



# Discovering The Pivotal Point Consumer™

A Milestone Study on American Shoppers  
Who Drive CPG Brand Volume



## Study Abstract

How many consumers drive sales volume for your product brand? If you are a Consumer Packaged Goods (CPG) brand manager, don't feel badly if you can't the answer question. You're not alone.

Yet the answer is certainly important in deciding how and where to invest marketing dollars. The more concentrated your customer base, the more critical it is to understand precisely who your consumers are and how to reach them.

For many marketers, the closest thing to an answer has been the Pareto Principle (80% of sales come from 20% of customers). It's a rule of thumb taught in business schools and is long-held as a core tenet of marketing. How well does the Pareto Principle apply as a measure of consumer concentration for CPG brands? This report gives you the definitive answer. The truth is surprising – even to us.

Conducted by Catalina Marketing's Pointer Media Network, in conjunction with the CMO Council, **Discovering the Pivotal Point Consumer™**, peers inside the shopping baskets of nearly 54 million American consumers over a 12-month period to uncover the truth about consumer fragmentation in today's CPG marketplace. It examines consumer concentrations among major established brands, new products, brand extensions, and new consumer preference segments, such as organic, green and heart healthy.

The report examines the forces behind what we believe is a seismic shift in the way we think about consumer concentrations, along with its implications for brand marketers who are brave enough to embrace a "new consumer truth." It also proposes a new addition to the CPG marketing lexicon, "The Pivotal Point Consumer™." The Pivotal Point Consumer™ is the shopper who drives 80% of your brand's volume. There are probably far fewer of these consumers than you imagine, and they are highly valuable, even pivotal, to the success of your brand.

Among our study's findings:

- The age of market fragmentation and targeted brands is dramatically decreasing consumer concentrations. There are countless micro-market segments defined not by demography, but by increasingly nuanced product preferences.
- Only 2.5% of shoppers (versus 20% of brand buyers) make up 80% of the average CPG brand's volume.
- Among 1,364 brands studied, all among the most popular in their product categories, just 25 had a shopper base of more than 10% driving 80% of their respective volume.

### ABOUT OUR STUDY

**Discovering the Pivotal Point Consumer™** is a milestone study of American consumer shopping behavior that is designed to provide fresh and actionable insight, backed by detailed data, to help CPG marketers and retailers better understand and address the global challenge of fragmentation and the need for precision marketing. Conducted by Catalina Marketing's Pointer Media Network, in conjunction with the CMO Council, the study unmask the myth of the mass market in today's Consumer Packaged Goods industry, while underscoring the importance – and scarcity – of the Pivotal Point Consumer™ that is critical to the success of every product brand.

The study is unprecedented in its breadth – and its granularity. Rather than relying on limited consumer panels or polls, the study examines the actual purchasing behavior of nearly 54 million individual American consumers over a year-long period, ending August 10, 2008. The research included all grocery store shoppers in the Pointer Media Network of more than 23,000 retail grocery stores, mass merchandisers and chain drug stores in the U.S. Covering 1,364 consumer brands representing the most popular products in 328 categories, the study provides insight into concentrations of consumers for major established brands, as well as emerging preference categories, popular new products and the brand extensions of leading master brands.

The research was conducted using Catalina Marketing's vast database of consumer shopping behavior. Through partnerships with more than 200 major retail grocery, mass merchant and pharmacy chains across the United States, Catalina Marketing and Pointer Media Network continuously track the purchases of over 150 million individual shopper IDs, with the capacity to deliver targeted advertising and offers to individual shoppers based on their buying behavior. The world's largest database of actual in-store consumer purchasing behavior, this system includes a multi-year history of an estimated 76% of American households.

- Consumer concentrations are significantly smaller among new products, brand extensions and new preference categories.
- The Pivotal Point Consumers who drive 80% of volume contribute to a large portion of the brand's revenues, and should be a significant part of your marketing plans.
- A new world of consumer choice demands new strategies incorporating greater precision and more targeted brand messaging and communications.

# Discovering the Pivotal Point Consumer™

## NEW CHALLENGES FOR CONSUMER MARKETERS

Consumer brand marketers and advertisers are being challenged to develop more cost-effective and measurable ways to reach, influence and engage consumers. CPG executives, brand managers, retailers, advertisers, promotions agencies, media planners, and the media itself are all feeling increased pressure to demonstrate the value and efficiency of their strategies, programs and campaigns. It's an ROI challenge made more formidable by fundamental changes in consumer behavior and in the proliferation of brand, retail and media choices – particularly for CPG companies and their retailers.

Consumers simply have greater choice and power. In 2007, new CPG products were introduced at more than 10 times the rate of 1980. The average American household receives over 100 TV channels, even as the Internet rivals television for hours of household viewing. The forces of market fragmentation are being felt everywhere, creating higher levels of uncertainty, complexity and experimentation in how we identify, understand, address and inspire consumers.

