



DRIVING GROWTH THROUGH THE ALIGNMENT OF BRAND BUILDING AND PRICING STRATEGIES

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Consumer research demonstrates that shopper behavior has changed dramatically with shoppers acting in a more deliberate and mindful manner.

During the past 18-24 months, senior executives at many companies have been forced to move away from long-term growth strategies and focus on short-term survival. These strategies have focused on “making the numbers for each quarter,” and, in many cases, were funded by reallocating investments from brand building activities. As the economy begins to strengthen, the discussion topic in many boardrooms will be about striking a balance between investments in long-term brand building and short-term price promotion. To do this, many companies will need to break some of the dirty habits they adopted and carefully wean customers off the “buy only on deal” mindset.

Consumer research demonstrates that shopper behavior has changed dramatically with shoppers acting in a more deliberate and mindful manner. A recent IRI study, entitled “Competing in a Transforming Economy 4.0,” found that 64 percent of consumers say they are now making lists before they shop, while 51 percent consider coupons an important factor in their purchase decisions. And, some consumers have even said they only go down the aisles of the store that include the items that are on their list.

Additionally, this study organizes respondents into three emerging categories of shoppers—optimists, maintainers and pessimists—based on a diverse array of consumer demographics, psychographics, values and beliefs. IRI discovered that pessimists exemplify many of the attitudes that are driving behavioral change across channels and categories, such as searching for sale prices (87 percent versus 82 percent for all households), making personal care products last longer (62 percent versus 55 percent for all households), and buying fewer prepared meals at grocery stores (61 percent versus 55 percent for all households). Each of these emerging segments view fiscal responsibility from a different perspective. And, importantly, each group professes a different appetite for the “right” cost to pay in order to integrate or not integrate frugality into day-to-day life.

But, these trends don’t represent all doom and gloom for marketers. In fact, they create new opportunities. One of the most telling findings most important to consumers is familiarity with the brand and price. The good news is marketers and sales teams can pull both levers. But, the big questions are: Which levers to pull? When to pull them? How to balance them as consumer attitudes and behaviors continue to transform?



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THE CHALLENGES

Senior executives are facing two significant challenges that make budgeting and planning exercises feel a bit too much like high stakes gambling:

>>> **Nobody knows how fast or slow consumer attitudes, then behaviors will change.**

>>> **Moving too quickly could be costly; moving too slowly could cause many to miss golden opportunities.**

So, how exactly do you balance brand building and consumer promotion while the economy continues to improve? Fortunately, with the predictive analytic techniques and data sources available today, executives could significantly reduce risk of planning while striking a balance between brand building and price promotion. Most companies are already using many of these analytic techniques and have access to the data required to fuel these analytics. In order to take this to the next level, corporations need to properly integrate these techniques and update their data with the appropriate frequency.

KEYS TO SUCCESS

It's very important to gain alignment, then refocus and repurpose. Powerful business insights aren't built like widgets; they require analytics that are constantly re-aligned to address the latest business challenges while remaining in lock step with the current marketplace dynamics.

In many organizations, this isn't the case. Analytics and insight creation have been on cruise control and, unfortunately, have fallen asleep at the wheel. This is the perfect time to re-energize and re-align an analytics program in your company. Start by conducting a series of cross-functional interviews to inventory the latest business

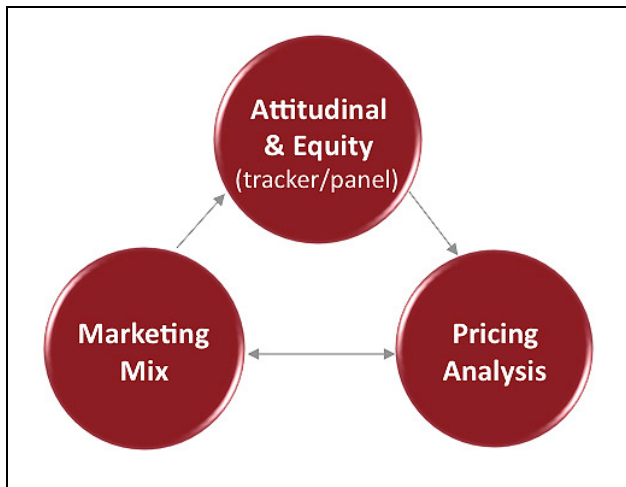
challenges and planning questions. Then, partner with your vendors and/or your internal counterparts to refocus and repurpose current analytics programs. Finally, circle back with the cross-functional team to ensure that they know how to use the business insights once they are delivered.

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Another step is integrating research and analytics to tell the whole story and provide "one truth." Many companies have migrated toward fact-based decision making by adopting a number of methods, including marketing mix modeling, price elasticity analysis, market structure analysis along with some of the traditional brand equity metrics. These methods have provided powerful new insights, but alone, they only tell a piece of the story and in many cases could provide conflicting insights. "Integrated storytelling" or integrating the methods stated above and translating the results into forward-looking simulations and business insights have already assisted in providing industry leaders in gaining a competitive advantaged and making an impact.



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The value and impact of research and analytics is realized through integration, translation and forward-looking simulation.

Business questions answered at each point of integration:

Marketing Mix Models and Brand Equity Metrics

- >>> What are the most efficient/effective media and messaging to influence consumer attitudes?
- >>> What is the impact of key business drivers on price elasticity over time?
- >>> What is the long-term ROI of marketing?

Brand Tracker Metrics and Pricing Elasticity Models

- >>> What is the impact of changes in consumer attitudes on price elasticity?
- >>> Which attitudes/equities are most influential?

