



## Held Accountable

CPGs rely more on third-party companies to execute programs — and prove they did them right

By Ed Finkel

Third-party logistics companies say they're increasingly the go-to solution for brands looking to ensure that displays get up on time and in the right place. But with responsibility comes more accountability — particularly now that shopper marketing has helped brands hone the list of targeted stores, and technology continues to provide more reliable ways to measure.

"In general terms, execution has improved because there's better controls in place, better technology in place, and I think there's a much greater emphasis on post-promotion analysis, so the measurements of success and failure are more sophisticated," says Todd Baird, division vice president for retail teams at Advantage Sales and Marketing, Dallas.

"If you look further into the history of the business, it was, 'Stack it high, watch it fly. A loaded customer is a loyal customer,'" he adds. "It used to be one-size-fits-all. Today, there's a laser-like focus on a specific consumer, for a product or trade event. The programming is far more customized than it used to be."

The days of sending out endcaps tied to the Super Bowl and assuming they

went up are over, agrees Jim Rose, CEO of Mosaic, Irving, Texas. "The reality is 80% max got set up appropriately," he says. "We put it up and don't just say we put it up. We take pictures: Here's what it looked like when I left."

Retailers are looking to CPGs for those customized solutions to increase basket size, frequency and loyalty, says Alison Hopkins, field marketing director, national accounts — off-premise for Bacardi USA Inc., Miami.

"We rely on distributor third parties for all of our displays. It's a strength for our industry to have these executional arms," she says. "The coverage is a huge advantage — being on-site, in the stores, weekly or biweekly or potentially more, gives us the strength of execution."

### More Than Labor

Logistics companies were once looked at as primarily labor providers, and usually the lowest bidder won. But CPGs too often got what they paid for, says Ethan Charas, treasurer of the National Association of Retail Manufacturing Services (NARMS) and CEO of StratMar, Port Chester, N.Y.

"We're coming earlier in the relationships, acting as the complete solution, but they're demanding a lot more for it," he says. "They're demanding performance. They're demanding quality work."

Among the specific requests by CPGs are fully background-checked employees with proper training rather than cheaper subcontractors, complete transparency with photographs of displays once they're installed, and next-day reporting, Charas says.

Employees at StratMar take an online test that they only have two chances to pass, tailored to a client's particular assignment, Charas says. "We can then say to a client, 'They may not be perfect, but they have been trained specifically to your assignment.'" Then, third-party logistics companies can and should feel more comfortable owning up to less-than-perfect installations. "It's a people business. Clients know that mistakes happen," he says.

The next-day reporting with photographs gives clients assurance that nothing is being kept from them, Charas says. Everybody wants proof. "I want to be able to look at photographs in the store. I want to look at raw data,

the next day. It's speed, speed, speed — and accountability. The way we can afford to do that is by the manufacturers saying, 'I'm willing to pay more.'"

But the research involved in shopper marketing helps keep costs reasonable by enabling brands to narrow their scope, Charas says. "People are now saying, 'I only want you in the stores where I want you. I want you in 312 CVS stores, in this two-week window, and I'm not going to pay you to go anywhere else,'" he says. "Instead of paying \$16 or \$17 a call, they're paying \$24 a call, for a lot less calls. And I have to prove that I actually did the work."

Third-party providers need to build heavy-duty analytics into their process, Charas says. "You can no longer go in with a canned set of questions," he says. "Every project has a unique objective. The analytics need to be collected to prove a case of some kind. We've put a lot more money into data guys. All they do is data analysis. The labor-provider model didn't need that."

"ROI is king, more than ever," he adds. "If you can't prove you have moved the needle, if you can't prove the work is done, if you can't prove you're not cheating and

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**“If you can’t prove you have moved the needle, if you can’t prove the work is done, if you can’t prove you’re not cheating and stealing and lying, I hate to say it, you’re not going to survive very long. Ultimately, only those companies that do this will survive.”**

Ethan Charas, CEO, StratMar

American Greetings have “a dedicated group going into stores on a regular basis.” (Pepsi field marketing coordinator Tara Coleman confirms that her company’s bottling division handles all display transportation and setup.)

But overall, “Big brands are realizing that’s not their area of expertise. We certainly hope that continues,” Lee says. “There is a move toward third parties. We are definitely seeing that on the merchandising side, where people are putting out to bid on larger programs. They’re consolidating some of the things they used to do. They’re also taking some of the store-level work off their field salesforce.”

Other reasons for using third parties include the need for speed and a desire to capture the floor space their smaller competitors can’t afford during leaner times, Lee says. “They want to get it out

there quick,” he says. “The Proctors of the world, the Krafts of the world, they have the depth and the muscle to spend in a down economy, so when we turn, they’ll be in a great position to pick up market share.”

