

Jump Starting Top-Line Growth

By

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Today's renewed emphasis on growth has implications on all aspects of how brand marketers go to market.

While a comprehensive go-to-market plan involves a range of factors, rarely will a fine-tuning exercise in one or two areas create top-line growth. Shifting just one element without a broader consideration of opportunities and needs elsewhere is likely to fall short.

Consider "new product development" in consumer packaged-goods, for example. Although CPG companies are increasing their emphasis on new products to drive growth, their rate of sales growth is declining.

This inverse relationship between R&D expenditure and marketplace success does not reflect a dearth of research talent or an unusual abundance of new products in a given year. Rather, it reflects a lack of strategic integration among all the elements composing the go-to-market platform.

Achieving top-line growth requires a business management framework that fully integrates strategy, process, structure and execution.

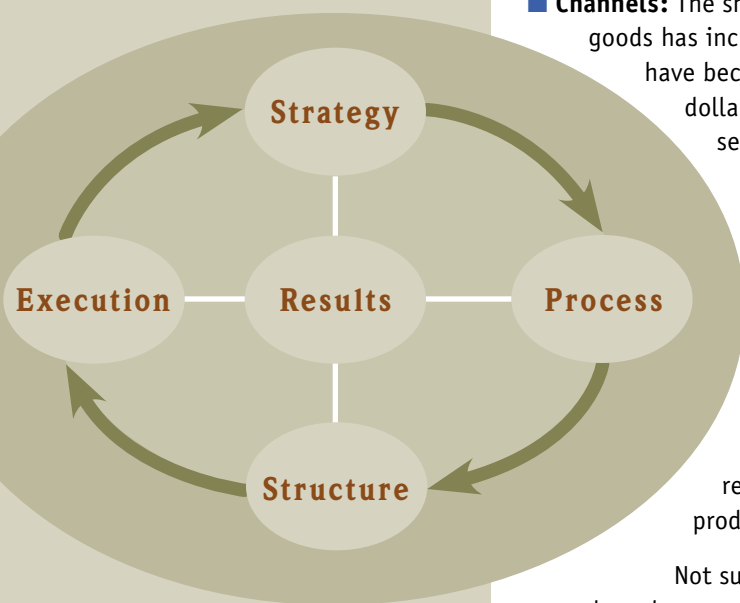
1. Strategy

Brand marketers begin with well-established sources of growth. Marketing departments continue to focus their attention primarily on driving share and secondarily category growth. Their colleagues in Sales are focused on increasing revenues by deploying customer teams and reallocating resources to their "top 10" customers.

However, brand marketers are being forced to diffuse their focus because of market fragmentation on three fronts:

- **Channels:** The sheer number of channels through which a consumer can purchase goods has increased, particularly as category killer formats and online shopping have become more prominent. So, as brand marketers have concentrated their dollars on the top customers in top channels, they have often found themselves too narrowly focused to capture emerging opportunities.
- **Competition:** Brand marketers also face increased competition from smaller players who are taking advantage of the expanded channel options. The internet, for instance, has drastically lowered the cost of demand creation and fulfillment, allowing start-ups to pull consumer dollars away from traditional products in traditional channels.
- **Consumers:** The fragmentation of consumer segments is a natural outgrowth of the increase in channel and competitive variety. The result is "micro-targeting" of consumer groups and the development of product offerings tailored to increasingly niche market segments.

Not surprisingly, brand marketers are giving greater attention to new channels and usage occasions—although entering new channels is a challenge that is consistently under-estimated. To succeed, brand marketers must develop a strategic channel process to understand new customers and their key drivers.



Even when staying within current markets or categories, brand marketers must transcend the traditional four Ps (product, price, promotion, placement) to drive growth. Service offerings represent a key opportunity to do so, although the nature of service offerings is evolving.

A recent example of the new definition of services at retail is evident in the collaboration between Katz Canada and L’Oreal. A new store prototype, introduced in June 2004, features a unique retail environment with a cosmetician, interactive technology and displays, a skin-care tester bar, and other value-added elements.

Finally, a key next step for brand marketers is to expand their focus beyond traditional “master-branding,” to include a broader definition of services that enhance the overall consumer shopping experience. This demands the development of insights beyond the few, tightly defined categories in which they compete and establishing a broader understanding of the business.

What are the primary sources of growth from your product portfolio?

“Masterband” extensions of your key brands into other categories **51%**

Acquisitions in current categories **46%**

Launch of new brands in your categories **44%**

Launch of new brands into new categories **38%**

Acquisitions in new categories **35%**

Existing SKUs and close-in line extensions in your current categories **27%**

Source: GMDC/Meridian Consulting Group

2. Process

Translating a top-line growth strategy into action requires a process often referred to as “reinvention.” This involves a broad- →

Despite more ads, new products, aggressive pricing, and other efforts that have traditionally brought results, many brand-marketing organizations are struggling.

