10 TIPS FOR WINNING MARKET SHARE IN TODAY’S SHOPPING CLIMATE
What separates the winners and losers in today’s shopping climate? Those who understand the current market. For that, consumer packaged goods (CPG) manufacturers need business-critical insights or they’ll be at a clear disadvantage. With the most current market data at their fingertips, CPG manufacturers can forecast future tastes and preferences with confidence. They can drive product innovation and adjust sales strategies. They can stay abreast of competitors. Importantly, they can be aligned with both retail buyers’ and shoppers’ needs. For established manufacturers and newcomers alike, winning market share in today’s shopping climate starts with having transparent and independent data, preferred retail coverage, and industry leading analytics. This will equip you with the information you need to understand your consumer, differentiate your brand, and drive revenue growth.

Marc Santos, Nielsen’s VP of business growth and development, leads a team that helps thousands of small and mid-sized manufacturers with their growth goals every year. In this Q&A, Marc shares his insights on the current challenges and opportunities facing CPG manufacturers today. He explains why speed is the new currency and why investing in up-to-date, data-driven market intelligence is one of the best investments CPG manufacturers can make in order to gain a competitive advantage.
CONSUMERS ARE MORE INFORMED ABOUT PRODUCTS AND THEIR CHOICES THAN EVER BEFORE. HOW IS THIS AFFECTING CPG MANUFACTURERS’ PRODUCT DEVELOPMENT AND PRICING STRATEGIES?

MARC SANTOS:

We’re seeing a majority of smaller CPG manufacturers responding slowly to changing consumer preferences. Many don’t have the accurate information needed to keep up with consumer changes and make informed business decisions as a result. They rely on general news outlets rather than facts-based, data-driven research (like what Nielsen provides). And their misconceptions about the cost and value of market intelligence also serve as stumbling blocks.

For example, a startup CPG manufacturer has an innovative new product and only has a small amount of seed capital to launch it. Market data might not be in its budget, whereas bigger companies can bring a new product to market much faster. When you look at larger CPG manufacturers, they all invest in data to stay ahead of market changes by looking at current product and retailer performance as well as anticipating what’s next. Because they’re being proactive instead of reactive to market changes, larger companies have an advantage over smaller ones in that respect.

“SMALL AND MID-SIZED MANUFACTURERS MISTAKENLY THINK THEY NEED TO BUY A DATABASE WORTH HUNDREDS OF THOUSANDS OF DOLLARS JUST TO FIND OUT THE CURRENT MARKET TRENDS OR THAT INFORMATION THEY NEED TO MAKE DECISIONS QUICKLY IS OUT OF REACH.”

By the time they get a good grasp of the latest trends, it’s almost too late. When they do catch up and introduce new products or adjust pricing strategies, their competitors may have beaten them to it. But actually, manufacturers can get the answers to make quick decisions and inform longer term strategy if they start with a small amount of data. There are solutions available in the market for as little as $1,000 that help companies get the insights they need to make more informed decisions and be more prepared for their next buyer meeting. That helps level the playing field when operating with data.
WHAT MICRO-TRENDS ARE AFFECTING TODAY'S SHOPPING CLIMATE? HOW SHOULD CPG MANUFACTURERS TAKE THEM INTO ACCOUNT TO INFORM THEIR STRATEGIES?

MARC SANTOS:

Some key trends from the last 12-18 months include customer-centricity, omnichannel retailing, as well as the growth of direct-to-consumer (DTC), packaging, sustainable and wellness. DTC brands, for example, have had an impact on the retail climate. DTC selling leverages new distribution models and social media marketing to bypass retailers and the traditional wholesale model, so CPG manufacturers must consider how these types of trends can affect their business as well.

My team is exposed to these trends every day, and we help CPG manufacturers adapt their strategies and navigate the market accordingly. Several examples come to mind. Let’s say your product is focused on sustainability. Nielsen Line and Price Optimizer will help you identify the best prices, varieties and pack sizes to maximize your revenue. You’ll have access to consumer input and predictive analytics to increase dollar and volume growth. And you can share all of this knowledge with retail buyers to show the full potential of your products and how they align with current market trends.

