

THE NEW *Trade Marketing Model*

CHANGING SHOPPER BEHAVIORS, NEW BUSINESS MODELS, EXPENSE PRESSURES AND A CHALLENGING GROWTH ENVIRONMENT HAVE USHERED IN A NEW ERA FOR TRADE MARKETING.

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As dramatic shopper-driven changes unfold throughout the retail industry, traditional approaches to trade marketing are being turned on their head. Suppliers and retailers looking to more effectively serve a mutual customer are thinking differently and evolving trade marketing practices to reflect new competitive realities.

To achieve trade marketing success that capitalizes on current and anticipated marketplace dynamics, means shifting from the classic four “P” approach of product, place, price and promotion to a new four “E” approach. The 4Es represent where the shopper is today, but more important, where she is headed in the future, and include experience, everywhere, exchange and evangelism.

Before putting the 4Es in action it is important to first recognize that in today’s dynamic environment, rehashing the well-worn four P framework will not result in success. Likewise, recognize that the makings of a great trade marketing team require elevation of trade marketing to a top level strategic role capable of providing clear ownership of the discipline and effective cross functional integration.

For example, the best trade marketing teams constantly find ways to bring the traditionally disparate departments of sales and marketing together. They refuse to be constrained by the excuse, “We just don’t have anything to do with that,” and relentlessly push both sales and marketing to consider how their decisions affect one another. Moreover, truly extraordinary trade marketing teams take ownership. They feel personally responsible for the profit and loss of their business. Unafraid of complex analysis, they dive into the details of demand planning. Cognizant of the effects of costs on the bottom line, they actively engage in improving logistics and supply chains.

In sum, this entails taking direct ownership for the commercial strategy underpinning the business. The effective trade marketing team takes as its responsibility a plethora of steps, ranging from the product sold at check-out to the origin of the supply chain. Such a team starts by thinking “consumer first” and ends by thinking “selling,” but never neglects to consider every element in between. Understanding each of those elements, and where the 4Es factor in, requires parsing out dedicated roles and responsibilities in the trade marketing team. For instance, once a marketing team understands how to deliver against unmet consumer needs, the challenge remains to understand and leverage how shoppers in a given category behave. To accomplish this,



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trade marketing teams need to carve out dedicated roles — essentially, “shopper marketing teams” — focused on identifying and understanding consumption opportunities, which are in turn determined by the consumer marketing team. From here, the trade marketing team can frame an answer to the core question, “Who is the shopper?” Only through this understanding can the team leverage analytics to deliver against penetration, frequency, or trade-up opportunities.

FROM RECOGNITION TO REALIZATION

To illustrate this point, consider an example of how a trade marketing team would transform an opportunity recognized into an opportunity realized using the 4E instead of the 4P framework. Imagine a scenario where a team wants to drive brand penetration amongst 20-35-year old women in the hair color category. The team would employ a three-step process.

As always, the first step would be to “understand your consumer” — traditionally the role of brand marketers, whose work is ultimately to deliver against unmet consumer needs.

Next would be channel prioritization — where and how to find the target shoppers (who may or may not be the end consumer). For some CPG companies, this is easy. Coca-Cola, for example, only has to put their product within arm’s reach; it is as simple as being everywhere, all the time. But consumer beauty has no such luxury. Facing a complex and shifting mix of shopper targets and categories, a beauty manufacturer will have to incorporate detailed analytics into its channel prioritization to understand who is shopping where, for what, and for what occasion.

The third step involves crafting a compelling narrative with which the manufacturer will navigate the complexities of the target shopper, industry trends, and retailer strategies. For example, selling to the 20-35-year old segment would require a narrative that takes into account the current trend for wash-out hair artistry in the hair color category. But it would also require a more logistical mindset — that is, a recognition that for a host of reasons, including store opening hours and locations, the target shopper could be likely purchasing products outside of the traditional grocery and drugstore settings.

THE 4ES EXPLAINED

This is where the shift to the 4Es from the 4Ps comes in as trade marketers need to answer several key questions. For example, how does the trade marketer set strategies to bring a proposition to life, giving the shopper a product experience rooted in their needs? Moreover, how does that proposition relate to the shopper’s environment, even if that environment is the ubiquitous digital realm? Traditionally, trade marketing professionals have thought that shoppers make decisions as the 4Ps would have us believe. Not anymore. Trade marketers need to expand their thinking to embrace a more holistic vision of the shopping experience. It goes beyond the immediate

decision of “Brand A or Brand B,” and is instead about linking each product to a clear value proposition.

