HOW CAN PREMIUM BRANDS survive during an economic recession?

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THE COMPETITIVE ENVIRONMENT IN BRAZIL

To better understand the challenges Unilever faced, we need first look at a harsh business climate in Brazil in 2001-2002. Since the “Real Plan” ended the era of unorthodox economic policies and runaway inflation in 1994, prices were no longer being changed weekly as in decades of high- and hyper-inflation. Consumers thus experienced almost a decade of relative stability and, as often was joked, they could finally memorize prices of their preferred brands. A sense of this volatility can be seen in figure 1 and figure 2. The Unilever CRM program was initiated during this relative lull in Brazil’s recent economic history, with a lukewarm consumer climate and uncertain perspectives for growth of household income. Events in early 2003 created an opportunity for research to help the company and its brands in ways that had not been done before.

The Brazilian political and economic climate, seldom calm, turned volatile again in 2002. Inflation had hovered around a mere 10% annually, but surged to 25% as the election of the country’s first leftist president since the military takeover of 1964 became increasingly likely (Goldfajn, 2003). The floating currency exchange rate

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reflected this tension; the Brazilian Real plummeted from US$ 0.50 in early 2001 to as low as $ 0.25 on the eve of the 2002 presidential election. The government’s solution was harsh medicine: to prevent inflation, maintain the prime rate above 20%, which translated to consumer loan interest over 100% annually, and had the undesired effect of stifling credit and business investments.

During this period, recession reached crisis proportions for merchants and consumers. In Greater São Paulo, 20% of the workforce was unemployed, and disposable incomes were visibly shrinking. Inflation emerged yet again as Brazil’s Public Enemy Number One. Retailers and manufacturers diligently battled this enemy, but as is always the case, they battled each other as well.

The now expensive dollar boosted costs of imported raw materials such as packaging components, but the supermarkets refused to accept price increases, and would not or could not pass the increases onto their already strapped consumers. The supermarket sector became increasingly concentrated between two leaders, which acquired a number of smaller chains suffering from declining sales, negative margins, and lack of credit.

These two mega-chains sandwiched their suppliers to impose minimal prices, and even launched store brands in virtually all product categories in order to enforce the negotiations.

Small regional manufacturers “blessed” with unadvertised brands also saw their opportunity to capture shares among hard-pressed middle-class consumers, who suddenly discovered new and cheap alternatives in diverse categories ranging from commodity paper towels and liquid detergents to ice cream and auto parts. The price war among the supermarkets battling for volume share opened space for these virtually generic brands.

Established premium brands came under heavy fire. Consumer loyalty to premium brands was severely challenged, while shrinking margins reduced the marketing budgets needed to defend them. Unilever owned the market leaders in 14 product categories, distributed among foods, household cleaning, and personal care. These premium names in Brazil included Hellmann’s, Knorr, Omo, Comfort, Lux, and newly-launched Dove (figure 3).

**FIGURE 3**

**EXAMPLES OF UNILEVER PREMIUM BRANDS IN THE BRAZIL CRM PROGRAM**
As political and economic forecasts were fraught with uncertainty, the prospects for these brands began to cause increasingly deep concern. Moreover, the name Unilever lacked defensive power as a corporate umbrella. Despite the fame and admiration earned by its premium products, Unilever itself was not a well-known brand name. Some of its power brands had only recently come under the Unilever umbrella, through acquisition of firms such as Best Foods and Arisco, and thus the Unilever name would not benefit these newly acquired brands either.

The Department of Consumer Relationships in Unilever called on Wunderman Communications and Abaco Marketing Research for a strategic, knowledge-driven CRM effort that could support the corporate name and all its premium brands simultaneously.

In this market climate, and with a modest budget, prospects for increasing market volume were limited. The action was to be essentially defensive, to preserve the loyalty of the corporation’s highest-volume consumer households. With much at stake, a team of specialists in Consumer Relationships and Marketing Research laid down a systematic plan of research to develop the CRM efforts, including careful evaluation of their results in single-source test vs. control panels.

**VIRTUALLY NEW PRODUCT DEVELOPMENT**

CRM sometimes is treated as little more than a broad public relations program, without the rigor of other marketing activities. In this case, when the success of more than a dozen major brands was at stake, a rigorous research-based approach was obligatory. The guiding principle of the cross-functional team was this: The development and launching of this critical marketing effort will be treated as if it were the launching of a product. Simply, treat CRM as any important new product.