CPG marketers, along with those in every other sector, are devoting far greater time and resources to collecting and analyzing customer, market and performance data. They are experimenting with new and alternative media, packaging, promotions and loyalty initiatives. And they are most certainly seeking better ways to identify and target relevant consumers. At the October 2008 annual conference of the Association of National Advertisers, Joe Tripodi, CMO of Coca-Cola®, noted that marketing must move away from "spray-and-pray" advertising in favor of precision marketing – that is, targeting consumers with the right message at the right time.

Many marketers now argue that today's empowered and choosey consumers are, or at least should be, the ones driving marketing campaigns. The CMO for a leading consumer technology company, for example, recently encouraged his peers to rethink branding and marketing by allowing consumers to determine how they want to engage with individual brands.

There can be little doubt that fragmentation represents one of the most demanding tests of marketing mettle and resource allocation in our time. But how do we redesign marketing in a world where the consumer has unprecedented power to choose?

## UNCOVERING A NEW CONSUMER TRUTH

**Discovering the Pivotal Point Consumer™** is a milestone study of American consumer shopping behavior that is designed to provide fresh and actionable insight, backed by detailed data, to help CPG marketers and retailers better understand and address the global challenge of fragmentation and the need for precision marketing. Conducted by Catalina Marketing's Pointer Media Network, in conjunction with the CMO Council, the study unmask the myth of the mass market in today's CPG industry, while underscoring the importance – and scarcity – of the Pivotal Point Consumer™ that is critical to the success of every product brand.

Our report demonstrates that, with very few exceptions, consumer product brands today depend on surprisingly small consumer segments to drive the vast majority of their sales. The 80-20 rule – the idea that 80% of volume comes from 20% of buyers – spectacularly overstates the size of today's volume buyer base for consumer product brands. In fact,

On average, just  
**2.5% of consumers**  
account for **80% of**  
**brand volume.**

among 1,364 brands analyzed, an average of 2.5% of all shoppers accounted for 80% of volume. This ratio is even more astonishing for new products and brands.

To access a complete database of all of the CPG product brands analyzed and the percentage of shoppers that makes up 80% of their volume, visit [PointerMediaNetwork.com](http://PointerMediaNetwork.com).

These findings have profound implications for the way CPG manufacturers and retailers market their products and interact with their most valuable buyers. In an expanding universe of customer choice, the challenge for marketers is to find and effectively communicate with niche consumer segments that are frequently based more on personal sensibilities and needs than on demographics.

The study shows that Pivotal Point Consumers represent a considerable per-capita value to individual brands. So much so that CPG manufacturers and brand managers have a critical need to identify, reward and engage these shoppers. Marketers must adopt strategies, channels and methodologies to effectively communicate and interact with these buyers in ways that sustain and grow their brands.

## WHAT MASS MARKET?

The CPG marketplace today is a world of targeted brands designed to appeal to more selective consumer requirements and preferences. Be it organic orange juice, ultra-high energy soft drinks, green toilet cleaners, detergents for high-efficiency washers, no-calorie or one-calorie colas, today's retail shelves are filled with brands seeking to engage shoppers based on increasingly refined individual needs and tastes.

In 1949, when P&G launched its revolutionary new laundry detergent for national distribution, Tide® was a single product brand that promised consumers "oceans of suds" and cleaner clothes. Today, Tide® is an umbrella brand for more than 30 different laundry products – all with distinguishing consumer benefits and values. Brand extensions, of course, are ubiquitous in today's CPG marketplace. According to Information Resources, the vast majority of new CPG products introduced in 2007 were brand extensions. In fact, an amazing 98% of new food and drink products fell into that category.

Brand extensions or not, the number of new products entering the market each year is staggering. According to Datamonitor, more than 25,000 new CPG products were launched in 2007, compared to just under 9,200 in 1990, which was quadruple the number in 1980, which was almost twice as many as in 1970.

One might surmise that, given the evolution toward targeted and proliferating brands, the number of consumers driving sales volume for each product is shrinking. Yet the truth of just how small this number is surprises even the most seasoned CPG executives and brand managers. But, you may ask, don't the well-established product brands have a much larger consumer base? In fact, across all of the products studied, only 25 brands had a consumer base of more than 10% making up 80% of volume.

## BRAND EXTENSIONS

Master brand strategies, designed to extend the value of trusted brands and reduce the risk of product entry, have proven successful for manufacturers. New SKUs in U.S. retail stores – again the vast majority of them brand extensions – contributed more than \$15.8 billion in U.S. retail sales in 2007<sup>1</sup>.

