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Report

The Insights You Missed at Recent MR Conferences

SymphonyIRI Group

2010 Reinventing CPG & Retail Summit

San Antonio, TX

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Recession-Altered Consumer Shopper Behavior Pumps Up IRI's Innovation

Main Point: Micro-economic forces that are part and parcel of the slowing marketplace have created new U.S. consumer shopper challenges for manufacturers and retailers. That, according to newly-redubbed SymphonyIRI Group, is necessitating innovation.

RCR impressions of content: **Freshness: A**
Relevance: A
Practicality: A-

SymphonyIRI Group (Chicago, IL) Chairman **Romesh Wadhvani** spent over 45 minutes explaining to a reported nearly 1,000 attendees why and how the company is pushing innovation to the forefront of its client offerings. "We've grown 20% organically in the last five years," he said. As has become his custom at the company's annual meeting,



600-million-plus trips were made by consumers in search of value last year—a 6% jump over 2008... Average spending on a shopping trip was up 3-5%... Young, low-income boomers spent 12% more on edibles and non-edibles.

SymphonyIRI Group Chairman Romesh Wadhvani

Wadhvani presented penetrating detail about the changing marketplace and his company's response. "There are multiple ways to innovate your insights, markets, shopper marketing, sales and products. I want to show you 15 to 25 specific innovation ideas you can implement tomorrow," he stated.

Wadhvani said pricing formerly masked problems, making it counterproductive. "We believed our brands were strong; now, private label is growing faster. We may not be able to take our prices up for a long time," he noted. One result,

Wadhvani said, was that for the newly-renamed SymphonyIRI Group, "It's no longer sufficient for us to enable your strategies...No one anticipated the magnitude of the recession, but we anticipated needed solutions. That explains our \$100 million investment over the last three years."

He suggested innovation now be based around "major changes in buying behavior, which we believe will continue. A number of these changes are great opportunities for growth if you have the innovations that allow you to take advantage of them. For instance, in 2009, the number of stores a shopper visited doubled to between 8 and 10," he stated. A more impactful statistic is the 600 million-plus trips made by consumers in 2009 in search of value—a 6% jump over 2008. "We're predicting those incremental trips will be sustained. Capturing 10% of them for your chain, your brand, etc., translates into a huge revenue increase. Those extra trips can mean \$100 million you take from competition—a huge growth opportunity," analyzed Wadhvani.

"Signal shifts have occurred: value consciousness is way up, but in a selective way," he continued. "The percentage of shoppers with shopping lists grew from 50% to 83% as of last December, often down to the brand level. Most of you don't have direct response programs, but perhaps you should. Health and wellness considerations also grew last year. Pepsi plans to triple, from \$10 billion to \$30 billion, its health and wellness product sales in the next 10 years."

The structures of most companies, Wadhvani commented, stymie attempts to drive insights across silos. Making the situation bleaker is the many corporate functions

RCR Ratings Explanation: "Freshness" - Based on whether content has previously been covered by any RFL newsletters; "Relevance" - The current importance of this content to the research industry; "Practicality" - The ease of implementing specific suggestions expressed in this presentation

that can no longer be treated as silos. He pressed for integration of strategic insights across silos.

“Innovation can drive granular insights. Getting insights at the segment level is pretty much tapped out,” he conceded, but he said multi-cluster, store-level, even house-level granular insights are available. “We used to demand insights in 4-8 weeks; now, they’re needed in a day. We’re moving from rear-view-mirror insights to forecasts with predictability tools.

During the current Great Recession, the average dollar spent per shopping trip is up 3-5% (depending on trips and categories), he revealed. “You would expect high-income individuals to have spent more and those with low-incomes to have spent less. In 2009, the opposite was true—and the root causes of that are crucial strategic insights,” he insisted.

Wadhvani asked the audience whether it thought a single consumer segment had achieved double-digit growth last year. “Many would reasonably guess that high-income Americans would have grown that much, if any group did,” he said. “Yet, it was young, low-income boomers—not a target for many of us—who spent 12% more on edibles and non-edibles. The second-fastest growth segment, up 7%, was retirees.”

