

## The Role of Shopper Marketing

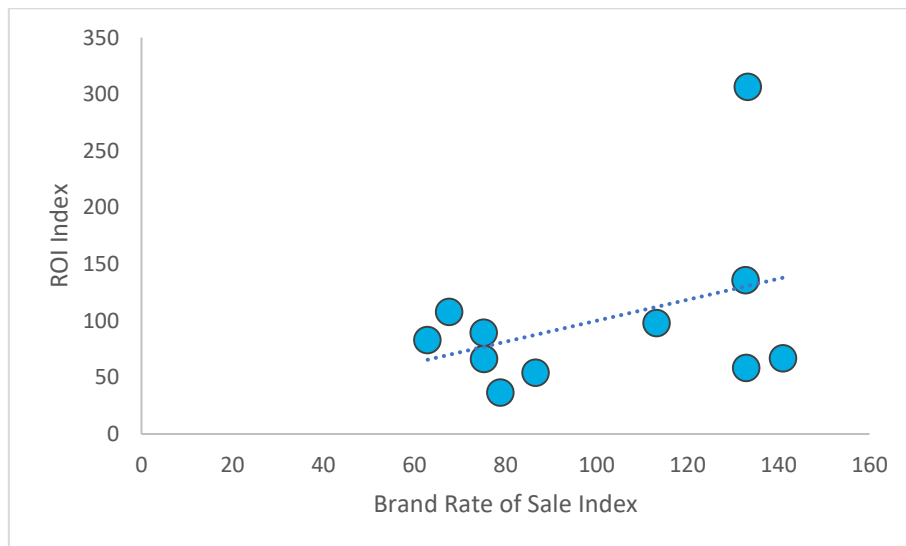
As a method of touching consumers, Shopper Marketing activity is often the least well understood channel of a brand's overall marketing mix. Difficulty in directly measuring the impact of such activity, coupled with an often poor understanding of the goal of Shopper Marketing leads many brands to conclude that spend in this area is more of a "necessary evil" suited to satisfying retailer demands around listings and combatting competitor expenditure in this area. Indeed, many brands view such activity as the "poorly performing cousin" when compared to the likes of large scale brand Above the Line and Digital activity.

Whilst there is some truth to the former set of assumptions (that brands must often spend in this area to maintain their listing and ward off activity by competitors), comparisons to other forms of brand marketing activity are unfair and largely miss the point of Shopper Marketing activity: that is that it is an extremely efficient way of both stimulating trial in new and emerging product lines as well as providing a means to stimulate trial in established product lines amongst audiences that are untouched by more mainstream marketing activities.

One of the keys to success in utilising Shopper Marketing activity lies in understanding the relationship between the return generated from marketing investment and the underlying rate of sale of the brand being marketed.

As the chart below shows, higher ROIs are generally associated with higher rates of underlying rate of sale for brands.

### Relationship between Marketing ROI and Brand Sales



Limitations on reach as well as minimum buy thresholds often mean that brands need to spend many millions of pounds in order to physically even operate a successful Above the Line campaign, meaning that the underlying rate of sale for a brand needs to be fairly high pre campaign in order for the campaign to pay back.

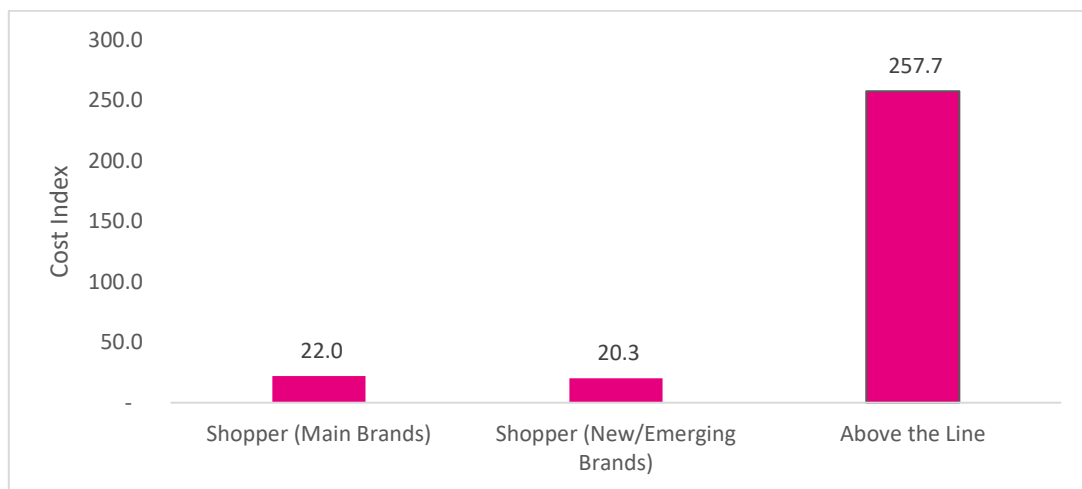
To put this in context, our database of the uplift generated from various forms of ATL marketing, as well as that of comparative industry benchmarks indicates that such campaigns generate anywhere between a 1 -10% uplift in brand sales.