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<sup>1</sup> Nielsen, Consumer Insight Magazine, March 2008

Yet, it is also true that these new, more targeted line extensions typically rely on smaller groups of consumers for success. Two widely-regarded and often-studied brand icons are Tide® and Coca-Cola®. In this report, we examined both of these master brands - and their line extensions. The study reveals that all Coca-Cola® label brands combined had a Pivotal Point Consumer™ base (those making up 80% of sales volume) of 18.8% among the 54 million shoppers tracked. However, among its line extensions, only Coca-Cola® Classic had a base of Pivotal Point Consumers larger than 10% of shoppers (12.2%). The Pivotal Point base for Diet Coke® was 6.5% and the base for Coca-Cola® Zero™ was 2.6%. The study found that 12.2% of shoppers made up 80% of sales for all Tide® label brands. However, Tide's line extensions have much smaller penetrations. For example, the Pivotal Point Consumer™ base for Tide® High Efficiency was 2.3%; for Tide® To Go, it was 1.4%; and for Tide® Pure Essentials™, it was 0.8%.

Well-known and respected master brands like Coca-Cola® and Tide® have tremendous power and appeal for consumers, and their extensions into new products are driving increased revenue and profitability for many companies. Yet, the challenge for marketers is not only developing compelling new products with appealing differentiation and packaging. Another major question is how can each line extension communicate its own attributes and benefits and reach a more targeted niche segment of consumers?

### Line Extensions vs. Master Brand Consumer Concentrations

All Coca-Cola® label brands combined had a Pivotal Point Consumer™ base of **18.8%** among the 54 million **shoppers** tracked in the study.

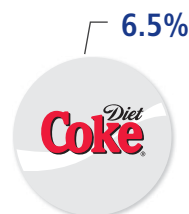


All Coca-Cola® Label Brands

While Coca-Cola® Classic's volume is driven by 12.2% of shoppers, the Pivotal Point Consumer™ base for Coca-Cola® Zero™ is just 2.6%.



Coca-Cola® Classic



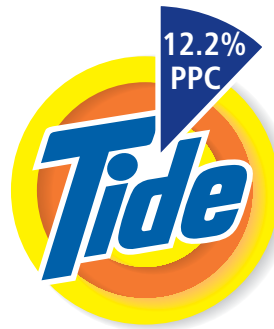
Diet Coke®



Coca-Cola® Zero™

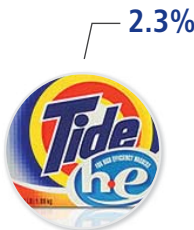


According to the study, **12.2% of shoppers** make up **80% of sales** for all Tide® label brands.



All Tide® Label Brands

Tide® line extensions have a much smaller penetration. The Pivotal Point Consumer™ base for Tide's new product, Pure Essentials™, is just .8%.



High Efficiency



Pure Essentials™



Tide® To Go

Demographics fall far short of the mark in targeting preference-based niche segments. In fact, Pointer Media Network has conducted preliminary research into the correlation between demographics and the Pivotal Point Consumer™. In an initial analysis of advertising campaigns for leading CPG product brands, the analysis found that demographics failed to target as much as 76% of the actual consumers making up 80% of the sales volume. The most successful campaign, in terms of accurate demographics, failed to target 18% of these consumers.

## EMERGING CATEGORIES

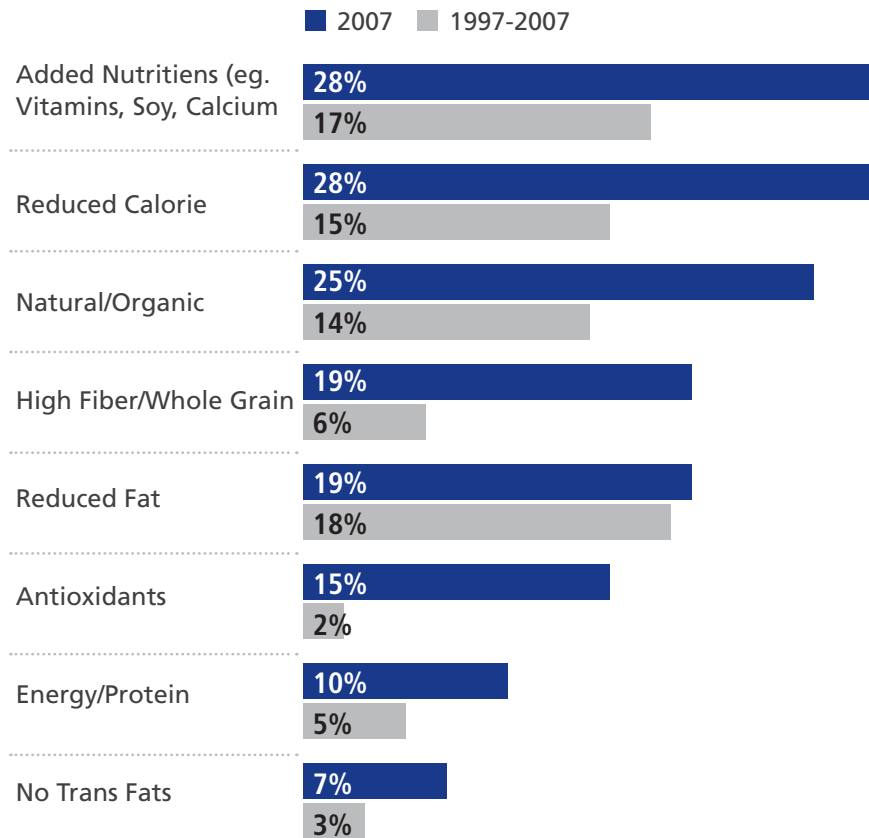
Emerging horizontal categories, such as heart healthy, enviro-friendly and organic, also demonstrate the phenomenon of increasingly smaller consumer preference segments. Based on new product claims tracked by Datamonitor, health and convenience accounted for 7 of the top 10 subject categories for claims on new packaged products in 2007. Five of these claims have ranked in the top 10 since 2001, including "natural," "organic," "fresh," "single serving," and "quick."

