FORRESTER BIG IDEA

March 16, 2005

Consumer-Focused Innovation

by Christine Spivey Overby

Helping Business Thrive On Technology Change

March 16, 2005

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Deeper Consumer Insights Will Reshape The Consumer Products Industry

by Christine Spivey Overby
with Sharyn Leaver, Navi Radjou, Rachel Beckhardt, and Sean Meyer

EXECUTIVE SUMMARY

Seismic consumer trends related to price, loyalty, brand awareness, and emerging markets are threatening the revenue and margin growth of consumer products (CP) companies. But today, CP firms do not have the optimal processes or technologies to convert consumer insights into profits. To remain relevant, these companies must master a new approach — called consumer-focused innovation — in which consumers play an active role in process redesign, product development strategies, and new channel development. Brands that learn to identify consumers' latent needs and partner with retailers for "entwined" outcomes will avoid the commodity death spiral.

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NOTES & RESOURCES

Forrester interviewed industry organizations including The Grocery Manufacturers Of America and The Uniform Code Council, as well as technology and consulting firms like Accenture, Deloitte, and Information Resources, Inc. We also interviewed several consumer products firms and included data from our North American and European Consumer Technographics® surveys.

Related Research Documents

"Maximizing Grocery Loyalty Data"
February 24, 2005, Trends

"Procter & Gamble Buys Gillette"
January 28, 2005, Quick Take

"Innovation Networks"
June 17, 2004, Forrester Big Idea

NEW CONSUMER TRENDS RESHAPE THE CP INDUSTRY

Radical shifts in consumer behavior — such as the rise of a post-war US middle class and TV as nightly entertainment — helped smart companies turn brands like Tide and Betty Crocker into blockbusters in the mid-20th century. Today, four new consumer trends are undermining traditional go-to-market approaches and squeezing profits, requiring consumer products (CP) firms to adapt their businesses to remain relevant (see Figure 1):

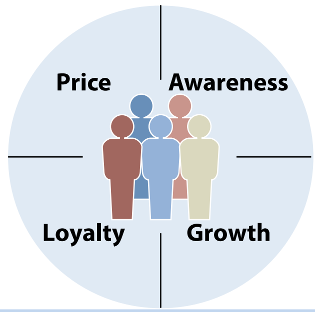
1. **Price-sensitive shoppers want it all.** Today, 48% of US consumers say that price is more important than brand — up from 41% in 2000.[1] As the value-driven trend accelerates, discount retailers like Wal-Mart and Aldi use their buying power to grind down prices on stalwart brands. Consequently, consumers won't trade high standards for discounts; they want both. Even disloyal European consumers rank quality and reliability as top product values, along with price.[2] In this environment, conventional wisdom — such as price-sensitive shoppers being primarily low-income — no longer applies. Dollar General's fastest-growing segment is consumers who make more than $50,000 per year.

2. **New technologies cannibalize traditional media.** The Internet has eroded the impact of mainstream CPG advertising channels, particularly among younger consumers. Twenty-six percent of US consumers age 18 to 34 watch less TV as a result of the Net — prompting top marketing executives from Coca-Cola and Procter & Gamble (P&G) to renounce dependable mass marketing tactics.[3] Where are today's consumers spending more time? With new, addressable media like mobile phones, email, and instant messaging.[4]

3. **Brand promiscuity trumps loyalty.** Consumers are willing to switch to Albertson's pain relief brand when they know that it contains the same active ingredient, acetaminophen, as Tylenol. Private labels turn retail partners into competitors when many see no difference in quality between store and regular brands. Interestingly, the disloyal are often bigger spenders than their loyal counterparts. In the soft drink category, brand switchers spend $37 more than Coke loyalists and $16 more than Pepsi loyalists annually.[5]

4. **Consumers in emerging markets have strikingly different needs.** CP brands must rethink reliable pricing, packaging, and even product development practices to tap middle- and lower-income groups in emerging markets. In the laundry detergent category, most consumers in India are price sensitive and can choose from more than 100 national and regional brands.[6] P&G has responded with price cuts as high as 50% for its premium Tide and Ariel brands. But while P&G can trade some profits for volume, it must recoup margin by testing cheaper product formulas.

Figure 1 Consumer Products Executives Pay Attention To Four Consumer Trends



Price	"Consumers and retailers are increasingly value-conscious . . . To build superior brand value, we must deliver more product benefits for the price paid than our competitors." — Louis C. Camilleri, Chairman, and Roger K. Deromedi, CEO, Kraft
Awareness	"Identifying one brand position and communicating it in a repetitive manner is old-fashioned, out of date, [and] out of touch brand communication." — Larry Light, CMO, McDonald's
Loyalty	"We compete against some of the best companies in the world, and they are not standing still. Branded competition, as well as retailer brands in a variety of formats, presents a constant challenge to lead innovation and offer superior value." — A.G. Lafley, Chairman and CEO, Procter & Gamble
Emerging markets	"Our strategy in Blades and Razors is to drive category growth and increase our share of the total economic profit potential that the market offers. We are well-positioned in growth categories and regions around the world. Tradeup is driving growth in developed countries and is proving to be just as effective in emerging markets." — James Kilts, Chairman and CEO, Gillette

Source: Forrester Research, Inc.

