What should CPG Manufacturers do in this Economy?

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Next time you're out in the marketplace, stop by your local Supercenter or Dollar Store. Take a look around and you will notice an interesting phenomenon – there are more and more people shopping there. According to Information Resources Inc (IRI), as published in their July 2008 Times and Trends, more than 70% of shoppers have historically visited more than five channels to complete their CPG shopping. This year though, with budgets tightening and gas prices at an all time high, consumers are shopping at fewer outlets (more one-stop shopping) and looking for greater value. It's not a surprise that household penetration is up significantly at Supercenters (almost 10% higher than last year) and both Clubs and Dollar Stores have seen modest gains. With these increases, overall trips to the store are down almost 3% but dollars per trip are up over 3%.

So, what does this mean to a CPG manufacturer? It means that you have fewer chances to convince a consumer to add your product to their basket. For small to mid-sized and/or regional food manufacturers that do not have broad scale distribution of their products, it could also mean that consumers are spending less time in the retailers and/or channels where your product is on the shelf. So, what should you do? Here are some important sales and marketing tactics that you should consider:

Sales

- ***Focus on the right customers*** – a company with limited resources (marketing/ promotional spending, supply chain infrastructure, people, etc.) or a product that has some distinguishing quality (organic, healthy, ethnic, value, premium, etc.) needs to ensure that they are selling their product to the right customers in the markets and that the product is distributed in the right stores to maximize the ROI of their efforts.

- ***Get the most out of your sales company (and make sure you're with the right one)*** – at retail, you typically get one chance to get it right. Your sales company should be guiding you to success. No two customers are alike and the requirements and timing for each one is different. Your sales company needs to make sure that your message, your offer and your positioning is compelling to the customer. They need to make sure that you get in front of the customer at the right time (i.e., when the category is being reviewed). Finally, your sales company needs to make sure that all follow-up happens as expected and that the keys to success – pricing, shelf placement, promotions, and assortment are in place to maximize your success.

Marketing

- ***Get your value proposition right*** – there are two things happening at retail today that are working to keep your product off the shelf: private label shares are at historically high levels and more and more "new" categories and departments are squeezing the shelf space of traditional center store categories. More than ever, the value proposition or your brand's/product's "reason for being" has to be clear and measurable.

- ***Make sure you can get the consumer to try the product*** – good looking packaging will only get you so far in driving consumer trial. These days, national forms of marketing are available to the biggest brands. You have to consider how you are leveraging non-traditional forms of local marketing and public/media relations (PR) to create awareness of your brand and your value proposition to drive consumers to the shelf to try your product. You also need to rely on your sales company to guide you into marketing vehicles the retailer has in place that can be initiated to drive trial. Remember, most retailers are spending millions to drive their brand; it makes great sense to take advantage of that message.

Today's market is creating new challenges but also creating new opportunities. The companies that are maximizing their resources to drive distribution, trial, and repeat purchases will be the ones standing at the end of the day.

Good luck!!!