According to the 2008 ImagePower Green Brands Survey, 80% of consumers planned to spend more on green products and services in 2008. In addition, 75% of consumers say that environmental buzzwords such as "recyclable," "renewable" and "sustainable" have a strong impact on their intent to buy<sup>2</sup>.

<sup>2</sup> The 2008 ImagePower Green Brands Survey, backed by WPP's Landor Associates, Cohn & Wolfe and Penn, Shoen & Berland Associates.

Charts above show percentage of shoppers who make up 80 percent of sales volume for each of these brands.

Within the wellness trend, consumers are looking to food and drinks to provide **physical, mental, emotional and spiritual health.**

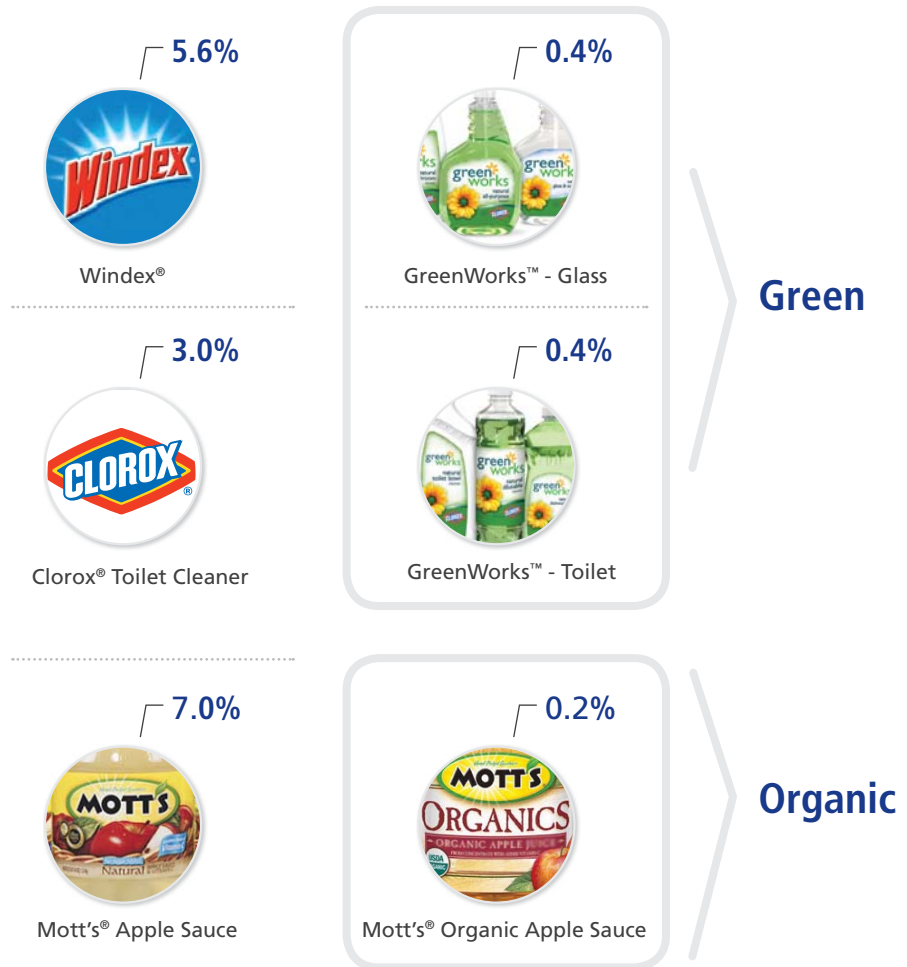


Source: IRI New Product Profiler™  
New Products Launched February 2006 – January 2007

Actual shopping behavior does show increasing purchases of green products, but the actual percentage of shoppers are considerably smaller than the numbers referenced above. In conjunction with the FMI Sustainability Task Force, Pointer Media Network analyzed the buying behavior of over 100 million unique shopper IDs for over 2,000 Green general merchandise products during a one-year period. In July 2007, the research showed an emerging 4.7% of shoppers had purchased a Green product. By May 2008, Green penetration had increased to 5.7% of shoppers.

