

*This provocative thought piece was written by Heather McKinlay in November 2004*

### **FMCG and Relationship Marketing: From Black Art to White Knight?**

There is a bit of a fallacy out in the marketplace that the idea of using direct marketing, or to use our preferred term, relationship marketing (RM), in the FMCG sector is a new idea. Innovative and brave, yes, but also a bit unproven and a bit scary.

Yet Heinz first ventured into DM 10 years ago. Guinness and Carling have been major investors in this channel since the mid 90s. The Jigsaw consortium, at the time of launch comprising Kimberley Clark, Bass, Unilever and Cadbury, was set up back in 1998. And the Tesco Clubcard – arguably a leading proponent of FMCG RM – appeared on the scene in February 1995. It must be time to drop the ‘black art’ tag and to embrace RM as a mainstream marketing tool in the constant battle to increase loyalty, share and value in the FMCG sector.

There are three overwhelming reasons why RM should be taken extremely seriously by FMCG companies right now:

- The absolute reality of media fragmentation. Believe it or not, this was one of the trends driving Carling to first venture into RM back in 1996! Of the prime time Saturday night audience, ITV is now doing well if its top programmes deliver 5-6 Million viewers, around 25% share, whereas in 2001 they were achieving nearer 9 million and 40% share. We really are leaving the age of mass media for good, and even ITV bosses now talk openly about managing dwindling audiences in a multi-channel world.
- Tightening legislation around broadcast advertising. This has already impacted tobacco, will soon come into force for alcohol, and food could easily be next.
- The increasing power of digital technology. Whether that’s interactive TV as a highly cost efficient recruitment channel, e-marketing as a strong communications and relationship-building medium, or digital printing enhancing personalisation and real-time response.

RM can ride in as the White Knight for FMCG in this environment. This is because it is about emotional engagement between the consumer and the brand – in a highly personal way. No other marketing channel delivers this.

Instead of taking sales volume/value as the starting point, RM takes consumer volume/value. How many consumers do you actually have, how do they break down by heavy/medium/light consumption, and what share of repertoire determines if they are loyal? This analysis enables us to focus RM efforts for maximum effect. A ‘loyal’ consumer means they buy your brand most often –

many categories are so fragmented that 'most often' can mean less than 50% of the time. So there can still be significant incremental volume and value opportunities among your existing loyal consumers, and we all know that it is usually a small % of high value, high frequency consumers who deliver the vast majority of profit. RM to existing loyals can be incredibly powerful without needing to be very expensive – emotional engagement can be enhanced simply by recognising their custom and sharing insider information with them: true personalisation at work. They already know and love the brand – RM can help strengthen that bond further by acknowledging and reinforcing this.

When it comes to less loyal consumers, RM can use sophisticated techniques to ensure the appropriate consumer profile is targeted. The database holds very powerful information, and for many FMCG companies this is a real eye-opener about whom their consumers really are – real people who have responded to the real brand, not just TGI statistics or serial focus group attendees. By looking at share of repertoire, RM can again pinpoint the major opportunities. Who are the high value category consumers buying competitor brands, and what personalised offer or message might convert them? Winning over a valuable new customer requires time, investment and creativity – RM metrics can be set up to ensure ROI is achieved, perhaps supported by cross-subsidy from quicker returns from the existing loyals. Provided you know the lifetime value potential of the individual, and you know the uplift you can achieve through RM, the numbers can stack up.

Time and again our research has demonstrated that RM delivers significant impact at individual level: changing both consumer attitudes and behaviour. Some of the uplifts we have seen on brand health measures have been staggering, and spontaneous awareness among consumers in an RM programme can outstrip the market average figure by 50%. In many cases, consumers really do want relationships with FMCG brands – they are happy to opt-in and to provide personal data, yet the very same people would be loathe to do this in response to many other sectors. Dialogue with consumers is a reality in FMCG RM: in Drambuie's programme, over 90% of consumers on the database have responded at least twice. Now that is real brand engagement.