Growth-Seeking CP Firms Fail To Convert Consumer Input Into Profit

CEOs at top companies like Kraft Foods and PepsiCo believe that innovation — using invention to change the way something is done, experienced, or created — is the catalyst of growth. But while these firms have listened to their consumers for years, most still fail to act on consumer insights when implementing a broad range of innovations. The result is suboptimal efforts in the areas of:

- **Product innovation.** While product development groups solicit consumer input today, many tactics like focus groups and conjoint analysis are inconsistent and expensive to execute. As a result, brands limit consumer input into the R&D process, even though these insights lead to new products and channels and validate product extensions and improvements. The effect is tangible: 80% of new products fail within the first three years of introduction.[7]

- **Service innovation.** Outdated trade practices like untargeted promotions erode the service that CP brands offer to both their consumers and retailers. Here, retailer practices often hamper success. Even though firms like CVS and Stop & Shop use loyalty card data to improve product assortment and store formats, few share this information broadly with their CP suppliers.[8] Without this data, brands can't create trade programs that increase lift among their most profitable consumers.

- **Process innovation.** Retail market basket data combined with internal consumer segmentation models can optimize order fulfillment and replenishment processes. But the paucity of real-time consumer data means that supply chain planners make decisions about inventory-placement-based factors like logistics efficiencies — not insights like "Consumers who buy more of my brands tend to reside in the Northeast and mid-Atlantic."

- **Business model innovation.** New business model approaches like collaboration and efficient consumer response (ECR) have been buzzwords in the industry since the early '90s. However, in an industry known for buyer and seller mistrust, few CP firms and retailers have defined "entwined" goals that center on the consumer and increase the success of both parties. That's why true collaboration is so slow getting off the ground: 50% of CP firms in a recent Forrester survey believe that retailers' data sync demands offer nothing to suppliers in return for investment.[9]

Existing Technologies Ignore Consumers' Role In Innovation

Despite its importance, consumer data often remains locked in marketing and the retail point of purchase. The absence of consumer insights undermines the success of key IT priorities — and reinforces the perception that IT is not a source of business innovation:

- **Product life-cycle management doesn't incorporate consumer input.** Today's PLM tools limit the role that consumer input plays in a new product's success, because they don't factor in Web-based consumer prototyping and structured feedback. Kimberly-Clark Worldwide spent more than $100 million to develop Cottonelle Rollwipes — pre-moistened toilet paper packaged in rolls — only to see it tank in the market. The problem? Product prototyping failed to unearth important usage problems — such as bashful consumers who were scared away by the conspicuous bathroom dispenser.

- **Trade promotion analytics use out-of-date syndicated data.** New releases of trade promotion tools have beefed up analytics engines — but still rely on stale syndicated data to model the likely success of future promotions. There are two problems with this approach. It doesn't factor in leading consumer indicators — such as how the impulse to "trade up" for premium brands could render a trade promotion for Seagram's Gin unnecessary, or even detrimental to the brand. Also, because syndicated data is often weeks old, account teams miss the window when they can tweak the promotion to improve its impact.

- **Global data synchronization (GDS) focuses on product data only.** By June 2004, more than 3,500 CP firms had subscribed to the GDS global registry in an effort to eliminate $40 billion in annual costs. These efforts focus on a manufacturer's product information — not the consumer insight collected by retailers. Most manufacturers that share clean item data will solve obvious inefficiencies like invoice writeoffs and clunky item introduction. But ultimately, this will be a zero-sum game and offer no lasting competitive differentiation. Bar codes and EDI were once the vanguard of data collaboration, but now they are just a cost of doing business.

- **Enterprise data strategies lack executive backing.** Consumer data is hopelessly fragmented and unwieldy. Because most CP firms demand a one- or two-year payback on IT investments, few CIOs have the proper incentives to undertake major consumer data harmonization efforts. Related enterprise data strategies share the same problem. Although clean master data is a prerequisite of GDS, 53% of executives admitted that they lack a corporate strategy for product data.

CONSUMER-FOCUSED INNOVATION STEALS SHARE AND OPENS NEW MARKETS

The good news is that CP firms understand that innovation matters. But they ignore consumers at their peril. Without an organizational realignment that focuses on consumer insight, today's most powerful brands will fail to introduce the new products and experiences that delight empowered consumers — and result in new growth in emerging markets and increased domestic share. To survive, CP firms must not only respond to but also *anticipate* consumer needs. Forrester calls this approach consumer-focused innovation and defines it as:

> *Using consumer insights to create and market new products, business processes, and experiences that yield revenues and profits.*

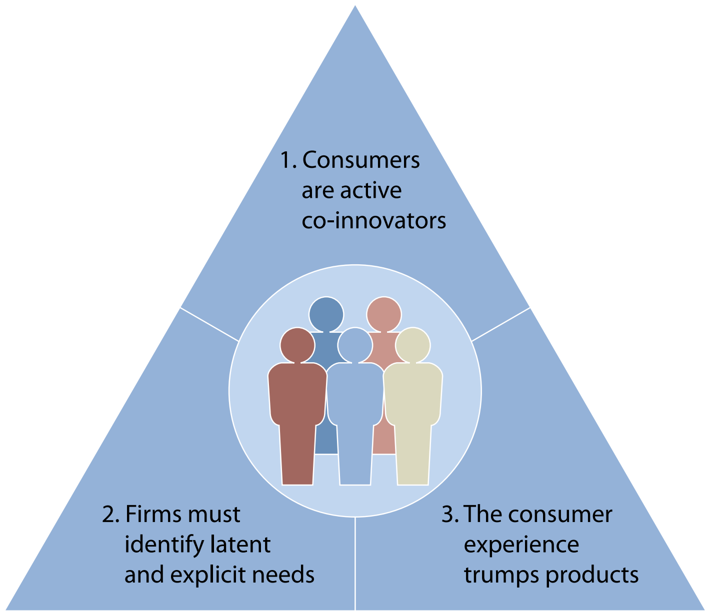
CP firms that master consumer-focused innovation will (see Figure 2):