While attributes, such as “organic” and “green” are major new product drivers, they often appeal to much smaller consumer groups. Mott’s® Apple Sauce underscores this phenomenon. Mott’s® Apple Sauce label brands had a total Pivotal Point Consumer™ base of 7.0% among the 54 million shoppers tracked for this study. However, Mott’s® Organic Apple Sauce relied on only 0.2% of shoppers to drive 80% of its volume. GreenWorks™ Glass Cleaner had a Pivotal Point Consumer™ base of 0.4%, compared with 5.6% for Windex®. GreenWorks™ Toilet Cleaner’s Pivotal Point base was also 0.4%, compared with 3.0% for Clorox® Toilet Cleaner.

Pointer Media research demonstrates that **Green and Organic** products rely on a very small Pivotal Point Consumer™ base to drive **80% of the product volume**.

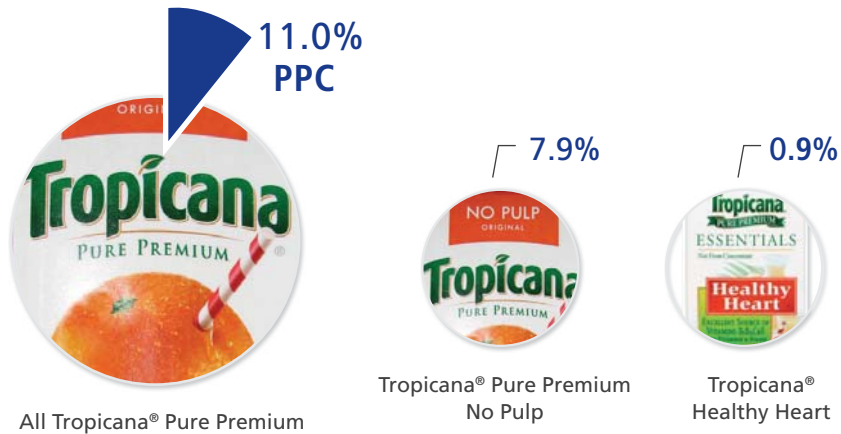
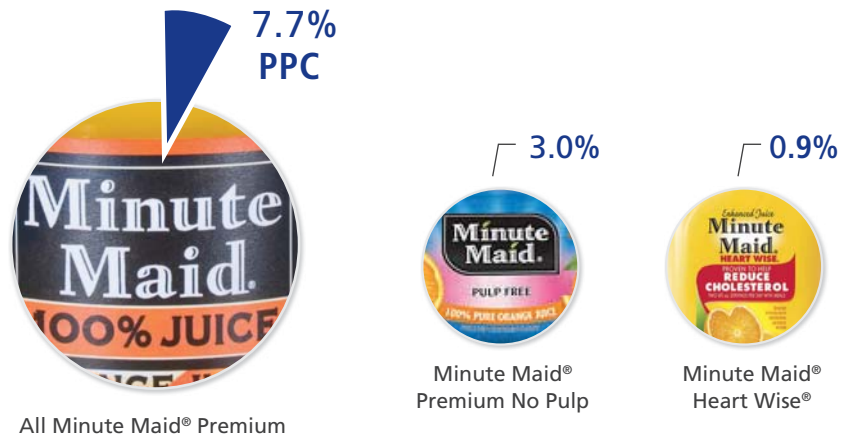


Exploring the heart healthy category, our study found that Tropicana® Healthy Heart had a Pivotal Point Consumer™ base of only 0.9%. That compares with 11.0% for all Tropicana® Pure Premium orange juice products and 7.9% for the most popular single product, Tropicana® Pure Premium No Pulp. For Minute Maid® Premium Orange Juice, 7.7% of shoppers drove 80% of sales across all products. Yet, Minute Maid® Heart Wise® also has a Pivotal Point Consumer™ base of 0.9%.

Charts above show percentage of shoppers who make up 80 percent of sales volume for each of these brands.



Brand extensions like Minute Maid® Heart Wise® and Tropicana® Healthy Heart target smaller audience niches, and therefore require **more precise targeting**.