Third parties provide a responsive, variable cost that can handle a large project with two weeks notice and don’t carry the continuing costs of permanent employees, says Rushton McGarr, vice president of products and communications at Market Force Information Inc., Louisville, Colo.

“We’re an efficient, cost-effective way for businesses to have touchpoints across the country,” he says. “We’ve worked with a lot of these folks for a long time.” On the down side, McGarr adds, “You can’t exert as much control over the independent contractor as you could an employee network.”



Rand Diversified, Edison, N.J., has its own co-packing and fulfillment facility, a division it calls Rand Direct.



Part of the push toward third parties has come from retailers, says Mark Sadock, executive vice president of sales at Alliance, a division of Rock-Tenn Co., Winston-Salem, N.C. “A lot of those third parties do a lot of work at retailers [already]. They probably get some synergy or advantage by having that same company do the work.” That can present challenges, though, when a CPG has a preferred vendor. “How do they make sure everything gets synched up?” he says. “That’s the risk.”

Fewer and fewer retailers have the resources to handle display sets themselves, which has led some CPGs to turn

to third parties while others try to place added responsibility on their salespeople, says James Flattum, marketing manager for Lawrence Merchandising Services, Plymouth, Minn.

“It kind of ebbs and flows,” he says. “The vendors are realizing that it’s very important to get their merchandise on the floor, and they’re proactive in not expecting retailers to take responsibility. That’s our business. We’re in major retailers on a regular basis. We know the ins and outs.”

**Measuring Performance**

CPGs with which Advantage works typically include set-up directions and rely on the third-party firm to handle at least some measurements of ROI during the campaign and to take the displays down at the end, Baird says.

“It’s typically very prescriptive. There’s a set of requirements that go with the project,” he says. “There’s data that we capture and feed back as proof of performance to the manufacturer. Then, there’s also third-party measurements that most manufacturers look at, like IRI and Nielsen.”

How best to measure display performance and ROI is the “\$64 million question,” Sadock says. “Some of these detailers have pretty sophisticated systems, whether it’s a hand-held telephone or some other PDA. Others, it’s very intangible. They’re just walking around and checking.”

The Store Attribute Manager from Baesman provides a store-centric Web-based database that can collect and custom-sort a wide variety of data, Kirkman says.

“How many windows, pants racks, whether it’s in a mall or freestanding, how many exterior entrances it has, fixtures, types of product lines, marketing categories,” he says, giving examples of the raw inputs. Then, one can ask, “Show me all of my mall stores in the top 50 by volume that have this kind of pants fixtures and more than one street entrance. The system reveals how many stores they have in that category. That list can be e-mailed to any vendor.”



DNI Retail Design, St. Charles, Ill., has a team that can handle complete store build-outs.

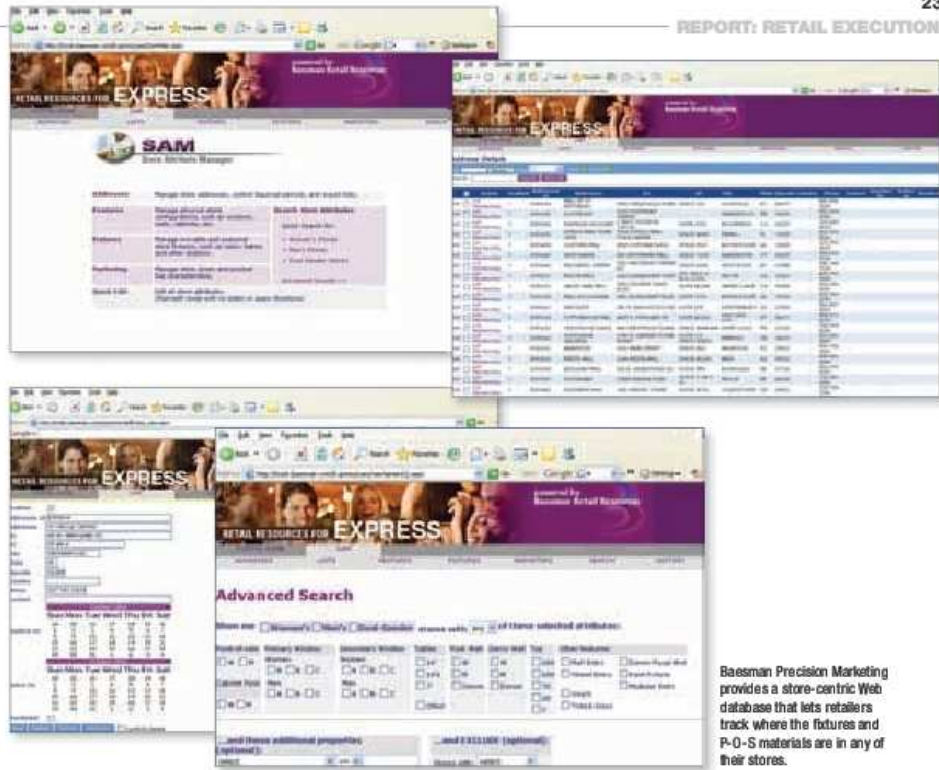
stealing and lying, I hate to say it, you're not going to survive very long. Ultimately, only those companies that do this will survive."