1. **Actively engage consumers.** Rather than serving as passive recipients of CP innovation, consumers become active participants in process redesign, product development, packaging, and pricing strategies. The impact? More successful new product introductions and faster development cycles.

2. **Heed both latent and explicit consumer needs.** It's not enough for CP firms to be *driven* by demand. If this is all brands do, then they'll be first-class at meeting consumers' explicit needs, but they'll never tap into high growth just by identifying their latent needs.

3. **Sell consumer experiences — not products.** At certain critical points, consumers make decisions about which brand they will buy and whether they will purchase the brand in the future. CP firms must offer compelling experiences at these "moments of truth" to create sustaining loyalty and encourage purchases across their entire product portfolio.

Figure 2 The Three Guiding Principles Of Consumer-Focused Innovation



Source: Forrester Research, Inc.

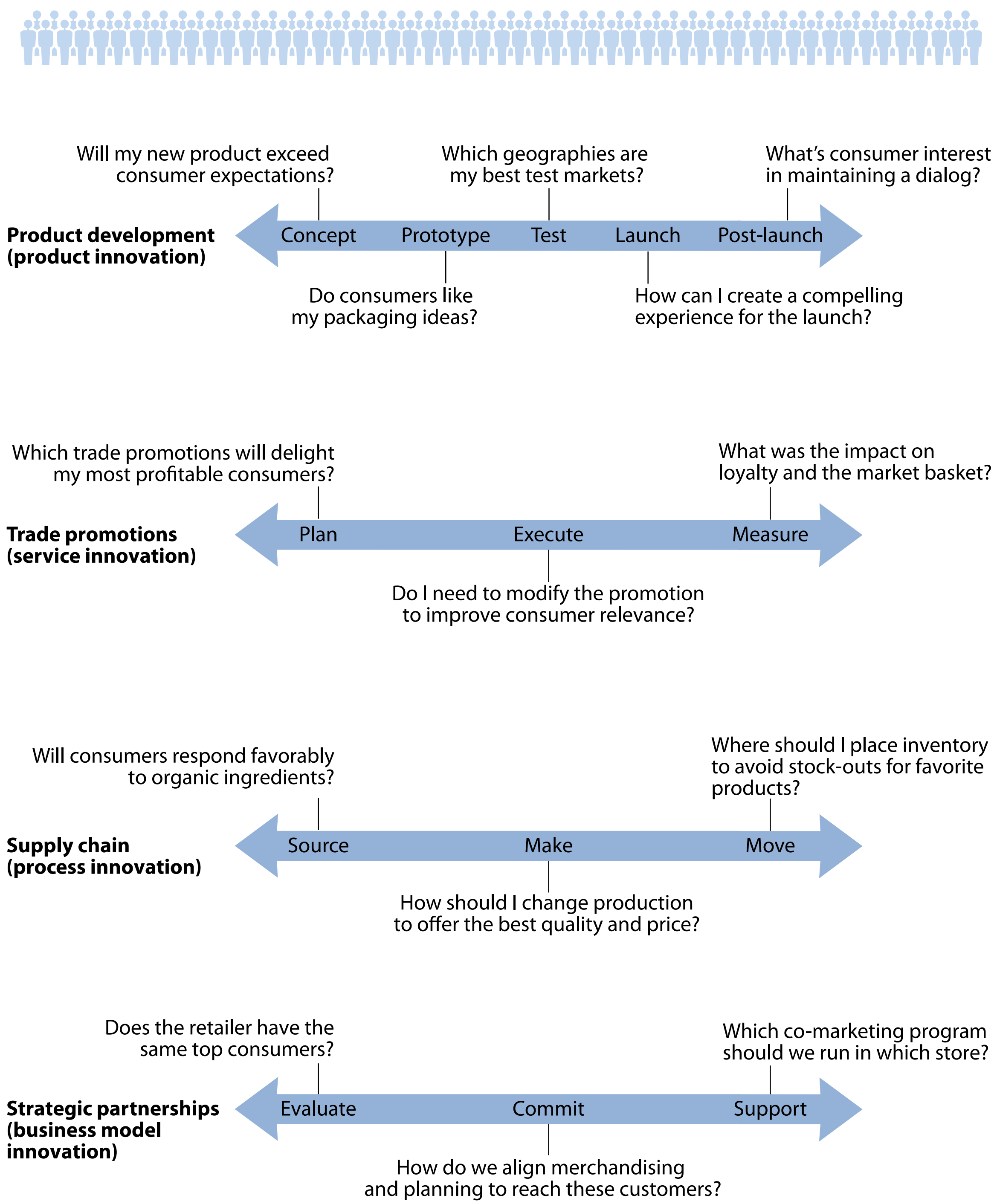
CONSUMERS ARE ACTIVE CO-INNOVATORS

Consumer-focused innovation expands the role that consumers play in the development and execution of new products and processes (see Figure 3).