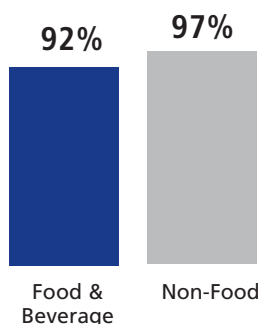
## LAUNCHING NEW PRODUCTS

The challenge of building a consumer base is particularly difficult for new product entries. The high number of new products in recent years reflects the CPG industry's enormous capacity for innovation and focus on identifying and meeting new consumer needs. However, less than 2% of new brands earn \$50 million or more in annual sales in their first year, and less than a quarter of new brands exceed annual sales of \$7.5 million, according to Information Resources, Inc. Over the past decade, the proportion of brands earning \$20 million or more has shrunk, from 13% to 7%, in food and beverages and from 22% to 5% in non-foods.

New product success does not necessarily depend on winning over huge numbers of consumers. Our study looked at the concentration of shoppers driving volume for nine brands selected by Information Resources as the New Product Pacesetters of 2007.

Charts above show percentage of shoppers who make up 80 percent of sales volume for each of these brands.

Over 90% of  
2007 new Product  
Pacesetters\* are  
brand extensions.

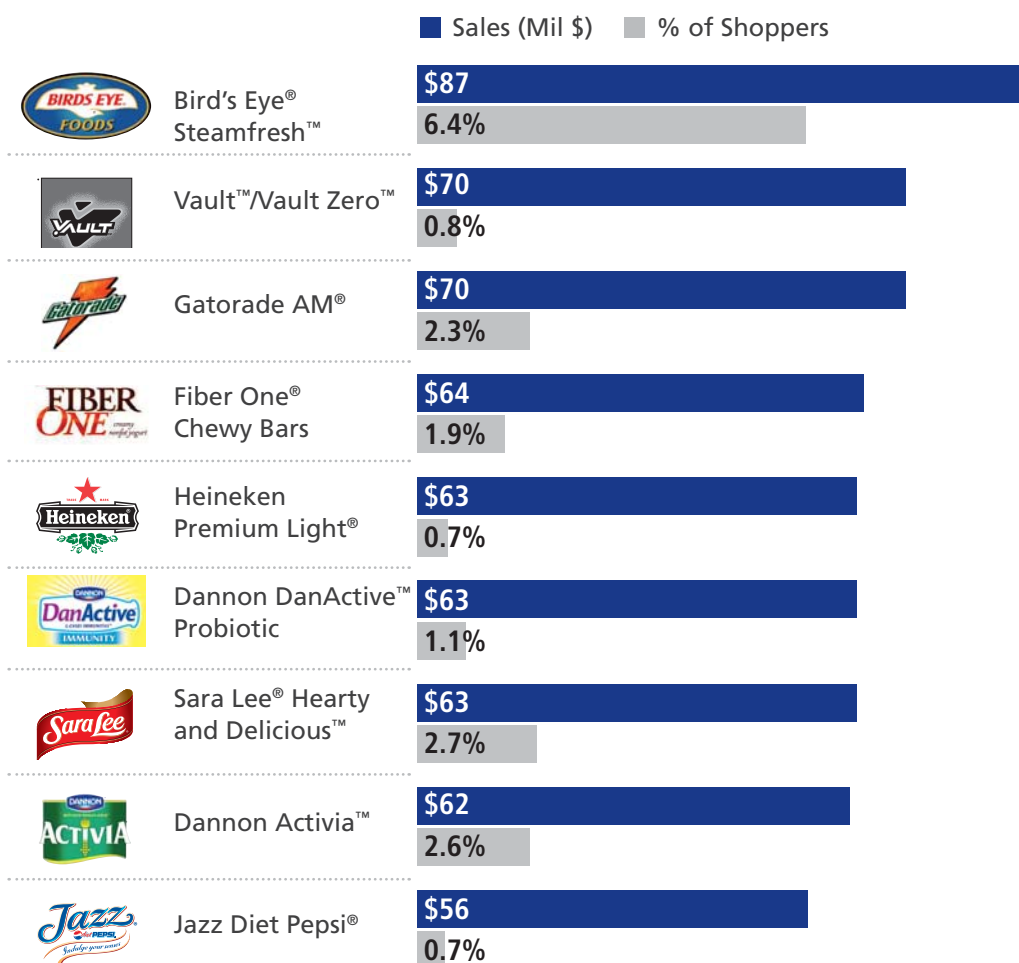


Yearly sales for these brands ranged from \$87 million for Bird's Eye® Steamfresh™ to \$56 million for Jazz Diet Pepsi®. Yet, among the nine brands analyzed, only Bird's Eye Steamfresh™, at 6.4%, had a Pivotal Point Consumer™ base above 3%. The Coca-Cola® Company's Vault™ and Vault Zero™ energy drinks achieved total annual sales of \$70 million in 2007. But only 0.8% of shoppers drove 80% of their volume in our study. Heineken Premium Light®, with only 0.7% of shoppers tracked in the study driving 80% of volume, achieved 2007 sales of \$64 million.