Not coincidentally, the strategies pursued by many brand marketers over the past decade have tended to look the same. By and large, they are based on an understanding of their own categories and channels, but demonstrate scant application of business models or approaches outside their immediate frames of reference.

In response to the imperative to drive growth, organizations must take a broader view of their go-to-market approach and basic capability needs.

To illuminate these issues, and develop a pathway to solutions, the GMDC Educational Foundation and Meridian Consulting Group conducted a broad-based industry survey. The study included an initial screener survey of 180 organizations, including senior management and mid-level executives, across CPG and related industries. A detailed quantitative study, as well as one-on-one interviews, was conducted as follow-up. The study revealed that manufacturers view retailers as a key means through which to achieve growth. However, it also revealed significant gaps between retailers/wholesalers and manufacturers in terms of how to achieve that growth.

How will your sources of growth change 3 years from now?

Retailers	Manufacturers
Take share from others in my channel 59%	Develop/grow new channels and additional consumer usage occasions 68%
Take share from others outside my channel 42%	Take market share 48%
Incremental consumption 37%	Help retailers in current channels capture volume from other channels 27%

Which business insights are required to drive growth?

Retailers	Manufacturers
Understanding of consumer and retail dynamics within an aisle or department 83%	Understanding of consumer and retail dynamics within an aisle or department 70%
Insight across total store 78%	Strong category as well as brand and competitive knowledge 69%
Strong category knowledge 78%	Insights across departments 61%
Insights across departments 73%	Insights across total store 56%

Which capabilities and knowledge are critical to success?

Retailers	Manufacturers
Understanding approaches for business reinvention 72%	Customer-specific consumer research 69%
Consumer usage 58%	Attitude and Usage tracking studies with consumers 51%
Understanding business models from other categories, industries or countries 51%	Understanding approaches for business reinvention 50%
Category level research 45%	Understanding business models from other categories, industries or countries 41%

Source: GMDC/Meridian Consulting Group

← scale look at all aspects of the go-to-market approach. It is easier said than done.

Because the immediate business frame of reference tends to be close-in, “business myopia” is the key issue impeding the implementation of reinvention. To make progress, brand marketers must be prepared to:

- Understand business models broader than the immediate industry and competitive frame of reference. This is essential to innovate, differentiate and develop a broader knowledge base.
- Apply new research tools to evaluate business models and shopping dynamics that extend beyond current business practices.
- Ensure that “change” is part of how business is done every day. Unless reinvention is formally integrated into ongoing business operations, it will be seen as “someone else’s” project and will ultimately fail.

3. Structure

Top-line growth strategies succeed when they are supported by capable organizations. This can mean abandoning traditional personnel management structures.

Our research, conducted in collaboration with the GMDC Educational Foundation (see sidebar) highlights three principles to consider:

1. Create innovative, outside-the-box thinkers by giving them experience across multiple areas of responsibility. Further, develop a work blueprint that defines the multi-disciplinary work of the organization needed to deliver against growth-focused strategies.
2. Include the marriage between internal and external resources in organization structure designs. The multi-discipline employees created by matrix reporting and department rotation are still prone to intra-industry thinking at best and intra-company thinking at worst.
3. Recognize that a change in structure, by itself, will not drive the organiza-

tional change needed to generate top-line growth. Structure is part of the overall business model framework and must follow innovative strategies and well-designed processes.

4. Execution

Brand marketers are finding that successfully executing a growth strategy relies on marketing through the retailer. In fact, when asked to rate the marketing vehicles growing in importance, “marketing through the retailer” rises to the top of the list.

Which of the following marketing vehicles are growing most in importance?

Marketing through the retailer **50%**

Buzz marketing **45%**

Internet **37%**

Mass media **28%**

PR **25%**

Direct mail **12%**

Other **7%**

Source: GMDC/Meridian Consulting Group

Clearly, this reflects factors such as increasing media fragmentation and the percent of purchase decisions made in the store. However, what “marketing through the retailer” involves is still largely undefined, even by the most sophisticated brand marketers.

Those brand marketers who did offer a definition generally boiled it down to “promotion.” As a result, there are several untapped strategic and thought-leadership opportunities waiting for brand marketers who more broadly interpret marketing through the retailer—such as the addition of services, creation of consumer “need state” knowledge, and an active reinvention process.

In addition, savvy brand marketers will exploit the shift in retailers’ marketing vehicles. Increasingly, retailers are

bolstering their mainstays—circulars, TPRs, features, displays and demos—with alternative vehicles such as the internet, in-store technology and presence marketing.