- **Involvement occurs throughout the invention-to-innovation process.** Consumers can help refine product and process design when they are involved at key touchpoints from concept to post-launch. Here, consumer-focused innovation takes its cue from open source models. Epic Games, a video game company, has linked thousands of its consumers to a virtual development network. These consumers create modifications — or "mods" — for popular games like Unreal Tournament 2004. What motivates participation? Not only a $1 million sweepstakes rewarding the best mod, but also the thrill of earning the respect of their gaming peers.

- **A strong "consumer feedback loop" rewards participation.** Consumers are more likely to maintain a conversation when they feel that brands listen to — and act on — their advice. Ninety-six percent of North American consumers are more likely to purchase products from a company that listens to them.[10]

Figure 3 Consumers Will Play An Expanded Role In Innovation



Source: Forrester Research, Inc.

Brands Must Master The Consumer Feedback Loop

New design techniques and Web-based tools will help firms not only solicit consumer input systematically, but also communicate the value of co-innovation back to consumers. To close the loop, brands will:

- **Supplement traditional market research with new sources of insight.** Inputs come from a variety of channels including blogs, email, contact centers, and points of purchase. Early adopters have formalized tactics for tapping this information and sharing it across functions like marketing, R&D, and the supply chain. In France and Japan, Nestlé staffs "relationship centers" with nutritionists, marketers, and even senior executives. Each center fields 200,000 inquiries a year, which serve as inputs to new product development and relationship marketing approaches.

- **Use specialist tools in conjunction with enterprise apps.** Enterprise apps like product life-cycle management are great at managing workflows and resources, but few accommodate consumer inputs on design and testing. Specialist vendors like Affinova and Intelliseek fill in these gaps today. Crayola used Affinova's tool to present 1,400 product packaging ideas to more than 8,000 consumers. The ROI? Discovering that the packaging idea consumers liked the most was the least expensive to change in production.

- **Use Web sites and email to showcase consumer response.** As more consumers visit CPG Web sites, these sites become natural places to reiterate a brand's listening skills.[11] On PG.com, P&G regularly tells consumers how it has incorporated feedback — like in the case of Always feminine care, where P&G improved packaging labels to avoid consumer confusion (see Figure 4).

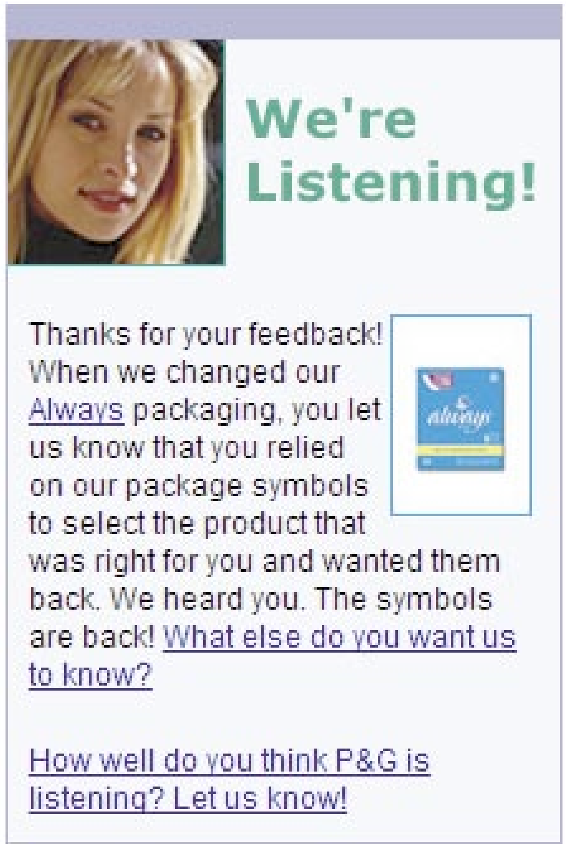
CONSUMERS' LATENT NEEDS ARE AS IMPORTANT AS THEIR EXPLICIT NEEDS

Apple would not have created the iPod if it had merely asked consumers to spell out their digital music preferences. To drive new growth, these disruptive products will live alongside more incremental innovations, requiring firms to tap two types of consumer needs (see Figure 5):

- **Explicit.** Explicit needs support sustaining innovation like product extensions and packaging redesigns. These needs are the low-hanging fruit of consumer-focused innovation, as CP firms can identify them through online extensions of traditional market research tactics. Land O'Lakes and Campbell Soup Company have built online market research panels by soliciting consumers who sign up for their email newsletters.

- **Latent.** The most innovative and profitable manufacturers tease out latent consumer needs that help them *define* demand. For example, P&G has created new categories with products like the Crest White Strips and Olay Regenerist. The insight? Many consumers have a powerful — but unarticulated — desire for "new luxury" products priced for the mainstream.