Wadhvani detailed SymphonyIRI’s new areas of innovation. It plans to help clients create new value for their brands through market innovation. “Value-conscious consumers are key,” he asserted. “Our Shopper Centric Brand Management takes strategic segmentation well beyond demographics. For instance, we can look at Health State and Life State segments.”

Integration of consumer views and shopper views is a second maneuver. “These are wrongly seen as two different entities,” accentuated Wadhvani, “which makes no sense; they are the same, just different parts of the day. I am a consumer when I watch TV; I am a shopper when I go into a store. We can integrate primary and secondary research with shopper and consumer intelligence.”

Innovation can come from focusing on occasion-based situations. “Traditionally, brand managers care about share of wallet,” continued Wadhvani. “That view doesn’t have enough granularity to make change possible...Consider measuring your share of occasions, like holiday weekends, sports weekends, etc. It can be regional. We can develop new metrics around share-of-occasion, share-of-route, share-of-trip. These will require better tools and services.”

Direct response marketing, Wadhvani remarked, “has dramatically advanced. You are probably not taking advantage of that. I’ve spoken with some of the biggest spenders in this area—such as Kraft—and even they are not adequately investing. It’s now one of our company’s key focuses and strategies.

“Ten years ago, 70% to 80% of media spending went into broadcast TV. Now, there are 25 key business-driving media channels. How do you collect and integrate all those channels and balance them with broadcast TV?” Indicating another new capability, Wadhvani said, “It’s not about data, but how you optimize across those channels.”

Wadhvani called Shopper Marketing Innovation “the highest growth and brand value opportunity. It translates business strategies to shopper market strategies, brand strategies,

national and regional strategies across categories and channels. You segment at a strategic level, not against stores.”

He said precision-targeted marketing moves clients into the world of granular data and its related insights. “Face it; the low-hanging fruit is gone. So is targeting by zip-plus-four. We may want to target to the house-level.” Wadhvani alluded to SymphonyIRI Group’s Targeted Advantage cluster homes, which he claimed “leapfrogs Spectra.”

Wadhvani proposed user-propensity scoring to build retailer and manufacturer Shopper Attention Models, Shopper Acquisition Models and Shopper Growth Models. “We also believe in the need for a national shopper panel of some scale. We’re not ready to discuss this openly, but we invite you to join us in private,” he said.

In the Sales Innovation area, Wadhvani promoted integrating shopper centricity with 20-year-old category management tactics, where “manufacturers’ high-level segmentation schemes complement each retailer’s segmentation schemes.”

A third sales innovation involves strengthened business partnerships. Wadhvani said manufacturer sales organization need empowering—moving beyond promotional deals and yesterday’s sales data. “Putting all your dollars in trade spending doesn’t work. I think major dollars will be devoted to direct response, perhaps 10% to 20%,” he predicted, which is why SymphonyIRI developed Sales Advantage and its granular insights for category managers and sales managers, Wadhvani clarified.

Product Innovation has SymphonyIRI’s attention because of what Wadhvani referred to as “white space opportunities”—unabated abysmal new product success rates. “Part of the problem is the primitive ways of looking forward,” he noted. The aforementioned health & wellness macro trend was resurrected as a positive example. “We perceive a double-digit growth opportunity in the deficit in people’s consumption of fruits, vegetables, grains and dairy products. Pepsi’s discovery holds the same potential for many others, and we can help identify micro shopper, channel and health attribute segments,” he added. Underscoring that it’s not obvious or easy, Wadhvani suggested, “Lots of people go after health and wellness—and do it wrong. You need proper use and application of shopper, product and channel knowledge.”

Summing up, Wadhvani explained that the company’s former name, IRI, limited the organization’s ability to be perceived as more than a market measurement deliverer, notably an innovation provider. “SymphonyIRI Group has new assets and intellectual property IRI didn’t have—and are ready to go to market,” he stated. ☺

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