PRODUCT	→	EXPERIENCE
PLACE	→	EVERYPLACE
PRICE	→	EXCHANGE
PROMOTION	→	EVANGELISM

Let’s take a closer look at what each of the 4Es mean:

- **Experience:** Today’s consumers demand products that fit in seamlessly with their lives. This necessitates that trade marketer set strategies to bring a proposition to life, giving the shopper a product experience rooted in their needs.
- **Everyplace:** Shopping now happens in more places than just the beauty aisle as evidenced by the proliferation of blogs focused on beauty products. This forces manufacturers to ask how their products — and those products’ marketing and display — relate to the shopper’s environment, even if that environment is the ubiquitous digital realm.
- **Exchange:** Traditionally, trade marketing professionals have thought that shoppers make decisions as the 4Ps (product, place, price, promotion) would have us believe. Today, there is a need to embrace a more holistic vision of the shopping experience. Purchasing a product is really about an exchange of value — it takes shopping beyond the immediate decision of Brand A or Brand B, and is instead about linking each product to a clear value proposition. The way this comes to life in the beauty category is to recognize that shoppers demand a value proposition that resonates with a vision of being their best self, not an unobtainable vision of beauty.
- **Evangelism:** Think of classic promotion more in terms of evangelism. Only with an experience that inspires can manufacturers hope for consumers to engage with the brand and spread the word to friends and family. In an increasingly digital world, this prerogative will become only more critical.

Importantly, though, a trade marketing team cannot be expected to accomplish all of this overnight. A retail supplier cannot expect to be successful if they suddenly rebrand existing teams as “trade marketing” and leave it at that. Rather, they need to recruit and train individuals with experience across sales and marketing. Manufacturers should seek out individuals with strong analytical skills and, equally important, that intangible sixth sense of what retail customers and shoppers are looking for.

IMPLEMENTATION ESSENTIALS

Good ideas and a new trade marketing framework are worth little unless properly implemented and ingrained in a suppliers' go-to-market culture. Execution is always key and with trade marketing it is incumbent on the team to take responsibility for ensuring the relevance of the brand strategy, both to the consumer and the channel in which that consumer buys. In this effort, the whole will be more than the sum of the parts. Failure to take into account just one element — forgetting format and channel strategy in favor of formula innovation, for instance — can sink an entire strategy. But, if a trade marketing team can leverage the 4E framework and

balance the long list of priorities with which they will inevitably be tasked, growth becomes more attainable. It is an approach at once bold and measured, audacious — an approach that will withstand even the most challenging of environments, which is certainly the current situation.

In many CPG categories growth has been hard to come by and what growth there is tends to be driven by second or third tier companies. Bigger brands have been caught off guard by the relative ease with which upstart competitors are able to generate brand awareness, trial and repeat purchase through online only distribution methods and shoestring budgets that effectively leverage social media.

If large suppliers hope to compete in the new and evolving retail environment they will need to take a page — or several — from the playbook of smaller brands who are driving much of the

CPG world's growth. They will need to stop playing catch-up and innovate before the innovators. They will need to foster ownership and innovation amongst their employees. And they will need to do so while building loyalty with consumers who have more choices than ever. They must hold their ground and reignite growth with traditional retail channels without overinvesting. They must strategically shift resources to win in new growth channels, especially digital. Playing catch-up will never work: positioning themselves as the go-to players in these growing channels is the only option.

REALLOCATION OF RESOURCES

To do so, as is always the case in business, mean make hard choices about priorities and future opportunities. Too often, managers fail to ask the most fundamental questions about their businesses: What is the future potential? What are the investments and resources required to reach that potential? How can

we leverage our existing capabilities? At the same time, managers frequently overlook the importance of the details. Without a five-year profit and loss projection by brand, strategic discussions are ephemeral, grounded not in facts but intuitions.

The answers to these questions, informed by robust analysis, determine where you will play and how you will win. A firm's position in the market — from how a brand portfolio stacks up, to a brand's ability to address the needs of consumers in growing channels, to a manufacturer's competitiveness with niche players — depends on a thorough understanding of not just what a brand is, but what it aspires to be.

The pursuit of a brand's aspiration is where the reallocation of resources and construction of the appropriate commercial capabilities comes into play because at the core of any strategy is the ability to make tradeoffs. This is precisely what large manufacturers must do as they pursue growth plans and establish priorities. For example, immediate success will require shifting resources of time, money, and people to better serve high-growth customers. Lasting success will require building capabilities ready to capture future growth, even if it comes from unexpected quarters. Successful firms have done this by seamlessly integrating trend observation and strategy formulation, with sales reps sending reports of new competitive activity to the trade marketing team in real time.

But tradeoffs must do more than respond to growth: They must seek to challenge the status quo. At present, most CPG companies are designed to serve customers who supply chains are designed to move full pallets to large distribution centers. Sales organizations are designed around large accounts with traditional volume-based KPIs. And, perhaps most importantly, traditional brand marketing teams are built and resourced for a 'one size fits all' model.

The result? Sluggishness in responding to rapidly-shifting trends. In a dynamic retail landscape, CPGs need flexibility to meet the needs of an increasingly-varied customer base, the ability to react to trends, and the capacity to evolve their strategies to align with the retailers they serve. This means developing new capabilities to serve new customers — supply chains that accommodate multi-brand, multi-product pallets; light-touch sales organizations that rely extensively on technology; new sales models that allow for greater cross-functional teaming. They also need a new trade marketing approach, one with the 4Es at its core, that is designed for future success. **RL**

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