A point worth noting is the expected growth in importance for “buzz marketing,” which has played a major role in categories like beverages. Good examples include SoBe (ultimately bought by Pepsi) and Mountain Dew Code Red (launched with no media initially). The resurgence of Pabst Blue Ribbon Beer (which largely happened on its own through presence/buzz marketing) is also noteworthy.

Focus of Ethnic Marketing

Retailers=R, Manufacturers=M

Incorporate ethnic products into mainstream variety opportunities **R/53% M/43%**

Evolution of ethnic strategies to reflect acculturation **R/47% M/50%**

Dedicated advertising for key ethnic groups **R/43% M/56%**

Line extensions or new brands for key ethnic groups **R/NA M/41%**

Source: GMDC/Meridian Consulting Group

In addition, ethnic marketing holds great potential as part of a top-line growth strategy. For example, ethnic offerings can provide mainstream shoppers with new variety tastes and experiences. While this ethnic strategy is clearly not applicable in all categories, it is very relevant for food, wellness and related products. It is a trend all industry players should be aware of, particularly as they explore broader potential store opportunities and synergies.

Igniting Growth

Our research suggests at least three key ways in which brand marketers can start taking action to stimulate top-line growth:

1. **Annual Planning Process.** Incorporate

the “Action Steps” as outlined (*see sidebar*) into your annual planning process. An ideal scenario might be to explore the applications of this report to your business in advance of your traditional process in order to bring new learning and insights. Broaden your scope of investigation, and translate learning into new applications.

2. **Immediate Business Issues.** Evaluate your current position versus best-in-class growth strategies: Is your growth at least equal to “best in class” in your industry? What are your top three business issues and do you have a proven plan for each? Have you identified the areas where you can bring more innovation to market? Where are there ROI upsides with spending? Does your focus on growth use a fully integrated approach? Are you fully leveraging internal/external resources to bring “what’s next”?
3. **Overall Organization Assessment.** Conduct a detailed qualitative/quantitative assessment of your organization. Incorporate input from within your organization and also key external business constituents. Use metrics that will highlight strengths/weaknesses, which benchmark progress over time, and most importantly, are actionable.

Success depends on taking a broader view of the business; a fresh look at the go-to-market approach; building an organization that supports the strategy; and developing an eye for innovation when it comes to implementing the plan.

Through the disciplined integration of strategy, process, structure and execution, brand marketers can re-ignite top-line growth. ■



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Strategy: Create a Path to Growth

- Develop expertise in the “need states” of consumers beyond your categories so as to redefine your products in terms of a larger shopping purpose. Your expertise should encompass retail and consumer metrics which highlight business upsides.
- Create a strategic plan for channels. Brand marketers consistently underestimate the requirements for success in new channels. Your winning plan should include channel rules-of-engagement, non-traditional competition, the customers’ desired selling process, and also a clear definition of how you will add strategic value to the channel.
- Assess how services can be applied to drive growth. Quantify consumer involvement and convenience opportunities across categories. Utilize best-in-class examples from other categories and industries.

Process: Institute a Formal “Reinvention” Process

- Develop in-depth learning of best-in-class models from within/outside your industry and from best-in-class retailers. Incorporate this learning element into your ongoing planning process to stimulate new thinking and to drive key planning steps.
- Create research tools that expand your range of reinvention solutions. Test ideas which extend beyond today’s accepted usage and shopping patterns and which address the larger consumer need-state or shopping occasion.
- Define a reinvention implementation process that translates learning into application and “how business is done everyday” across the organization and with key retailers.

Structure: Create an Organization To Achieve Your Goals

- Develop a work blueprint that defines the “work of the organization” needed to deliver against growth-focused strategies. This needs to be a multi-disciplined focus that also defines roles and responsibilities.
- Get an independent assessment of your organizational capabilities compared to the work of the organization developed to achieve growth.
- Build your organization through capability enhancement. Use training, employee rotation, matrix management, new hires, internal leaders and external subject matter experts to help fill in any capability gaps.

Execution: Translate Plans into Growth

- Develop tactics which “market through the retailer” rather than “promote at retail.” Address the need states and larger shopping purposes identified in your strategy through non-traditional vehicles such as presence marketing, as well as through the full range of retail options including promotion.
- Incorporate cross-industry best practices into your trade promotion plans. Your learning on business drivers and promotion in categories/industries outside your own should be integral to your planning process and should inform discussions on data, systems, and training needs.
- Use learning from ethnic programs to boost mainstream business. Identify the specific attributes and elements of ethnic activities—both your own and retailers’—in your category which can be leveraged against the larger population.