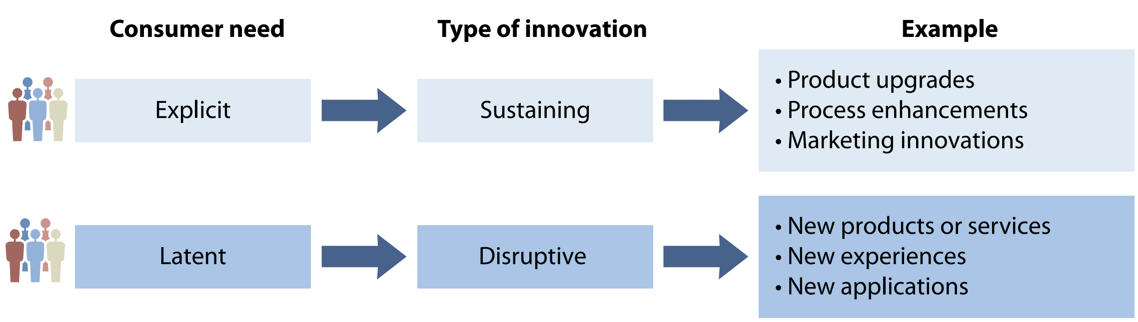
Figure 4 Procter & Gamble Closes The Feedback Loop



Source: Forrester Research, Inc.

Figure 5 Explicit And Latent Needs Drive Different Types Of Innovation

"We're all just a moment away from commodity hell."
— Jeffrey Immelt, CEO, General Electric



Source: Forrester Research, Inc.

Listening And Observation Skills Surface Consumer Needs

The best innovators not only listen to but also observe consumers to identify new innovations. This may sound warm and fuzzy. But firms like 3M and Whirlpool have methods that weed out the profitable innovations from the nonstarters. Early adopters like these will:

- **Formalize consumer discovery.** A culture of consumer discovery begins with an organizational structure and metrics that reward innovation. Whirlpool requires 100-day business plans that map out how innovations become new revenue streams. Diageo uses cross-functional teams to identify six motivations for alcohol purchases: release, independence, status, discernment, contentment, and affiliation. These teams combine traditional market research data with observed behavior — such as shoppers in the store reading wine but not beer labels — to plan new promotion approaches.

- **Employ field research.** New retail ventures — such as the concept stores of L'Oréal and Sony — are laboratories where store employees are trained to observe shopping behavior. Increasingly, CP firms can learn new approaches from design specialists like IDEO — which borrow techniques from anthropology to surface latent needs.

EXPERIENCE TRUMPS PRODUCTS

Consumer products soon become commodities unless brands learn how to sell experiences. Harley-Davidson turned a standard motorbike into a phenomenon when it inspired accountants everywhere to enjoy the open road. To create these experiences, consumer products companies will:

- **Identify — and capitalize on — "Moments Of Truth."** A.G. Lafely, CEO of Procter & Gamble, has said there are two moments of truth for P&G products — point of purchase and point of use. Different products have different moments of truth. These moments of truth reveal the optimal time for brands to communicate with consumers. For example, soup shoppers make brand decisions when they consult a recipe and use the product — prompting Campbell's to invest in a weekly recipe newsletter and create resealable packaging for better storage (see Figure 6).

- **Gain more control over marketing and the retail point of purchase.** Brands will involve retailers in the creation of new experiences because of the retailer's control at the point of purchase. When Whirlpool launched Gladiator GarageWorks, its line of garage appliances, it provided modeling tools on its Web site so that consumers could design their dream garage. Consumers who shop online or offline at Lowe's see merchandising and promotions that reinforce the entire system and not just individual products.

Retailer Collaboration Makes Or Breaks Good Experiences

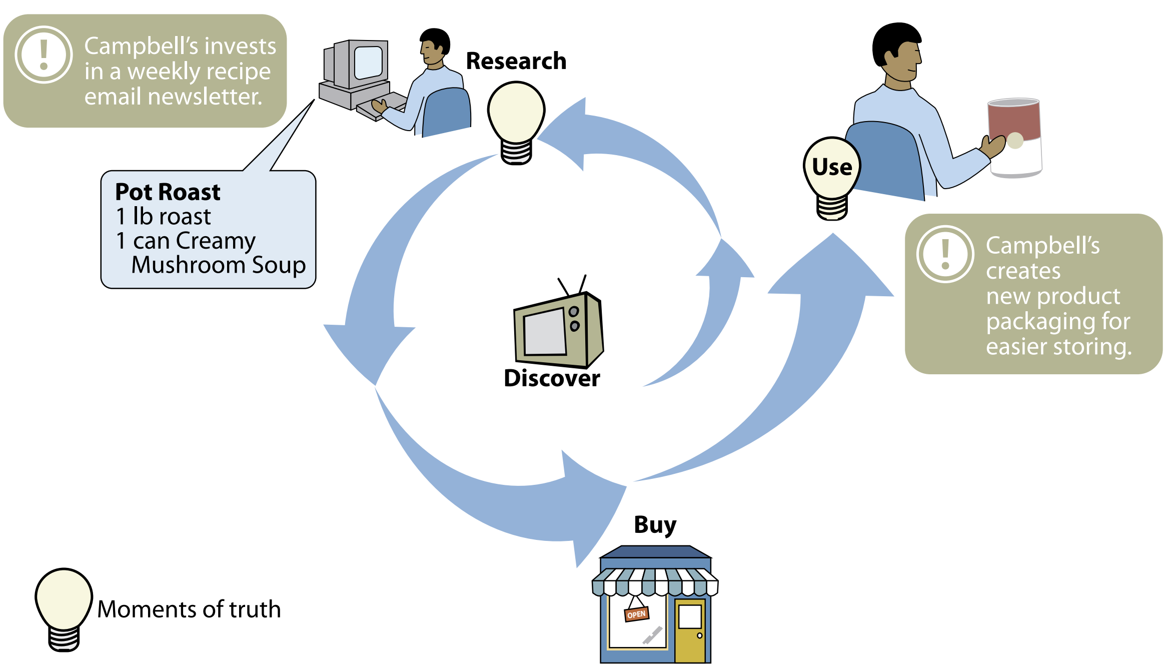
The real value — and test — of collaboration occurs when manufacturers and retailers share more sensitive information that creates "entwined" outcomes — and aligns with the game-changing opportunities defined by the changing consumer. To turn experiences into profits, brands will:

- **Apply Scenario Design techniques in a new way.** Marketers and computer interface engineers alike employ Scenario Design — surfacing user goals and the tasks required to accomplish these goals — to build better Web sites and application interfaces.[12] These same frameworks will also help brands identify the moments of truth. When Unilever planned a Slim-Fast promotion, it defined a scenario in which a shopper listens to her car radio while running errands, and then decides which brand to buy in the store.[13] Unilever created a campaign that featured radio ads, radio remotes in Wal-Mart parking lots, and brand ambassadors in the store. Wal-Mart participated in the program because Unilever placed its ambassadors in the pharmacy department — thereby increasing foot traffic in a profitable department.

- **Share more than just product movement data.** To create compelling experiences, manufacturers and retailers must share a broad range of data on products, relationships, instances of products, and consumers (see Figure 7). This combination of supply and demand data will optimize both the planning and execution of important incentives like customized promotions. For example, shared loyalty data will help Kellogg's create trade promotions by consumer segment and neighborhood, while the instance data provided by RFID will ensure that the right amount of Corn Flakes is available during the promotion window. Some of this data has already been identified as part of the Global Commerce Initiative (GCI), but other types like loyalty data have yet to be addressed.

- **Prioritize retailer partnerships.** The distrust between brands and retailers won't go away overnight. Given this reality, top executives at CP firms must make tough decisions about which retailers are truly committed to entwined outcomes. Likely candidates? CVS, which uses its loyalty card data to help its suppliers shape effective trade promotions, and HEB, which staves off the Wal-Mart threat by supporting local assortment and suppliers' store-level replenishment strategies.

Figure 6 Each Product Has Its Moments Of Truth

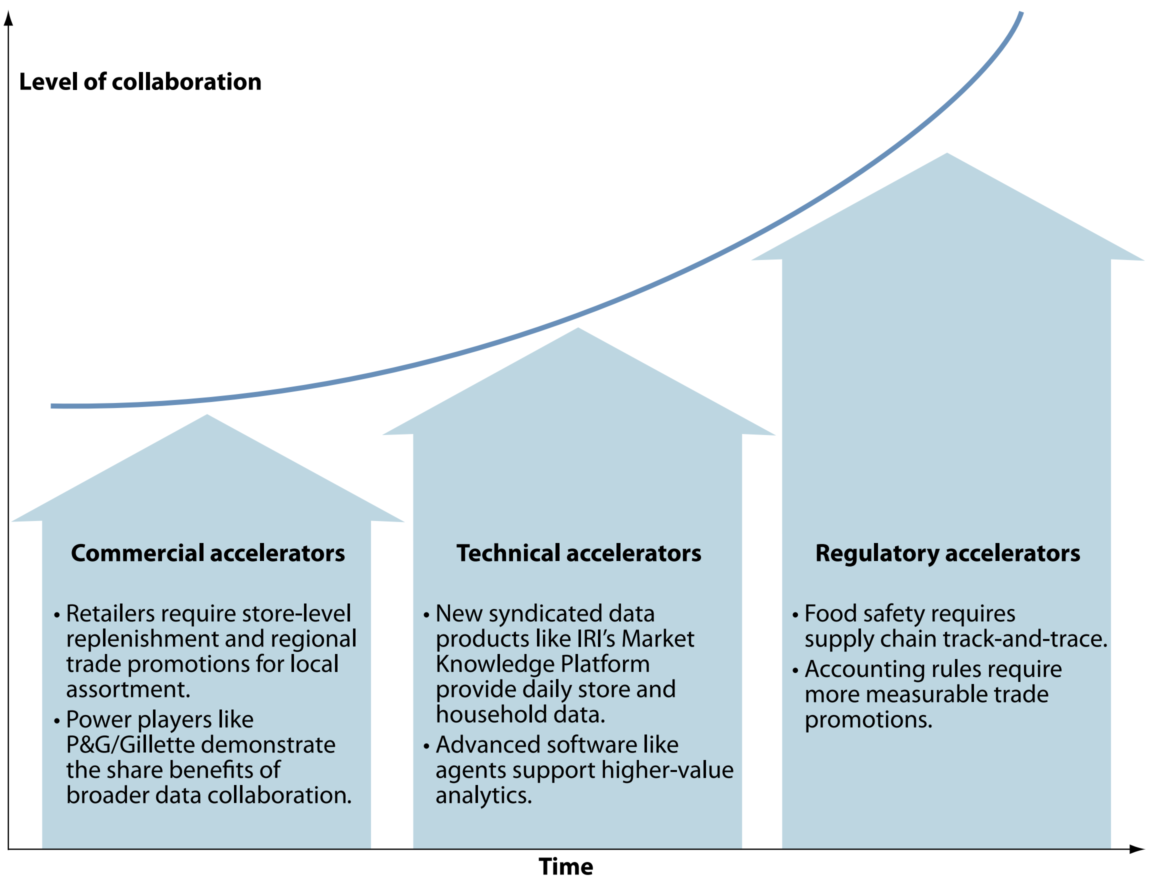


Source: Forrester Research, Inc.

