

Micro Managing – An essential trait going forward

An endeavor to look at possible challenges for FMCG marketers, going ahead towards 2010, is a difficult task in the most normal of times as it is. With the retail landscape altering by the day, it is an even more onerous task.

I believe that in the next few years, the significance of **PLACE** among the four P's will drastically go up in comparison to the other three. This will almost act as the prologue to any marketing plan and business plans will tend to get built around the same. Products, their pricing and promotions will come after **PLACE** is discussed.

Modern format retail – Changing everything

At the root of problem for the FMCG brand manager is the changing face of retail, which is influencing customer attitudes like never before and this is brought about in his/her working canvas by the emergence of Modern format retail **which I believe is yet to earn the status of being organized retail.**

Yes, the so-called modern format retail is yet to organize itself. Their back end is struggling to catch up. The so-called benefits of scale are not there and the costs have gone through the roof upsetting all calculations of operating costs. Therefore, there is always a tussle on operating margins, which finally have to come from either the customer or the FMCG marketer.

Added to this is the fact that all of them want to fight on price. This, typically by forcing the FMCG marketer to discount his product on their shelves, and milking the brand equity to build their own.

In the meantime, there are huge marketing investments also being put in by the modern format retailers, which are pulling in customers, albeit largely on price. The customer is simply having a ball and this means that for now spending is up and trials and indulgence is the order of the day. Nothing to complain for the marketer, I guess.

The customer – enjoying the indulgence

There is a continuing tussle because of contradicting beliefs on the opposite sides of the table between the brand owner and the retailer. The retailer believes that the customer is the store's customer, not the brand's customer – this is probably the most clichéd challenge being thrown upon FMCG brand managers.

With a distinct shift from category-specific brand loyalty to store loyalty, the Indian consumer is fast changing and will move towards no loyalty if there is no intervention today.

What this will mean for the umpteen FMCG brands out there is that there is going to be significant brand reinforcement and validation for these brands by being present in large chain grocery stores, supermarkets and/or large format stores. In this background, it is critical that FMCG marketers ride this bandwagon and be present and visible where it matters the most. The breakdown of brand loyalty, as we know it, and the emergence of store loyalty, for as long as there is a better deal, has ensured that the retailer today has a far higher command over what his consumer is buying than ever before. Distribution and counter share as a key point of differentiation will gain ground and will have to be constantly monitored if brands need to gain volume share.

Channel conflict and the need for micro management

Now is the time for even bigger change. Up to now, the FMCG marketer's challenge was limited to managing

modern format retail versus his traditional retail channel. Now there will be competition within modern format retail itself. There will be loyalties demanded by the retailer from the brand owner rather than the reverse, which the marketer was used to all this while.

Product portfolios will have to be managed between various modern formats and one has to hope that somewhere each store would have a clear positioning. Distribution, therefore, will have to be far more micro managed than ever before and that too by the brand manager and not necessarily the sales manager - because of the marketing challenges that it presents.

The conflict between the sales manager and the marketing manager is almost omnipresent. If the marketing manager now has to micro manage distribution, there could be organizational conflict, which could lead to unresolved channel conflict because both would continuously pass the buck.

Costs... Costs... Costs – Prioritize... Prioritize... Prioritize

Talking of bucks, what is almost certain is that costs, overall, will go up in all areas of sales, marketing, promotions, merchandizing and advertising. And the challenge will be to be able to strategically prioritize. There will be no common strategy possible across large geographies.

The number of heads in an expenditure plan will go up significantly. No longer will the brand manager be able to manage with three to four heads of advertising, POS, in store costs, and promotion. Each one of these heads will have several new dimensions to them.

This calls for significant synergies in marketing plan implementation of both, the retail stores and the brands. Going ahead, the second challenge lies in generating and analyzing enough geographically unique consumer insights. Combined marketing activities and store-specific marketing budget break-ups are already in vogue, and will only get more popular, especially given the breakdown of brand loyalty amongst consumers. Combined activities, restricted till date to on-ground promotions and events, are actually moving into the space of collaborations in media spends, shared distribution resources, counter share deals, etc.

Marketing resources will, therefore, be split more evenly between attempting to build brand interest and ensuring conversion of purchase intent at the shop floor. The battles, if one were to call it that, will be fought on the shop floor, and soon, maybe on the street. Who knows, it could even spill over to the homes of the consumer. We are already seeing that in durables and it is only a matter of time before one will get to see a similar trend in the FMCG industry.

Direct marketing, supported by the convergence of technology, could emerge as a key tool, something that FMCG brands haven't been too keen to experiment with. With retailers cracking the whip and adopting 'go-to-customer' tactics (think toll free numbers, home delivery models, online selling systems) unlike earlier, it is critical that brands move in unison with their retail partners in such ventures if they need to emerge as top-of-mind brands during the purchase decision-making process.

With so much to do, so many people to address, obviously, the ability to think beyond known



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