Another scenario that comes to mind involving trends is product line extensions. Imagine if a CPG manufacturer launches a meal-kit product and discovers a profitable new line extension into wellness categories (perhaps higher-protein, or lower-calorie versions of their products). When that happens, an entirely new customer and market intelligence for the product line extension will be necessary. Nielsen Data as a Service (Daas) gives you access to data across 60,000 audience segments for very specific audience targeting based on highly granular consumer characteristics, including demographics, psychographics, spending, store visits, basket size and purchases.

The bottom line is that retailers stock products that are likely to succeed. My advice to CPG manufacturers is to show retail buyers that their products deserve shelf space. For that they need facts-based, data-driven intelligence to connect their sales strategies to current trends, as well as keep their fingers on the pulse of any emerging ones.
HOW ARE RETAIL BUYERS LOOKING AT THESE TRENDS? THEY OBVIOUSLY KNOW IF THEIR CONSUMERS ARE INTERESTED IN WELLNESS AND SUSTAINABILITY.

MARC SANTOS:

“FROM A RETAIL BUYER PERSPECTIVE, IT COMES DOWN TO THE INDIVIDUAL RETAILER, THEIR VALUES AND THEIR REVENUE GOALS.”

So what trends matter will be 100% dependent on the specific retailer and account. Sustainability might be the number one priority for a large retailer. On the other hand, it might be of little concern to a smaller chain. When preparing for a meeting with a retail buyer, I’ll tell CPG manufacturers to bring an analysis that shows the potential success of their product at that specific retailer. That’s how to increase the likelihood of getting your product on the shelf while considering the latest trends impacting your target buyers.

I’ll put that into context. Let’s say you want to sell your new, organic skincare product at a retailer that mightn’t typically prioritize sustainable products. Your product might have a higher price point than the average skincare product. A buyer might approach it like this and say “We’re not going to give you distribution in all of our stores. We want to do a test first.” But, if you come equipped with the right information, and say, “Well, I already know that 10% of your stores are over-indexed for matching my consumer type, who’s already buying my product in other retailers. This is where you’re going to be most successful.” That’s the information that will resonate with your buyers and get them to take action.

To re-cap, knowing what’s on-trend and linking that knowledge to a retailer’s customer base is very powerful information to have. It proves to retail buyers that you are fully invested in partnering with them, and that you’re not just trying to get on every shelf regardless of whether your product is likely to sell.
ARE THERE SOME CONSUMER PRODUCT CATEGORIES THAT ARE OUTPERFORMING OTHERS, AND WHY?

MARC SANTOS:

A number of on-trend categories are performing very well right now, such as the “wine-based alternatives” category, which is also called progressive adult beverage (PAB). It includes hard seltzers and any similar product. In the last 52 weeks, the growth we’re seeing is nearly 800% on a $9 million business. There’s also oat milk (plant-based, lactose-free drink made from liquified oats), a $37 million business that’s up 530% from a year ago. The big one from a dollar perspective is alternative tobacco; vape pens are up 100% from a year ago. It’s a $4.5 billion volume.

“IN TERMS OF WHY THESE CATEGORIES ARE HIGH PERFORMING, IT COMES DOWN TO VARIABLE FACTORS LIKE CHANGING CONSUMER DESIRES AND ECONOMIC CONDITIONS.”

It can also depend on the retailer and their customer base. If you have a product or are looking to introduce a product into a high-performing category, it’s highly valuable to do your homework. My team will help CPG manufacturers look at high performing categories at specific retailers and how to leverage that knowledge to their advantage.