Figure 7 Four Types Of Data Support Manufacturer And Retail Collaboration

Product	• Item attributes: GTIN, weight, dimension • Merchandising data: product images, planograms
Relationship	• Price and promotion terms and conditions • Trade practices: definition of region, neighborhood; most popular promotion vehicles
Instance	• Passive RFID: indentity, location • Active RFID and sensors: environmental data like temperature and humidity
Consumer	• Store-level POS • Household consumption • Loyaty data

What will it take for retailers and manufacturers to share more data?



Source: Forrester Research, Inc.

RECOMMENDATIONS

EFFORTS MUST INVOLVE MARKETING, SALES, AND IT

Consumer-focused innovation requires an organizational realignment in which consumer insights define product, process, and experience design. But as with most organizational change, it won't happen overnight. CP firms must undertake a four-point approach to initiate adoption — and map out a manageable scope:

- **Augment database marketing efforts.** Firms must adopt a quantitative approach to share consumer information across business functions more easily and support business intelligence efforts. Many CP companies already have cross-brand database marketing programs, which they can extend to include new consumer attributes that inform R&D, trade promotions, or supply chain processes.[14] For example, execs can use online market research panels to surface preferred retailers, shopping neighborhoods, and loyalty drivers — and add this information to the consumer database.
- **Introduce consumer metrics into enterprise profitability analysis.** Many brands will balk at the idea of an enterprise consumer data model, requiring senior executives to diffuse squabbles about who owns consumer information. These senior executives can make the case by demonstrating how standardized consumer data improves important processes like sales and operations planning. When combined with inventory, production capacity, and retailer data, consumer data will create a more informed consensus on key profitability goals.
- **Involve account teams early.** As the internal interface to retail customers, account teams should play an important role in the design and execution of experiences that involve the point of purchase. Consumer marketing must work closely with these teams on consumer segmentation and trade promotion execution. When Whirlpool's account team and Lowe's buyers compared their consumer segmentation model, they discovered similarities between their top customer profiles. This insight has led to shared merchandising and marketing programs — as well as Whirlpool's controversial decision to limit sales at Home Depot.
- **Use IT shared service groups to support quantitative projects**. Many CP firms like P&G already have shared services groups for product-centric enterprise data management and global data synchronization. These groups have developed competencies for soliciting business objectives and aligning data projects to meet these objectives. As such, these teams are natural implementation resources for new efforts aimed at harmonizing consumer data.

WHAT IT MEANS

CONSUMER-FOCUSED INNOVATION WILL RESHAPE INDUSTRY PARTNERSHIPS

Consumer-focused innovation will change the way that CP firms work with upstream suppliers, internal R&D functions, and retail customers:

- **Suppliers will be a new source of new product innovation.** CP firms will exploit existing relationships with suppliers to quickly augment their internal product innovation teams. This "outsourced" R&D approach expands the ranks of inventors from hundreds of internal staff to thousands of scientists and product developers employed by suppliers. This trend will accelerate as more CP firms like Levi's exit the manufacturing business to focus on building brands — leaving their suppliers with the hands-on knowledge about how changing production processes will enable new innovations.

- **CEOs will build innovation networks around consumers.** A few firms like P&G are implementing a new ecosystem approach — what Forrester calls Innovation Networks — in which internal and external partners play a role in sourcing and commercializing innovation.[15] But many of these ecosystems do not yet define a formal role for consumers in the Innovation Network. Expect leaders to more explicitly connect networked innovation with consumer insights to improve the effectiveness — and reduce the risks — of product and process invention. These firms will create formal mechanisms and reward structures that link consumer marketing, global account teams, and R&D.

- **CP firms will adopt different innovation approaches for each retail customer.** Different retailers excel at different types of innovation. Wal-Mart excels at process innovation with its focus on supply chain excellence. On the other hand, Target has endeared itself to consumers with its quirky and fun shopping experience. These retail "personalities" will influence which types of innovation a CP firm undertakes with each customer. For example, Kraft would test transformative supply chain technologies like RFID with Wal-Mart. But it would partner with Kroger to deliver customized cross-brand promotions to young families — because Kroger's loyalty database and consumer segmentation models support this type of targeting.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

Accenture

Capgemini

Clarkston Consulting

Crossmark

Deloitte Touche Tohmatsu

Global eXchange Services

Grocery Manufacturers of America

IBM

Information Resources, Inc.

Inovis

SPSS

Sterling Commerce

Transora

UCCnet

UDEX

WWRE

Yantra

ENDNOTES

1 As more consumers prefer price over brand, fewer are willing to pay more for image. In 2000, 22% said that they would pay for a product consistent with an image they liked, but that number fell to 18% by 2003. See the July 25, 2003, Brief "The Increasing Significance Of Price Over Brand."