The question to be answered in retrospect is: Why isn’t this principle always followed? Are there companies that treat CRM, maximizing customer satisfaction and loyalty, as merely a “fad”?

**IN SEARCH OF THE INTEGRATED SOLUTION**

One fortunate trend during this period of stress was the maturation of the marketing discipline (Green et al, 2003). By 2000 corporations realized the importance of integrated CRM solutions (Peppers, 1996), especially building so-called ‘knowledge infostructures’ that deliver breakthrough profitability and customer loyalty through integrating every customer touch point: retail, Web, call center, and beyond (Swift, 2000). This approach proved in many cases to help corporations leverage the talent of their professionals, improve processes, generate revenue-producing activities, add corporate knowledge/information, and improve current and invent new technologies to:

1. Acquire new, more profitable customers;
2. Build long-term customer loyalty;
3. Serve every customer as an individual;
4. Drive powerful marketing opportunities;
5. Increase profits and shareholder value.

**LOOKING AT THE UNILEVER EFFORT IN LIGHT OF THE BUSINESS ZEITGEIST**

The Unilever effort was thus done in the spirit of the times, but also in light of current business knowledge that was informing many strategies. One of the benchmark studies (Pearson, 2004) shows that 62% of companies say they are focused on building stronger relationships with their customers, 34% anticipate financial gains from their CRM initiatives, and 27% expect to improve operational efficiency. At the same time these studies noted a visible lack of reliable metrics for CRM systems, which has to be addressed in the projects in the form of better designed tracking studies.

One of the major missing links was using customers to co-create programs, by means of research techniques such as in-depth interviews. Although some authors had already approached the issue
(Moskowitz, Porretta, Silcher, 2005), there was not much done to show how a company might create a coherent, scientifically designed, research-driven system which utilizes multi-mode research and message optimization for CRM applications.

The project leaders in Brazil recognized the evolving role of the consumer from passive recipient to active co-creator of value (as explained by Prahalad and Ramaswamy, 2004). This co-creativity has been proven to improve customers’ acquisition and their loyalty (Moskowitz, Gofman et al, 2005). Unilever at this time was beginning to implement the notion of consumers as co-creators. This co-creation was already known to be harnessed by using sustained innovation (Moskowitz et al, 2001), and was accepted as part of the design program for the new system to be designed for Unilever because it has been proven that consumer-driven development produced more successful products and services (Stewart-Knox and Mitchell, 2003).

CROSS FUNCTIONAL TEAMS – THEIR VALUE AND ROLE IN THE BRAZILIAN PROJECT

Quite often the R&D product developer is charged with creating the concepts and ideas. R&D professionals usually have a good idea about the consumer needs and in turn can create the product concept. In recent years R&D professionals have participated increasingly frequently in the creation of product concepts, driven by management’s need to maintain a competitive position in the marketplace, and by the recognition that R&D often has its pulse on the competitive environment. R&D does not, however, often deal with positioning requirements. The positioning concepts are usually softer in nature, do not deal with the product per se, or deal with the product but only in passing. The R&D professionals often judiciously ‘pass’ on the opportunity to create these positioning concepts, leaving that task either to the marketers or more frequently to the advertising agencies.

Traditional roles in concept creation have been, however, changing, in an effort to improve the chances of success. There has been a recent shift in the organization of product development in practice, and many firms have adopted a team structure in which the traditional functional divisions are less pronounced (Ettlie, 1997). More recent research has indicated that cross-functional teams are even more effective than coordinator led or matrix approaches (Cooper and Kleinschmidt, 1996; Karlsson and Ahlstrom, 1997). This enhanced effectiveness implies that companies that bring together individuals from different departments and from beyond the company to work cohesively together are more likely to be successful (Stewart-Knox and Mitchell, 2003). As a result, organizational process tools such as cross-function teams (Kuczmaris, 1992; Pinto and Pinto, 1990) and co-location (Allen, 1986) have become increasingly accepted, and are growing ever more popular.

ROADMAP TO SUCCESS: QUESTIONS, OPERATIONALIZED METHOD AND RESEARCH TECHNIQUES

This project commissioned by Unilever Brazil was conducted over a three-year period, and involved cooperation of the cross-functional team consisting of Wunderman Communications CRM specialists and two market research companies (Abaco Marketing Research, Brazil; Moskowitz Jacobs Inc., United States).

