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Full Length Article

New product success in the consumer packaged goods industry: A shopper marketing approach[☆]

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ABSTRACT

Marketing activities that influence shoppers along the various stages of their path-to-purchase are gaining attention from both manufacturers and retailers. Using a dataset with detailed information on 105 new products (NPs) launched in the U.K. by 44 leading brands and sold across 13 major retail banners, we provide strong support for the prominent role of both upper- and lower-funnel marketing actions that influence consumers before (upper) or during (lower) their shopping trip. We show which of these shopper-marketing instruments have the largest effect on NP performance at a retailer, and whether and how their effect is moderated by the retailer's store context. When it comes to NP success, the lifeblood of CPG companies, the lower-funnel marketing actions targeting shoppers directly at the point-of-purchase predominantly decide your fate. Thus, manufacturers should work ever harder to collaborate with retailers and push the store-specific shopper-marketing instruments in a favorable direction through information sharing and tailoring of their marketing program to individual retailers. Indeed, not all news is bleak for brand manufacturers. We identify five pieces of good news that brand manufacturers can use to their advantage.

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1. Introduction

For consumer packaged goods (CPG) manufacturers, the introduction of new products (NPs) is recognized as one of the most important marketing activities (Sorescu & Spanjol, 2008). Thus, it is not surprising that brand manufacturers spend significant resources on the development and launch of NPs. Unfortunately, despite these efforts, a large majority of new CPG products fail in the marketplace (Gielens & Steenkamp, 2007). Consequently, the question what drives NP success in the CPG industry has attracted considerable research attention (e.g., Ataman, Mela, & van Heerde, 2008; Steenkamp & Gielens, 2003).

While important, earlier studies have often focused on the overall, *market-level* effect on NP sales of marketing-mix instruments like advertising and NP innovativeness that influence consumers in the *pre-purchase* stage of the consumer purchase cycle (Lemon & Verhoef, 2016). More recently, an expanded perspective has been proposed that focuses on the entire path-to-purchase

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customers go through. In this view, firms should design and manage the entire process a customer engages in before making a purchase (Lemon & Verhoef, 2016, p. 71). This new perspective, sometimes called shopper marketing, emerged in the wake of studies that found that 50–70% of shoppers' decisions are made in-store (Shankar, 2011). It encourages manufacturers to broaden their thinking and manage national brands (NBs) across *multiple* stages along the purchase funnel (Lemon & Verhoef, 2016), and to also consider how *retailer-specific* activities in the store influence the ultimate purchase decision (Shankar, 2011).

However, two important considerations arise when adopting such a broader view that considers the entire customer journey. First, while manufacturers are in control of the upper-funnel marketing activities (related to branding, advertising and product innovativeness), competition laws in many countries, including the U.S. and the U.K., have limited the ability of manufacturers to enforce the retail prices of their goods. Nevertheless, manufacturers attempt to negotiate with their main retail clients to jointly decide on retail prices while both the manufacturer and the retailer exert some influence on the promotion calendar (Guyt & Gijbrecchts, 2014). Also, literature on retailer pass-through (e.g., Ailawadi & Harlam, 2009) shows considerable variability in promotional pass-through. This supports the notion that even if the retailer ultimately is in control of pricing and promotional decisions in its stores, such decisions are influenced (and, in case of promotions, often funded) by the manufacturer.

Second, the shopper-marketing approach emphasizes that product success varies in function of the retail-shopper environment, recognizes the importance of both out-of-store and in-store marketing stimuli, and allows for the distinct possibility that the effectiveness of marketing efforts can – and will – vary based on the shopper retail context. This applies not only to the lower-funnel marketing stimuli at the actual point-of-purchase; also the effect of upper marketing actions may not be the same across store contexts. If anything, this holds especially for decisions related to the purchase of NPs, as these decisions are not yet part of consumers' habitual buying behavior that characterizes most CPG purchases. As a result, NPs can be very successful in some retail contexts but less so in others.

So, to improve NP performance, brand manufacturers need to move from traditional marketing to shopper marketing that (1) considers marketing actions along the entire path-to-purchase, and (2) allows for retailer-specific influences. In the words of Shankar et al. (2011, p. S36), “[T]he programs must be customized to the retailer's shopper base. The days of cookie cutter programs are a thing of the past.” This observation provided the impetus for our study. We will investigate the effects of both market-level, out-of-store shopper-marketing variables that are under the control of the NB manufacturer, as well as retail specific, in-store marketing actions that are the outcome of frequent negotiations between a manufacturer and each individual retailer on the performance of the NP at that retailer. We also consider whether and how the effectiveness of these shopper-marketing instruments is moderated by the general and category specific store *context* in which NP purchases take place.

Our research seeks to provide an initial answer to the following four research questions. First, how important is shopper marketing in determining NP performance at the retailer? Is it really the important driver that shopper-marketing enthusiasts envisage? Second, what is the collective importance of the manufacturer-controlled, out-of-store shopper-marketing variables versus retailer-manufacturer negotiated, in-store shopper-marketing variables in explaining NP success? Is NP performance largely driven by manufacturer market-level actions or do retailer-specific factors take the front seat? Or are they roughly equally important? The implications for the relative power of manufacturer versus retailer are profoundly different. Third, what is the substantive impact of the different shopper-marketing variables in driving NP performance? While the direction of most drivers is, arguably, well-established, we know less about their relative impact on NP success. Fourth, to what extent do the effects of the various shopper-marketing variables differ according to the store context in which the NP is sold?

Collectively, the answers to these research questions provide brand manufacturers with important shopper-marketing insights. This not only allows them to develop more effective shopper-focused, as well as trade-targeted, NP marketing strategies per se, but also provides a platform to work towards a better strategic alignment between retailers and brand manufacturers. The insights generated by this study are based on the performance of 105 NPs launched in the U.K. across 21 CPG categories by 44 leading NBs during a three-year period. We will evaluate the success of each NP across 13 leading U.K. retail banners from 10 retail firms.

2. Research framework

Our focal variable is NP performance at an individual retailer, which is operationalized as the NP's category share at that retailer in the year after that retailer included it into its assortment. Industry studies (Ernst&Young/ACNielsen, 2000) and academic research (Steenkamp & Gielens, 2003) regard the first year to be crucial for the success of new CPGs.

Our research framework (Fig. 1) conceptualizes the impact of various marketing-mix instruments around the marketing funnel. The marketing funnel is especially popular among practitioners (e.g., Court, Mulder, & Vetv, 2009; Rubinson, 2010). In our funnel, we distinguish between upper- and lower-funnel shopper-marketing variables. By taking into consideration the entire path-to-purchase, shopper marketing emphasizes the complimentary importance of upper-funnel (mainly out-of-store) marketing stimuli that influence consumers early in the purchase cycle and lower-funnel marketing stimuli that affect shoppers once they enter the store (Shankar et al., 2011).

We use this insight to identify two groups of marketing-mix variables that affect NP performance. The first group consists of upper-funnel shopper-marketing variables that influence consumers before they enter the store. These factors can – and often do – exist distinct from any particular retailer, and are under the exclusive control of the brand manufacturer. Using the 4P's as organizing framework, the key instruments under the exclusive control of the brand manufacturer are the product – where we consider both the brand equity of the mother brand under which the NP is introduced and the innovativeness of the NP – and the advertising component of the promotion mix.

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