Dave Kirkman, vice president of operations at Baesman Precision Marketing, Hilliard, Ohio, says probably only 20% of third-party field service partners provide such a sophisticated assessment and feedback process. "There's a wide range of people in this market, based on price and how many places in the country they can touch for you," he says. "The top tier has a feedback loop so you know that the job got done, and got done right, and the people in the location agree."

**Third-Party Advantages**

For CPGs, the largest advantage of using third-party companies is the ability to scale up and scale down for seasonal or other intermittent efforts, Baird says. "It's typically not sustainable needs they have," he says. "It's also significantly less expensive for them to hire us or our competitors than for them to recruit, hire, train and deploy a large number of associates."

Kevin Lee, vice president of Footprint Retail Services, Lisle, Ill., still sees a mix of brands with their own field service personnel and those that use third parties. He says major companies like Coca-Cola, Pepsi, Frito-Lay and




Baesman Precision Marketing provides a store-centric Web database that lets retailers track where the fixtures and P-O-S materials are in any of their stores.



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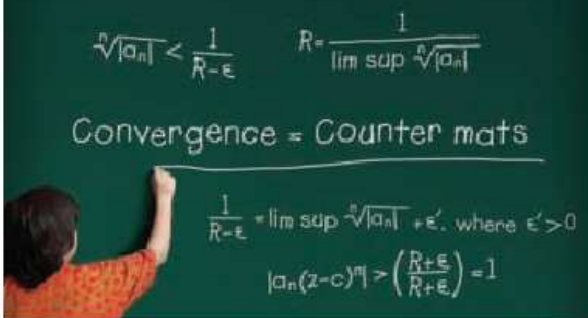


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Advantage's performance measurements come via hand-held devices that capture both store-level and SKU-level data and are fed into an online project-tracking system, Baird says. "We can answer various survey questions, pretty much anything you can put in the form of a question," he says.

Footprint brings tablet PCs to the store floor, takes before and after pictures, and asks store personnel to fill out a survey about the experience, Lee says. "In the past, it was, 'Come up with a great plan, and then execute it and get it out there.' That was the finish line. Now, it's become a base expectation," he says. "People are definitely asking more pointed questions about, 'How do we determine success?'"

Mosaic provides a Web-based interface to show what went up and where, which requires employee training, Rose says. "If you're a big enough company, and you can invest in technology and other resources, [execution] has gotten easier," he says. "If you're still paper and clipboard, it's more difficult."

Bacardi's distributors use PDA technology to measure execution levels, which Hopkins says vary by channel and by store. Sales managers who manage the distributors do quarterly store audits, and "they're pretty much responsible for the end result," she says. "In a chain environment, there's planograms, and we follow those. In the independents, it's a little bit different."

**Remaining Challenges**

Execution varies not so much by product category as by retailer, Baird says. "There's an endless variety of store formats, and space constraints, and section sizes," he says. "The amount of space devoted to particular categories is a huge variable by store. The No. 1 challenge is floor space in the retail outlets."

Alliance's Sadock sees variation by product category in the granularity of detail captured in measuring performance. "There is a lot of expense involved," he says. "Some products, you can afford to collect that data because they have high margins. Other products, you couldn't spend another nickel."

Lee doesn't see much customization when it comes to execution. "If you are talking about a 5,000-store rollout or more, there might be some variation, based on store size, store setup, the age of the store," he says. "Other than that, it might be customized by chain. It becomes an expensive prospect for the brands."

Bacardi has found execution more difficult with the advent of clean-store policies, but the ability to partner with retailers through joint shopper marketing efforts provides an opportunity, Hopkins says. "The retailer's knowledge of the shopper has increased, and they're definitely looking for solutions," she says.

Mosaic's Rose is encouraged that effectively measuring retail execution has become front burner for CPGs and retailers but sees room for refinement. "Did it get executed? How? What did we learn from that?" he says. "Closing that follow-up, analytic piece is still out there. It's on agendas now, which is good. We'll see where that goes."



IBM Technologies, Cambridge, Mass., has a Web-based planogramming tool called the Visual Merchandising Manager. Many phone stores like Bell Canada (seen here) use it to track displays and shelves.

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