The five major questions Unilever wanted to answer to maintain its share in these trying times were:

1. How could research identify and prioritize MVHs (most valuable households)?
2. Which marketing and communication program supported by database could reinforce brand loyalty and increase average ‘ticket’ in different MVH for the premium brands, from different categories?
3. How could these goals be achieved without corroding operating margins?
4. How could research develop, discover, enhance, and prioritize drivers of purchase?
5. How could research and CRM co-design a strategy to increase average purchase size?

The Unilever request was translated into seven strategic, yet manageable goals that were to be answered by research:
1. How to find the MVHs in the market.
2. How to enhance the MVHs profile, beyond transactional data, by identifying and prioritizing those households with the highest propensity to increase consumption.
3. How to define the size of the market for the prioritized households.
4. How to calculate the propensity to increase the average purchase size.
5. How to define and prioritize the drivers that generate relevance to the households. These drivers were operationally defined as communications that enhanced the rated attractiveness of the program.
6. How to communicate the drivers.
7. What and how to measure: marketing and financial metrics for the roll-out: hard measures and soft measures.

Four basic principles guided the integration of research for planning, execution, and evaluation and represented points of view of the participants who had to solve a practical problem in a specific time frame, with limited budgets:
1. Single-source database for all research stages and methods.
2. Transactional basis for target definition and segmentation, leaving no doubts about the relevance or actionability of the results.
3. Use of large-scale experimental design of messaging (Conjoint Analysis) to evaluate and select the most persuasive elements among many alternatives of each component of the marketing mix. Very few subjective or arbitrary decisions about messaging would be necessary, in light of the large amount of empirical data that would inform decisions.
4. Close interaction with the CRM planning team from the client and agency, at all stages of research. Maximum integration of their creative input when presenting concepts for consumer feedback.

The program was originally aimed at stimulating and measuring sales of 11 brands in 14 brand-product configurations, totaling some 100 SKUs.

As interest grew within the corporation, others were added and rotated in the Tracking. The questionnaires and diaries included all brands purchased, Unilever and competitors, in 14 product categories, some with multiple Unilever brands, listed in table 1.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>UNILEVER PRODUCT CATEGORIES COVERED BY THE PROJECT, SOME WITH MULTIPLE BRANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONAL CARE</td>
<td>HOME CARE</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>Laundry detergent</td>
</tr>
<tr>
<td>Shampoo</td>
<td>Fabric softener</td>
</tr>
<tr>
<td>Conditioner</td>
<td>Multi-use cleaner</td>
</tr>
<tr>
<td>Deodorant</td>
<td>Heavy cleaning liquid</td>
</tr>
<tr>
<td>Soap</td>
<td>Tomato sauce</td>
</tr>
</tbody>
</table>

The CRM program eventually encompassed 19 premium products of the Unilever line, and 20 products in the tracking questionnaires and purchase diaries. The 20th product, Tomato Sauce, was not part of the program. It was added prominently to the questionnaire, to mislead the panelists about the research objectives. Tomato sauce is omnipresent in São Paulo kitchens, thanks to an Italian immigrant population larger than that of Rome.

Since so much purchase and attitude information had to be obtained at each step of the research process, from a typically reticent universe, it was important to exclude superfluous questions. Every item suggested was subjected to dispassionate questioning along the
lines of ... “What will we do with the answers? Can’t we learn this, or deduce it, from other data?”

Even the routine socio-economic items that add tiresome minutes to each interview in Brazil came under scrutiny.

After comparative analysis in waves of an ongoing omnibus survey, the usual SEL battery was substituted by a short battery focused on items that, while hallmarks of Brazil’s upper income levels, could also yield useful input for this CRM program: possession of newspaper and magazine subscriptions, home computer, pay TV, internet access, and especially full-time domestic help. The most important decision Unilever and the cross-functional team have made is to make the program entirely research-driven, and fact-based. This decision led to four research actions listed below.

**Step 1: Profile and Actionable Segmentation Surveys**

The first key research step integrated a number of descriptive and experimental research methods for the success of the project, staged in sequence in order to optimize the impact and usefulness of the data for business application. The project began with profile analysis of a large database, from which a random sub-sample of upscale buyers was drawn for profile and actionable segmentation surveys.

