and forth between grocery and fuel," Wakim said.

The fuelperks! program, which is chainwide, has driven traffic and sales in the grocery stores, she said. "We have created a lot of excitement around fuelperks!"

Although the program already has high awareness among Giant Eagle customers, targeted promotions keep adding to that, while leveraging the program to build business in other parts of the store. For instance, the chain will seasonally offer double fuelperks! rewards on gift cards, and add a $1 fuel credit to a customer's account for a new or transferred promotion in a new store. This helps create pharmacy traffic where it is needed, like new stores, or ones where a pharmacy has been added.

Beyond Demographics: Study Redefines Shoppers

Shoppers do not necessarily fit into the demographic boxes marketers have traditionally used to develop promotional and sales programs.

That was the central finding of new research from Henkel Consumer Goods, Scottsdale, Ariz., which includes Dial and Purex among other prominent brands.

Dividing consumers into three groups based on shopping behavior, the usual definitions of size of household, income and age do not apply, so retailers and marketers have to rethink what drives the consumer to buy, said Mack Hoopes, manager, shopper insights of Henkel's Dial Corp.

Using a common market research technique, the Henkel study named the three groups as: Shoptimizers, Mainstreeters and Carefrees.

Shoptimizers are "a group that takes a lot of time pre-planning their trips, reading ads, cutting coupons, organizing lists. They spend an inordinate amount of time doing that," Hoopes said.

Mainstreeters is a "group that says, 'I don't have that kind of time' or 'I don't want to spend that kind of time.' 'I'm just going to go to the store with my simple list. I trust the store and I'm going to buy what I have to.'"

Carefrees are not responsive to marketing messages. "They are not going to spend any time, and they are the kind of people who buy what they want when they want to buy it. Regardless of pricing or promotions, they are just going to go in and get what they want," Hoopes said.

But the most surprising finding of the study was that none of these behaviors can be predicted based upon current demographic information, he said. "Regardless of how much you make, how old you are, or how many people in your household, you could actually be anyone of the three behavioral types," he said.

So as a result, "we have to rethink how we go into the marketplace because each of these groups respond to the stimuli that manufacturers put in front of them very differently. It requires thinking about how we are communicating with the shopper and at what point in their shopping trip – or shopping style – we are going to talk to them," Hoopes said.

Strategic Partnerships Build Sales for Bridal Brand

Wedding gowns and consumer packaged goods are not all that different when it comes to forming strategic partnerships, according to David's Bridal, Conshohocken, Pa. It has found life-stage event marketing, combined with partnerships, to be a powerful force in building sales, and it can be the same for CPG companies, said Melissa Mango, vice president, national strategic sales and business development for the 309-unit wedding apparel chain.

"We say, identify your core life-stage event, and then the earliest stage going backward that will allow you to remove that consumer from the marketplace sooner," she said.

One example she cited was David's Bridal's partnership with Build-A-Bear Workshop. "We stop at nothing. We go all the way back to the flower girl to start attracting her as our customer. Every flower girl who gets a dress at David's Bridal gets a coupon good at Build-A-Bear Workshop," Mango said.

The retailer also partners with Sandals Resorts, its family-oriented Beaches Resorts brand, and Samsonite luggage. Research has found that the top purchase brides and grooms make if they are going on a honeymoon is luggage. "We partnered with Samsonite, so if they are going on a honeymoon, they got a free set of luggage," she said.

"Taking a traditional approach in retailing to a traditional purchase, and layering on non-traditional marketing concepts has boosted our sales. Our sales have gone up 26% since we introduced this strategic partnership program, and in addition, we make revenue with some of those partnerships," she said.

David's Bridal has also started using social media, such as Facebook and Twitter, to build business. "Brides are signing up and following us on Twitter," where they get special offers from the retailer, Mango said.

Sour Economy Is Sweet Time to Innovate

A tough economy is an opportunity to innovate, said Kevin Coupe, the "Content Guy" and founder of MorningNewsBeat.com, Darien, Conn.

Speaking on "The Next Normal: Keeping Balance and Momentum in Treacherous Times," he noted that many of today's leading business concepts came out of past economic downturns. He singled out Apple's iPods, iTunes and iPhones as examples.

"You always have to be innovative because if you are not innovative, you are not going to be in the position to survive and thrive when the recession is over," Coupe said.

When business trends change, like the consumer switch from packaged music to downloads, "you won't want to be the person who says, 'we've always done it this way. Change is intimidating, but it doesn't have to be. You have to embrace change because some change is good," he said.

For example, Coupe cited Wal-Mart Stores, Bentonville, Ark., which "did a wonderful job of re-branding themselves in a very tough economic climate."

Consumers are spending less on impulse purchases, and planning their shopping trips, making lists and clipping coupons. "As a brand business, you have to be on the list when the shopper leaves home or your product is not going to be in the basket when they leave the store," he said.

In a changing marketplace where internet merchants like Amazon and iTunes flourish, "consumers are now in charge of the supply chain," he said. Supermarkets have to figure out how to give shoppers what they want in the way they want it.

"Somebody is going to figure out how to do it and they will dominate the market at that point," Coupe said.

Marsh Uses Segmentation to Boost Marketing Effectiveness

Marsh Supermarkets, Indianapolis, is using customer engagement segmentation analysis to boost its competitive advantage.