Marketing Mix Models to Price Elasticity Models

- >>> How to balance investments in marketing and brand building with price promotion?

Price Elasticity Models to Marketing Mix Models

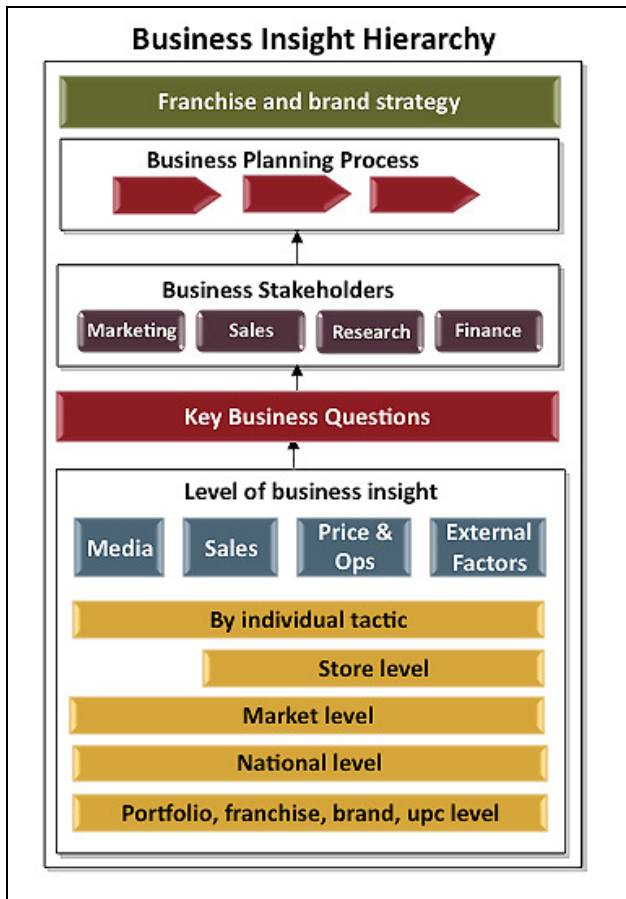
- >>> What is the cause of a positive or negative impact on sales from pricing and promotion activities?

Finally, companies must follow the consumer's transformation by rapidly refreshing analytics and recalibrating plans while keeping an eye on leading indicators. In this current environment, economic conditions seem to change quicker than the seasons and while the behaviors of some consumer segments are tracking with these changes, others may be leading or lagging. These are dynamic times that offer great opportunities to those who can track, diagnose and course-correct in near real time. Those who can't will miss these opportunities and watch the gap between themselves and their competitors widen.

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Some industry leaders are integrating all analytics and research to tell one story and provide “one truth” and aligning these analytics with all levels of the “business insight hierarchy.”

To do this, companies will need to:

- >>> **Track changes in their business, key business drivers and competition at the level at which consumer and market dynamics vary**

In addition to using the traditional data sources and metrics, explore new data sources and methods to track leading indicators, such as search data, Web-scraping technology to track buzz and consumer sentiment. These new metrics could provide

evidence of a change in consumer attitudes and behaviors before it becomes apparent in some of the more traditional tracking metrics.

- >>> **Frequently (and efficiently) update analytics to understand changing consumer attitudes and behaviors.**

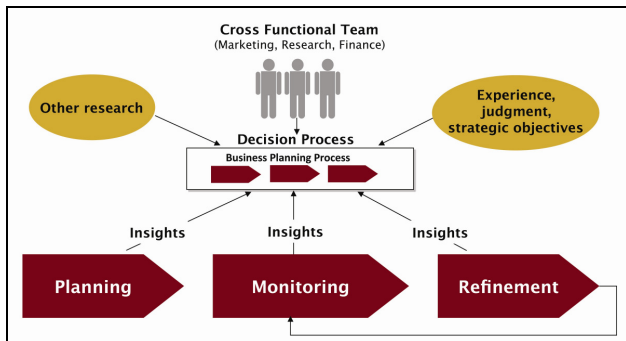
Marketing, sales, finance and market research are being challenged to answer some difficult questions: Are consumers becoming less price sensitive? Is this new campaign effective and is it helping to reduce price sensitivity? Are these results different by market, consumer segment, etc? What is the right balance of brand building and price promotions for today, next month, next quarter, next year? To address these questions and provide the right information to the right people at the right time, companies will need to adopt processes and systems that support rapid refreshes of critical analytics. This is easier said than done and in many cases could require a full re-engineering of how analytics are fueled, produced, and used.

- >>> **Conduct cross-functional, forward-looking simulation exercises**

Having a cross-functional team of marketing, finance, research and sales involved in this process will help drive buy-in of the results and, most importantly, action. The team can then make rapid course corrections as evidence arises to prove changes in consumer responsiveness/behavior.



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CONCLUSION

So, what does this all mean? What's the output of integration and tying it all together? Why should companies invest in systems and processes to support near real-time analytics?

Today, many industries are undergoing seismic shifts as the American shopper continues to cut costs in ways we haven't seen in decades. As the economy begins its shift toward recovery, boardrooms must also be nimble and be prepared to shift from their short-term survival strategies and back to long-term growth strategies. Doing this will require fact-based evidence that is accepted as truth across the organization and available in time to support critical business decisions.

Striking a balance between brand building and promotion through a cohesive marketing and sales plan based on solid, timely insights is one of the critical ways companies can stay ahead of the ever-shifting curve these economic shifts have created.

If you have questions or need more information, please contact:

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