For Unilever, MVHs in the area comprise the following, which are also shown in graph form in figure 4.

1. **Selection in São Paulo metropolitan region, by Latin Panel.** These comprised 20% of the households that represent 50% of the spending with the premium brands.
2. **Demographic + spending profile of these households:**
   - Class A/B, the top quarter of the population
   - Housewives ages typically 40+ years
   - Three to six people in a household.

Figure 5 shows the four priority consumer segments as they existed at the beginning of the project, and shortly after the price increases that had hurt many premium brands, although having less effect on the EXP (experimental group) panel. The four categories are defined by two words, as shown in the right hand of figure 5. For example, High-High means that the consumer was both a previous high purchaser, and said that in the future they would be a high purchaser.

**FIGURE 5\nCURRENT PURCHASE BEHAVIOR VS. LOYALTY DEFINED BY FUTURE PURCHASE INTENTION**
The graph shows the current distribution of individuals in the four priority consumer segments, by period of measurement during the turbulent period.

Purchase refers to the number of Unilever premium brands each household bought in the month measured, whereas Loyalty refers to their Purchase Intentions as indicated by their declared “Next Brand” in that product category.

Within that sizable segment of consumers there was a valuable nucleus of households which purchase nine or more of these brands. To understand the threats and opportunities facing the corporation, each quantitative level of consumption was further sub-divided by the consumers’ stated loyalty level. This segmentation admitted the possibility of applying different strategies ... and investments ... to the four groups, based on the revenue they generated and the security or precariousness of their future brand allegiance. Thus High-High households were those currently purchasing at least nine Unilever brands and with stated intentions to make as many of their Next Brands purchased in the same categories. Medium-Low would be purchasing six to eight brands, but showing little likelihood to remain faithful to that number of Unilever brands in their next supermarket visits. Revenue calculations demonstrated the critical importance of preserving the loyalty of consumer households that regularly purchase six or more premium Unilever brands. The current economic climate was threatening to drive “High” consumers into this moderate segment and from there outside the MVC franchise.

**Step 2: Message optimization using experimental design (conjoint analysis)**

Approximately a fourth of the 10,000 most desirable high-volume and high-potential customers of the overall product line, previously identified in the segmentation step, were then designated as part of the pool of Single Source participants. Their behavior would be monitored in the subsequent research for strategy development. There were two subsequent research steps – focus groups and conjoint analysis for messaging.

The next objective was to seek creative input for development of the CRM program, an ideal task for focus groups. Four extended groups were performed among women identified within the single-source database as purchasers of six or more Unilever premium brands. The main focus of the sessions was to understand how to create a new magazine that would serve as the means of communication with the customers. As the women participants in the group shuffled and dissected piles of existing magazines, many new ideas surfaced about what this target would appreciate in a magazine built to order to please them. Ideas were brought forth for the name, editorial tone, size, format, type styles, number and length of the articles, regular sections, and specific subjects of interest. The respondents expressed their opinions about the fact that the magazine would be offered by a single consumer products manufacturer, and about the right amount and types of advertising, rejecting the idea of publications with no advertising at all.

The consensus custom-built magazine was defined as containing balanced proportions of soft and hard material: entertainment and inspiring emotional profiles, as well as tips about child-rearing, home computers, and low-cost decorating. For a few, a horoscope would be a must.

The principle of using the research tools of a new product launch proved critical. The group discussions were productive, but key decisions were based on quantitative data. Subsequent Conjoint Analysis demonstrated that none of the 16 critical segments desired esoteric subjects such as horoscopes in this publication aimed at mature, sophisticated women. In fact, the conjoint scores for these kinds of elements were impressively negative; their mere inclusion would reduce overall interest in the publication by 11 percentage points.
“Material Girls”: Although these women were representatives of the country’s upper socio-economic echelons, mostly housewives, they showed considerable interest in articles about careers and opportunities to earn money, full or part-time. The prevailing economic insecurity spared few, even intruding on their thoughts about their own lifestyles and aspirations. This discovery inspired a highly appreciated focus on profit-making opportunities, increasing the perceived value of the publication to its readers. In addition to the magazine itself, the groups provided input for the charitable causes, especially those helping children, and contests or competitions that the corporation and the publication might sponsor.