This means that a marketing execution costing, say, £1m would need to have underlying annual brand sales of at least £100m to ensure the activity at least returns back what was spent on it in the first place, excluding any considerations for tax, retailer and gross margin.

Large scale brand activity often costs many times this amount, meaning that base rates of sale need to be incrementally higher than this to make financial sense.

Shopper Marketing executions, however, cost far less than the this to operate. Spend on such activity often costs in the tens, or indeed low hundreds of thousands meaning that base rates of sale can be far lower to generate a payback than they are for larger scale ATL campaigns.

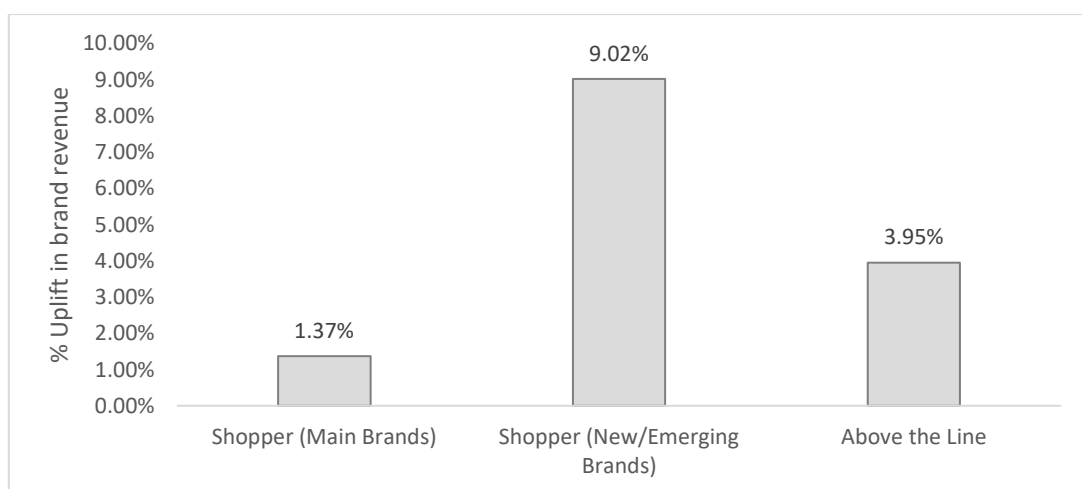
### Comparison of Costs: Shopper vs Above the Line



Source: Retail Alchemy Client Database

This makes Shopper a very accessible and efficient way of stimulating demand for new or lower selling product lines, and indeed our analysis of the impact of such campaigns suggests that such activity is often vitally important to such product lines, generating percentage uplifts in sales that far eclipse those of their main brand and ATL counterparts:

### Comparison of % uplift in Brand Sales



Source: Retail Alchemy Client Database



Whilst the physical pounds and pence in overall revenue terms may not be as large as that for the ATL campaigns, these uplifts demonstrate that Shopper activity plays a vital role in delivering incremental sales in smaller/emerging brands, increasing the base rate of sale so that eventually ATL activity may be viable on such brands in the future.

Brands should therefore recognise that Shopper isn't designed to do the same job as ATL, rather that it represents one of the many tools in a marketer's toolkit that, if used appropriately, can provide massive relative benefit to the brand it is being applied to.

To find out more about how we help brands evaluate the impact of their Shopper Marketing activity, visit our website at [www.retailalchemy.co.uk](http://www.retailalchemy.co.uk)



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