Source: IRI New Product Profiler™

\*Across Food, Drug and Mass Channels (Excluding Wal-Mart®)

Among nine of the  
2007 IRI Pacesetters,  
only **Bird's Eye®  
Steamfresh™** had a  
Pivotal Point Consumer™  
base **above 3%.**



Charts above show percentage of shoppers who make up 80 percent of sales volume for each of these brands. IRI 2006-2007 New Product Pacesetters: Top 10 Food & Beverage Brands (Mil \$) (Campbell's® Red. Sodium Soup not included)

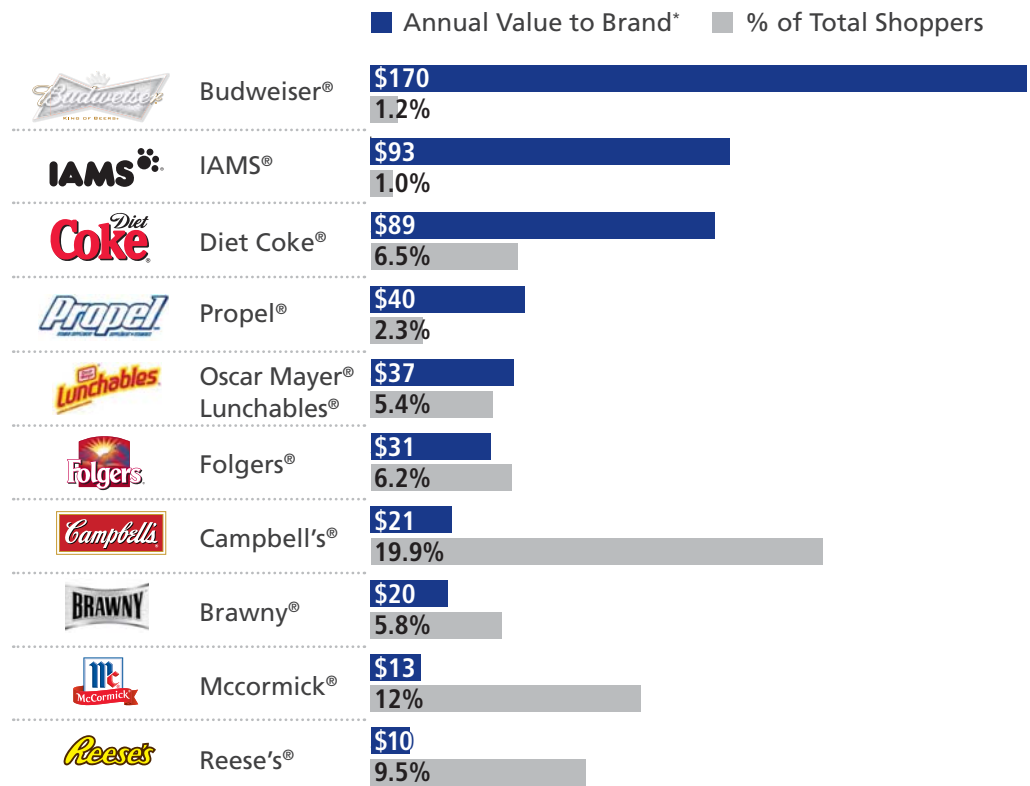
As the figures above indicate, new products can be highly successful by winning over a fairly small segment of consumers to achieve sales volume. Massive advertising and marketing campaigns to drive trials can help gain traction with consumers, but marketers may question the efficiency of these campaigns in light of the truth about the Pivotal Point Consumer™. Indeed, the “spray and pray” method would seem to be a misuse of precious resources, when the real challenge may be more akin to finding the right needles in the haystack.

### VALUING THE PIVOTAL POINT CONSUMER™

Pivotal Point Consumers represent a very considerable per-capita value to individual brands. Consider, for example, IAMS® dry dog food, whose Pivotal Point Consumer™ base equaled 1% of shoppers. On average, each one of those consumers was worth \$93 a year to the IAMS® brand. Pivotal Point Consumers for Oscar Mayer® Lunchables®, representing a much larger 5.46% of shoppers, were worth an average of \$37. Budweiser® Beer’s Pivotal Point Consumers, equaling 7% of shoppers, were worth an average of \$170 a year.

Losing a Pivotal Point Consumer™ can be costly to a brand – and consumer churn is definitely a vexing issue for CPG manufacturers. Pointer Media Network has begun research into the issue of brand loyalty as its next major thought leadership undertaking with the CMO Council. Early results indicate that churn is rampant, even among the best customers of CPG brands.

The Pivotal Point Consumer™ has a high per capita **value** to CPG brands and should **be targeted** in advertising and marketing campaigns.



\*Values based on assumption that all unit sales for each brand are equally priced.