This rich collection of ideas was now submitted to a research method appropriate for this context of design and messaging: Large-scale Conjoint Analysis. Considering the number of variables in a segmented publication, conjoint seemed to be an ideal solution for their “design”.

An experimental design used by Moskowitz Jacobs Inc. in its conjoint-based Ideamap® tool was used for the design and messaging study with the total of 80 options or alternative ideas. The categories were:
- Names and Slogans
- Regular Sections
- Promotions
- Charitable Causes
- Contests

The conjoint method would admit visual material as well, but a separate questionnaire was used to test seven visual themes that had emerged from the qualitative phase, each theme with three mock examples. Four of the themes dealt with individual people with distinctive looks and personalities, while the other three showed families, the environment, and floral arrangements.

Because of the large amount of visual material, the testing was performed at Central Locations. A sample of 250 women, representing the four critical segments of consumption-volume vs. brand-loyalty, was recruited from the pre-identified database for the 45-minute exercise.

Each respondent evaluated a total of 100 (unique per each respondent) concepts presented on computer screens by the conjoint software. The concepts were combinations of one element from each of the five categories of ideas. Thanks to the sequential monadic approach and a brief rest period with snacks after each 30 concept screens, there were no complaints of fatigue. Most respondents find this type of exercise enjoyable, despite its duration. The unique combination of elements for each respondent, accomplished by the software, ensured that there would be no possible bias due to an unusually good or poor performing concept reappearing from respondent to respondent.

The results were inserted in Optimization software from MJI, able to indicate the most attractive CRM program for each of 87 sub-segments of women who participated in this phase of research. Having this unusually large number of possible targets, including many based on consumption of various Unilever products, offered input even as to which type of magazine content would be most appropriate in the editions which highlighted a specific product category.

The underlying concept of this targeted magazine obtained a “good” baseline rating of 62 on the conjoint method’s 0-100 scale, but adding the ideal elements from the five categories produced a superlative rating of 96 for the total sample. On the other hand, a magazine with the least attractive elements tested was estimated to cause reader interest to plummet from 62 to 26, or less than half as many enthusiasts.

An eternal challenge for researchers is: How to present the results of sophisticated research to non-users? This methodology offered an attractive solution. It was decided to show side-by-side comparisons of the Best and Worst combinations of ideas for each consumer segment to the creative and
journalist teams. Previous experience proved that, even for collaborators generally unappreciative or weary of research reports, seeing these “maximum vs. minimum” examples side by side, as Do’s and Don’ts, is far more educational than the most eloquent set of statistics.

**CONJOINT ANALYSIS RESULTS: BEST AND WORST CONCEPTS FOR SPECIFIC SEGMENTS**

The interest levels among women in the 87 demographic, life style, and consumer segments were analyzed, using optimization software to combine the most persuasive elements for each segment. Of the 87 possible segments, 16 were actually considered in the CRM program design.

For example, the basic concept of a custom-designed magazine from Unilever “for women like you” generated moderate interest among the class A women, who represent the top 5% of the population: received a score of 59 on the 0-100 scale.

However, adding the optimal elements for these same class A women, raised their interest in the magazine by 38 percentage points, from 59 to 97.

If, on the other hand, the magazine development team were to use the worst combination of elements for that segment, they would manage to alienate most of the class A target. The least optimal solution obtained a dismal score of 27.

Seeing these comparisons of the best and worst scenarios, with the quantitative results of their effects, was often amusing. More important, it helped the creative team understand the psyche of their target consumer.