The retailer has seen an improvements in advertising circular and e-mail effectiveness by appealing to customers with more relevant offers, said Ronald Berry, vice president, retail practice leader, Spire LLC, Monroe, Conn. Spire supported the staff at Marsh as it implemented this program.

"It's about using data to drive an understanding of their shoppers in a way that creates actionable segments that can be used across the entire enterprise to make more efficient ad circulars, for category management, as well as pricing and assortment issues," he said.

This kind of customer segmentation seeks to understand and leverage shopper card data, while incorporating survey research. "It brings it all together so that you know everything

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you possibly can about clusters of households or segments that behave similarly," Berry said.

He cited several key findings from the Marsh experience of customer segmentation:
- By letting the data drive the segmentation, it leads to a more actionable understanding of each segment's potential to drive the business, and of how to impact their shopping behavior
- While shopper purchase data is valuable in understanding segment behavior, primary and syndicated research add dimension to these segments.
- While developing customer segmentation can be complex, the resulting segments – and segment-specific strategies – should be easily understood by internal stakeholders, as well as external partners.

"The end result is, (customer segmentation) needs to be readily understood, so that the actions by the category managers can easily created," Berry said.

Coupon Redemption Rise Challenges Budget Projections

Coupon redemption is way up because of the sour economy and a "new era of frugality," but that's a good-news, not-so-good news situation for marketers.

While that means the coupons are doing the job they are intended for, marketers have to adjust their budget projections, said John Morgan, executive director, Association of Coupon Professionals, Drexel Hill, Pa. What-if modeling based on past history is no longer accurate in predicting coupon redemption rates, he said.

For example, comparing the first half of 2008 with the first half of 2009, coupon distribution is up 20%, while coupon redemption rose 23%, and it is accelerating each quarter, Morgan reported.

"Consumers are being more frugal about where they are spending their money, so it is a challenge every day for the marketers," he said.

If a marketer runs a normal coupon promotion, and then the redemption is 20% or 30% higher than anticipated, "that blows the budget," Morgan said. "But if they are smart about it, and they still make money and enough incremental volume to justify the ROI," then they will have succeeded. On the other hand, they might put out an excessive offer and hurt their margin. "There are also challenges like the growth of private label and the increase in its quality," he said.

Marketers are meeting those challenges, he said. "The research people are getting a lot smarter about how to efficiently put coupons out."

Meanwhile, new online delivery methods are taking hold. "The Internet is starting to become significant in penetration and growth, and that's becoming a big part of the coupon industry. With that comes a lot more interaction, so many more things can be measured, and you can become more efficient," Morgan said.

Social Media Here to Stay for CPG

Social media is causing a paradigm shift in the way that people view products and brands, said Jill Bach, principal, Marketnet, Plano, Texas. Consumers are becoming brand advocates and sharing their opinions through social channels like Facebook, Twitter and blogs, she said.

"They are doing it whether retailers are onboard or not," she said. So it's better for retailers and other marketers to get involved. That way, they can also comment, while monitoring what is being said about them.

Citing 2008 research from Forrester Research, Cambridge, Mass., Bach pointed out:
- 75% of all active Internet users participate in social media.
- 48.5% of Internet users read blogs at least once a month.
- There are 900,000 blog posts in an average 24-hour period.
- The fastest growing segment of Facebook is 55-65 year-old women.

Among the major social media brands: Facebook has 250 million active users, with more than two-thirds out of college, which was the original target audience; LinkedIn has 47 million members, with a new person joining about every second; Twitter had over 23.5 million unique visitors in August 2009 and 20% of Tweets contain requests for product information or are responses to such requests. "The social media model is a little different: it is consumer driven," Bach said.

For example, consumer packaged goods companies or retailers could use Facebook to build advocates for brands, she said. "One strategy might be to share ideas out to networks both in-store and out-of-store, such as recipes – that is an easy one." Other possibilities are cleaning suggestions and beauty recommendations.

"People are saying it's a fad, but it's really not a fad. It's becoming mainstream and it's a different way of influencing purchasers. It's very similar to how the Internet revolution developed," Bach said.

Social Media Helps Eli's Move Cheesecake

Social media is helping a Chicago company keep its cheesecake brand in front of consumers.

The Eli's Cheesecake Co. is using social media like Twitter, Facebook, LinkedIn, flickr and YouTube, along with more traditional promotions like a local cheesecake festival, to connect with its customers. "We use our retail location in multiple ways for touching our consumer," said Debbie Marchok, vice president, marketing.

"Social media really is important. There are many brands that are not out there using it, but if you don't use it, your consumers will use without you. It's viral. It is their voice. They want to be heard. It's important for the brand to connect with them," Marchok said.

If brands keep waiting to use social media, "your consumers are going to run away, and you'll have both extremes: great reviews, great accolades, and you'll have really negative bad experience about things that are being communicated," she said.

Marchok said marketers need to verify information that is posted on social media sites and remember that nothing is private in that environment – once it is posted, it is public. Companies need to keep in mind that fan and follower lists are public, which could result in a problem if a controversial person signs up.

Among the ways that Eli's has used social media is to notify Twitter followers of Tweetup Meetups, putting videos on YouTube, and promoting a cheesecake giveaway on Facebook.