## FROM MASS MEDIA TO MICRO MEDIA

Undoubtedly, media fragmentation has affected traditional marketing methods. The variety of available channels has grown significantly leading marketers to the realization that new strategies of media integration need to be explored. Today's empowered consumer households now have an average of 104 television channels to choose from, in addition to spending increasing amounts of time on the Internet. Newspapers are in rapid decline, with total print advertising revenue down 9.4% year-over-year in 2007 alone, the biggest revenue drop since 1950, according to the Newspaper Association of America. Meanwhile, recent technologies, such as Digital Video Recorders, are enabling many consumers to bypass television advertising.

With traditional media losing its power to reach mass audiences, marketers are experimenting with alternative media strategies to reach their consumers. Alternative outdoor advertising, in-store advertising, Internet advertising, mobile marketing are all growing channels of consumer engagement. U.S. spending on alternative media grew at an annual compound growth rate of 21.7% from 2002 to 2007<sup>3</sup>.

In an era of targeted brands, the issue for many marketers is how to use new media channels to accurately reach and engage the right consumers. Internet marketing has grown rapidly because of its ability to target consumers based on their online search and browsing behavior. Yet, for CPG companies, the strategy is made less effective because purchasing is offline.

Addressable media is perhaps the Holy Grail in the movement toward precision consumer marketing. The emergence of IPTV as a viable platform and advances made by cable TV companies will enable targeted TV advertising to be delivered to the home. Yet the issue remains, that unless the consumer's actual preferences and purchasing behavior can be identified, addressable television will fall far short of its goal. However, if that critical challenge is overcome, addressable television will have tremendous potential to engage the new consumer.

Indeed, the consumer, craving relevance and personalization, is ready for addressable media. In a 2007 study by ChoiceStream, 70% of consumers expressed interest in receiving personalized advertising via the Internet, only slightly more than those who said they wanted such ads delivered to their televisions.

There are highly addressable and precise media options available today that can base ads and offers on actual in-store shopping behavior. For example, Pointer Media Network, the sponsor and analytical engine for this study, enables CPG companies to deliver advertising messages at point-of-sale across more than 23,000 retail grocery, drug and mass merchant stores across the United States. Ads are generated at the time of sale based on the actual shopping behavior history of the consumer. Pointer Media Network's solution includes a multi-year history of the shopping behavior of an estimated 76% of American households, with the ability to print color ads during check-out.

<sup>3</sup> Alternative media spending grew at a compound annual rate of 21.7 percent from 2002 to 2007, according to the report, "Alternative Media Forecast: 2008-2012", by PQ Media.

## Conclusion

### PERSONALIZATION AND THE LONG TAIL

The transition from mass market to micro-markets is well underway. Today's consumer has access to, and wants, unprecedented choice, both in product and media selection. Consumers no longer strive to be part of the crowd, but rather seek products that reflect their personal preferences, needs and lifestyle choices. Examples of companies that have built successful business models that appeal to the "me" consumer include Starbucks®, Apple®, Facebook® and Dell™.

The CPG industry has both pioneered and responded to this trend with an unprecedented array of new products and product brands that address even more fractional consumer segments and niches based on personal preferences, be it "green", "heart-healthy", "natural", "organic", "fresh", "single serving", or "quick."

Indeed, we are moving toward a world in which "The Long Tail" of consumer preference rules marketing strategy and execution. The Long Tail is used to describe the niche strategy of businesses, such as Amazon® or Netflix®, that sell a large number of unique items, each in relatively small quantities<sup>4</sup>.

While CPG companies may always seek to address the needs of consumers with products designed to appeal to significant numbers, those numbers are most certainly getting smaller. In fact, among the 1,364 brands in this study, 524 (38.4%) relied on less than 1% of shoppers to make up 80% of their volume.

The challenge for CPG marketers will be to develop strategies that can reach the right consumers based on actual preferences and behavior. More targeted, relevant and precise communications and engagement is the new mantra in a fragmented marketplace of unparalleled choice and consumer empowerment.

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<sup>4</sup> Wikipedia

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### ABOUT POINTER MEDIA NETWORK

Pointer Media Network ([www.pointermedianetwork.com](http://www.pointermedianetwork.com)), a service of Catalina Marketing, runs the world's largest and most advanced behavioral targeting network. Since 2008, Pointer Media Network has provided behavioral targeting solutions across a network of 23,000 U.S. grocery, mass merchant and pharmacy outlets. Powered by Catalina Marketing, Pointer Media Network enables leading CPG firms, major retailers, advertisers and agencies to target relevant messages to specific audience segments.

### ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide-range of global industries. The CMO Council's 3,500 members control more than \$100 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include over 6,000 global executives across 57 countries in multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia Pacific, Middle East, Latin America and Africa. The Council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Brand Management Institute, and the Forum to Advance the Mobile Experience (FAME). More information on the CMO Council is available at [www.cmocouncil.org](http://www.cmocouncil.org).