**TABLE 2**
**EXAMPLE OF USE OF OPTIMIZER SOFTWARE: FOCUS ON CLASS A WOMEN**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>BEST CONCEPT FOR CLASS A WOMEN</th>
<th>UTILITY SCORE</th>
<th>WORST CONCEPT FOR CLASS A WOMEN</th>
<th>UTILITY SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slogan or sub-name</td>
<td>Thinking about you</td>
<td>+5</td>
<td>The magazine as exclusive as you are</td>
<td>-3</td>
</tr>
<tr>
<td>Content or section</td>
<td>Working at home: a section for women seeking alternative professions ... courses and professional orientation.</td>
<td>+10</td>
<td>The Other Side of Being: Astrology, the influence of the signs on your personality, mysteries of Taro ... esoteric themes.</td>
<td>-10</td>
</tr>
<tr>
<td>Personal benefit</td>
<td>To enter a drawing for a new car, buy 10 different Unilever brands...</td>
<td>+12</td>
<td>Have your astral map made free by a professional astrologist...</td>
<td>-9</td>
</tr>
<tr>
<td>Social benefit</td>
<td>Help provide a scholarship for a needy child, buying six brands and ...</td>
<td>+9</td>
<td>Help institutions that preserve the urban and rural environment by buying 10 brands and ...</td>
<td>+1</td>
</tr>
<tr>
<td>Premiums /gifts</td>
<td>Unilever Travel Kit</td>
<td>+2</td>
<td>Kitchen timer in the shape of a penguin</td>
<td>-11</td>
</tr>
<tr>
<td><strong>BEST TOTAL SCORE</strong></td>
<td></td>
<td>97</td>
<td><strong>WORST TOTAL SCORE</strong></td>
<td>27</td>
</tr>
</tbody>
</table>
A consensus had to be reached for the total sample, composed of both classes A and B. The elements eventually used in the program had the same or slightly higher utility values as those shown for class A, among the total sample, obtaining an excellent final score of 96.

According to the research, the cover of the magazine with that optimized offering would show a woman in her thirties, attractive but not quite beautiful, casual and clearly pleased with her life style.

Allaying any concerns of the planning team about Unilever’s image among a critical consumer population, the scores also revealed that the program which followed the consensual approach would not alienate any of the 16 key segments.

**Step 3: Enhancing ‘customer contact’ by creating a CRM magazine called “Diva”**

Within two weeks of initiation of the fieldwork, the client was equipped with sufficient editorial input for several editions of the magazine. The research provided clear input with statistical support for deciding its name ... DIVA, size, shape, overall themes, and a charitable cause program, as well as guiding periodic promotions (see figure 6).

The “Material Girl” theme raised by the focus groups was strongly supported by the conjoint results. The recessionary economic climate obviously contributed to the high interest in magazine content related to earning and saving money, and helped make it not only entertaining but also a useful source of practical information.

In the end, the business environment reduced the scope of the CRM program, eliminating the so-called “hard” benefits that had been contemplated. No direct personal economic gain was able to be offered to the participants of the program. Thus any positive effects would be those caused only by the DIVA magazine and the Social Marketing aspects.

To compensate budget limitations affecting “hard” benefits, the soft CRM efforts were thoroughly planned and comprehensively executed. For example, the 150 women who had generated the largest donations to the charitable cause were invited to a closed event called “DIVA LIVE”, to recognize their contributions, including a speech by a famous news anchorwoman that encouraged their Material Girl aspirations.

Table 3 shows an overview of CRM efforts in year 1, the peak of the program.

The magazine and its accompanying promotions (figure 7) were blueprinted by optimizing the results of quantitative research. Conjoint Analysis tested numerous alternatives for each component: name, mood, article size, subjects, and promotions. The research indicated a series of attractive cover visuals. The data guided advertising density and revealed the ideal extent of presence of the corporate sponsor.

The resources available during year one of the CRM program dictated that only one benefit could be offered to the MVC participants, either a “hard” benefit (such as a short-term personal economic gain) or “soft” (such as a charitable action); not both simultaneously. Based on the results of the qualitative research phase, Unilever opted for Cause Marketing. A charitable cause focused on children was elected. The Maria Helena Paulino Assistance Home is dedicated to caring for child cancer patients in poor families throughout the State of São Paulo.

The mechanism was simple: if the CRM participants sent six proofs of purchase, as many times as they wanted, then Unilever would transfer the margin of these products to the cause on behalf of the donor (MVC), and add the same amount of money, thus doubling the donation. The donations were used to refurbish the institution’s facilities, such as a store where it sells donated goods, gaining incremental funds for its worthy services.
TABLE 3
OVERVIEW OF THE CRM PROGRAM (YEAR 1)

<table>
<thead>
<tr>
<th>TYPES OF CONTENT AND CRM EFFORTS</th>
<th>12/02</th>
<th>3/03</th>
<th>5/03</th>
<th>6/03</th>
<th>8/03</th>
<th>9/03</th>
<th>12/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information and merchandising</td>
<td>DIVA1</td>
<td>DIVA 2</td>
<td>DIVA 3</td>
<td>DIVA 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOFT benefits:</strong> Charity-oriented</td>
<td>Charitable cause(^1) from March through November</td>
<td>“DIVA LIVE” event</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cause was cited in DIVA magazine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mailings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Women’s day Card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charitable cause letter</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Charitable cause letter</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>HARD benefits:</strong> Prize-oriented, were researched but not enacted in the program.</td>
<td>Cultural contest(^2) about Charity from June through November</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Consumers were encouraged to send six Unilever product bar codes to generate contributions to a child cancer care institution.