Another example, is if your product is focused on wellness and sustainability. A large national retailer focused on making some sort of social commentary might be very receptive to this. On the other hand, a regional grocery chain might be less interested, especially if they don’t even have a section dedicated to “all natural” products. For a regional grocer, the primary concern might be dollars per square feet, So, they might prioritize shelf space to the products that can generate the most dollars in the space provided. You can find out which retail buyers will be most interested in your product and category—and why—if you use retailer-preferred, market data. Nielsen’s Sales Effectiveness, for example, will tell you exactly which retail outlets are likely to stock your product and at which price point for maximum revenue and market share.
WHAT ECONOMIC FACTORS FACING CONSUMERS ARE AFFECTING THEIR BUYING DECISIONS, AND HOW CAN NIELSEN DATA HELP?

MARC SANTOS:

With fears of a recession fluctuating and depending on which way the pendulum is swinging, consumers will eat out less or more. Right now, pay is not keeping up with inflation and the cost of living. That is driving more people to eat out less, which means they’re shopping more frequently in stores. You’ll also find a bigger gap in the amount that different consumer segments are spending. Low-income communities are spending less and on lower quality foods — for example, processed foods with preservatives. Higher-income families are still maintaining their basket size and purchasing fresher, organic types of products. We’re seeing less change in the middle market.

This is the kind of market data CPG manufacturers really need to drive their business. Nielsen Consumer Analytics provides this type of fact-based information to help businesses understand the motivations that drive customers to spend or not spend. Our Homescan Panel Surveys for instance, represent more than 100,000 households in the U.S., balanced across demographics and geography. It’s an incredible resource for learning about the in-store behaviors of your most important consumers. When you have a clear picture of why consumers are buying your product or how their purchase patterns are changing, you can plan your business growth strategy with confidence.
WITH SO MANY CONSUMER NEEDS, PREFERENCES AND VALUES TO CONSIDER, HOW CAN MANUFACTURERS CATER TO CONSUMERS AND STILL DRIVE SALES?

MARC SANTOS:

If your product is targeting a more affluent and educated consumer in urban areas, we have information that would index all the stores in the U.S. It would show you the top 20% of stores where you’re going to perform the best, and rank it all the way down to the stores where you wouldn’t perform very well.

“FOR CPG MANUFACTURERS, IT’S ALL ABOUT THE RESOURCES THEY HAVE — MAINLY BUDGET — AND HOW TARGETED THEY WANT TO BE IN ORDER TO FINE-TUNE THEIR DISTRIBUTION STRATEGY.”

A good way to go about meeting consumers’ needs and driving sales is by using Nielsen’s Spectra™. My team often recommends this solution because it’s an easy-to-use, cloud-based app that combines panel data with behavior and lifestyle information to help you identify where the greatest consumer opportunities lie. If you can understand your consumers and their choices, you’ll be much better equipped to develop sales incentives that resonate, not to mention you’ll be able to implement more informed product assortment decisions and distribution strategies.
HOW IMPORTANT IS SPEED IN TODAY’S CLIMATE, NAMELY THE ABILITY FOR CPG MANUFACTURERS TO ACCESS INFORMATION INSTANTLY AND BE PROACTIVE VS. REACTIVE?

MARC SANTOS:

“How innovative can you be and how innovative do you want to be? Is that part of your brand strategy? In many product categories, especially new ones with lots of innovation, there are a few brands that can quickly get out in front of new trends. These are the brands that become household names. There can be hundreds of different brands in a category, but it’s the frontrunners that are quick to adapt that are successful. Speed is everything regardless of the category, except staples like milk, bread, eggs where it’s hard to innovate in. But for other categories, it is all about speed.”
CONSUMER TASTES CAN EVOLVE AND CHANGE VERY QUICKLY, IMPACTING SALES PERFORMANCE. MORE SKUS (STOCK KEEPING UNITS) CAN ALSO AFFECT PERFORMANCE. HOW CAN CPG MANUFACTURERS USE THE MOST CURRENT MARKET INSIGHTS TO DRIVE PRODUCT AND SALES STRATEGY GROWTH IN THIS CLIMATE?

MARC SANTOS:

Manufacturers should always keep a pulse on emerging trends and product characteristics surrounding their categories.