2 Among disloyal shoppers, 63% said that brand quality is important, while 51% and 47% said the same about competitive prices and reliability, respectively. See the January 2, 2004, Brief "Which Europeans Are Loyal To Brands?"

3 The Internet has sucked away the time consumers used to spend with television, newspapers, magazines, and radio. And there's more bad news: Consumers who ditch offline media in favor of the Net are valuable customers. They are more educated, tech-optimistic, and earn slightly more money. See the January 14, 2004, Brief "Offline Media Lose Valuable Customers To The Net."

4 In the US, mobile messaging grew 85% from 2001 to 2003, with consumers spending 5 *more* minutes a day sending mobile messages. Instant messaging grew 29% over the same time period, and consumers increased their average time spent per day by a whopping 8 minutes. See the July 30, 2004, Market Overview "Sizing The US Mobile Messaging Market."

5 Nearly half of primary grocery shoppers who buy either Coke or Pepsi are Coke-loyal. But Pepsi loyalists, who account for 34% of these shoppers, spend 16% more than Coke loyalists on carbonated beverages and a whopping 35% more on Pepsi than Coke loyalists spend on Coke. These shoppers are demographically different, too — Coke loyalists are more affluent, more likely to have Internet access, and more apt to buy groceries online. See the April 18, 2003, Brief "CPG Brand Snapshot: Coke And Pepsi."

6 Source: Toral Munshi, "Procter & Gamble: Will the price gamble pay?," India Infoline, August 28, 2001. See: http://www.indiainfoline.com/fmcg/feat/prga.html.

[7] Source: Joe Wilke and Nick Sorvillo "Targeting Early Adopters - A Means for New Product Survival," ACNielsen. See: http://www2.acnielsen.com/pubs/2004_q1_ap_adopters.shtml.

[8] Today's grocery loyalty programs still don't create loyalty. Even the biggest grocery spenders are more likely to belong to multiple grocery loyalty programs than a single one. Instead of using programs as discounting tools, grocers must use their loyalty data to tailor a superior shopping experience to profitable consumers. Who does this well? Stop & Shop and CVS use loyalty data for smarter marketing and store formats, while Wegmans reaches members online to identify shoppers' explicit and latent preferences. See the February 24, 2005, Trends "Maximizing Grocery Loyalty Data."

[9] While 50% of firms complained that retailers offer them nothing for their data exchange investment, more than a quarter of the CPG firms we surveyed thought that the urgency of retailers' data exchange demands was also a significant problem. Why? Retailers' constantly changing demands for product master data and impossible timelines are eroding CPG firms' customer relationships. In North America, the Sunrise 2005 project will oblige retailers to review their own product management systems. Retailers everywhere see data synchronization as a prerequisite to deploying RFID in the supply chain. See the March 8, 2004, Best Practices "Winning The CPG Data Synchronization Race."

[10] More than one-third of grocery shoppers have contacted a manufacturer or retailer in the past three months with a complaint, suggestion, or compliment. While consumers usually call a toll-free number, more than half are interested in contacting CPG firms by email or their Web site. See the May 29, 2002, Brief "Smart CRM For CPG Manufacturers."

[11] According to Forrester's Consumer Technographics® June 2004 North American Study, 18% of North American consumers visited a CPG Web site during the past 12 months.

[12] The premise of Scenario Design is simple: No experience is inherently good or bad — it can only be judged by looking at how well it helps customers achieve their goals. To master this framework, companies must continually ask — and answer — three questions: Who are your users?; what are their goals?; and how can you help them achieve those goals? See the July 19, 2004, Forrester Big Idea "Scenario Design: A Disciplined Approach To Customer Experience."

[13] Integrated marketing is more than just repeating the same message in different channels. A successful integrated campaign uses both classic segmentation and media mix profiling — across traditional and Internet channels — to identify campaign touchpoints and how content should differ by channel. Unilever's Slim-Fast brand team strikes the right balance of mass advertising, in-store promotions, and digital marketing in its campaign to bring the "Slim-Fast Challenge" to Wal-Mart shoppers. The result: Increased brand awareness of its new low-carb products, higher sales, and a 2-to-1 return on the marketing investment in this campaign. See the September 21, 2004, Best Practices "Integrated Marketing Best Practices: Unilever."

[14] CPG firms struggle to justify consumer database efforts today, but the quantitative marketing skills these programs nurture are a strategic must-have. Wise firms will use database marketing programs to improve trade promotions and market research. See the October 23, 2003, Brief "Consumer Packaged Goods' Database Marketing Dilemma."

[15] Finicky customers, ruthless competition, and stringent regulations are accelerating demand for technology-enabled innovation. But supply-side deficiency and ineffectiveness hamper firms' ability to convert inventions into profitable innovations. The result? A new market ecosystem — called Innovation Networks — will emerge to match global demand for innovation with worldwide supply. Innovation Networks will let firms fluidly weave internally and externally available invention and innovation services to optimize the profitability of their products, services, and business models. Innovation Networks will deconstruct vertically integrated invention-to-innovation cycles in software, finance, and CPG industries — and reinvent the formula for success in regional, national, and global markets. See the June 17, 2004, Forrester Big Idea "Innovation Networks."

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