“AS NEW PRODUCTS ENTER THE MARKET, YOU SHOULD UNDERSTAND THEIR CURRENT SIZE AND GROWTH POTENTIAL TO HELP DEFEND AND COMPETE AGAINST THESE NEW ENTRANTS.”

Another area I suggest is maintaining an ongoing understanding of the characteristics that are most important to consumers (within specific categories). Looking at the structure of a market helps you take an unbiased look at what characteristics are most important to your consumers and how well they can best compete in those spaces.

SKUs are another consideration. More SKUs added to the shelf means more competition. It’s vital to the long-term success of CPG manufacturers to understand what drives their product category volume and incrementality. Smaller, niche brands can benefit from their incremental offerings relative to more established products. Meanwhile, if you’re the manufacturer of a legacy or older product, you can minimize the impact of niche products if you can show a retail buyer that the new product is not selling as fast as yours or that it’s not making additional sales despite significant promotions. You can have this kind of information and insights with **Nielsen’s Assortment and Space Optimization** solution, which incorporates the latest product and category sales data to ensure each product within a category is allocated the optimal space.
WHAT IS THE MOST IMPORTANT THING ABOUT RETAILERS' RELATIONSHIPS WITH CONSUMERS THAT MANUFACTURERS SHOULD CONSIDER IN THEIR STRATEGY?

MARC SANTOS:

There's one main thing, and it's 99% of the equation. Manufacturers must do their homework and determine what their retailer buyers are looking for. For example, a retailer focused on low prices might not prioritize attractive packaging or organic ingredients. It would be looking for the lowest prices, while maintaining their margins. That's the priority for that type of retailer.

Ultimately, it comes down to retailers having many different goals in their pricing and quality assortment. How does this impact manufacturers' strategies? You have to consider information such as what category your product sits in, what percentage of sales are branded versus private label, how many SKUs there are for private-label product versus branded, in addition to dollar volume.

"IT'S ALSO ABOUT CONSIDERING THE RETAILER'S BUSINESS MODEL AND GOALS IN ORDER TO HELP BRING IN MORE CONSUMERS TO ITS STORES."

For the most part, Nielsen is in retailers' offices or in their stores on a daily basis – that's how we're able to determine retailers' preferences and help manufacturers grow with those retailers. That's also why about 73% of retailers in the U.S. prefer Nielsen's market data.
WHAT HAPPENS TO THE MARKET SHARE OF CPG MANUFACTURERS THAT ARE REACTIVE AND SLOW TO ADAPT?

MARC SANTOS:

Some companies that are reluctant to make an appropriate investment in business-critical intelligence become so slow in their own category that when they finally catch up, they have to lower their price in order to drive adoption. That becomes the barrier to entry. Let’s think about this in terms of a business’ P&L. Imagine a business has an operating budget of $750,000 and allocates less than 2% of that to market data. In terms of the company’s overall marketing budget, that mere 2% it’s likely a relatively small amount. But data and business intelligence are so critical to decision making today, and ultimately business success.

“BUSINESSES NEED TO INVEST IN THIS AT THE ONSET. THAT’S HOW THEY CAN BE MORE PROACTIVE, MAKE INFORMED AND TIMELY DECISIONS AND GAIN SIGNIFICANT MARGIN AND MARKET SHARE.”

My team is dedicated to helping emerging and smaller brands get the relevant, and cost-effective data they need to succeed. Many CPG manufacturers are still getting their intelligence from business magazines because they’re not aware of other options that are affordable. But there’s a better way to run a business. My advice to CPG manufacturers, especially emerging brands, is to include data-driven intelligence and insights in your budget. You will be able to measure the ROI you generate and see for yourself (and other stakeholders as well as your buyers) the value it brings in growing your business.

Just ask yourself: How much is the confidence in your own product and marketing plan really worth? I hope you agree that you can’t put any dollar amount on that.

Learn how Nielsen can help align your organization and resources around the right data, analytics and insights to help you capitalize on changing market trends and increase your market share. Contact us today for more information or to request a demo of different Nielsen data solutions.
ABOUT NIELSEN

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