2. Modest prizes to consumers for best short comments about helping social causes.
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The cause marketing was deemed successful. Over 8% of the households participated, 70% of them on multiple occasions. These levels were considered to be remarkable for a benefit of “pain without gain”, at least no rational or financial gain.

Step 4: Tracking program

A monthly ‘blind’ Tracking study was instituted among a starting sample of 800 women in two highly matched panels: 400 individuals who participated in the entire CRM program (the EXP group) and 400 matched individuals from the same general sample, who received no stimuli except the research itself (the CTL group). The tracking program thus became a method to identify the effectiveness of the program as well, since the design called for the CRM program to be an ‘intervention’.

The research process was structured to provide ongoing data over time, so as to measure changes and cycles in purchasing behavior at the individual household level. All 800 participants responded to monthly CATI interviews, filled out purchase diaries, and saved register receipts, in order to provide ‘hard proof’ of their product purchases in 14 main categories of client interest. The diaries and receipts were retrieved monthly, shortly after the CATI phase, in which the pickups were scheduled. A small gift was offered every month to participants, and there were frequent phone confirmations which maintained a high level of respondent cooperation. These research strategies generated good quality participation, perhaps because of the emotional connections deliberately developed as part of the research program.

At no time during the long Tracking phase was the client identified, either to the Experimental or Control group participants. Respondents reported their behavior across numerous product categories, without focus on any specific brand.

The recessive economy meant that the client and the research might have to “forgive” some erosion of the hard measures such as sales volume, even among the higher income households. In this case, the soft measures of marketing performance would undergo greater scrutiny. Even if the CRM program could not maintain sales among consumers with shrinking disposable incomes, it was expected to secure or augment their declared brand allegiance and their purchase intentions.

In the long term, with renewed growth in the economy, the soft results of favorable attitudes could translate into years of increased shares and volumes.

In fact, the combination of lower disposable income and retail price hikes hurt volumes significantly in the early months. However, analysis of combined hard and soft data, comparing experimental and control cells, would show the CRM was producing positive effects.

RESULTS OF THE CAMPAIGN

The “Hard” Results: Unit Sales Volume Increased

First tracking wave, at start of program: The cash register receipts collected during the First Tracking Wave, before the program had its full impact, demonstrated that the EXP and CTL panels were similar in their premium brand purchase behavior. This is expected, since the groups were matched at the very start. All were indeed MVCs: the CTLs were purchasing an average of 9.3 Unilever brands, whereas the EXPs had put 9.1 brands in their shopping carts in the past month (figure 4).

The economic crisis continues and its effects: Shortly thereafter, the Brazilian economy precipitated a situation that would have confounded the Tracking if separate EXP and CTL panels had not been created. The long-repressed price adjustments finally worked their path through the chain to the supermarket shelves. Sales of consumer products were affected heavily, and premium brands suffered a harsh setback. Almost simultaneously a DIVA magazine reached the EXP households, but its effect was diluted in the price reaction. However, this adverse
economic situation was indeed a superb laboratory to test out the real-world effectiveness of the research-based CRM program, and of course the efficacy of the research itself.

In the subsequent Tracking wave, Unilever premium brand volume had fallen 17% in the CTL panel. There was a slightly smaller drop in volume among the EXP households, 16%, a business incentive to proceed with the program as a brand-strategy to maintain volume.

Effects of CRM during the crisis period: The next two editions of DIVA, together with mild CRM efforts via direct mailings, consolidated the effects of the program. Sales volume in the EXP panel, which had begun the research 2% lower than in the CTL panel, in fact peaked 6% higher.

Lasting effects after CRM program wound down: As the program decelerated in early 2004, limited to a single DIVA magazine edition, the volume advantage of the EXP cell diminished to 3% over the CTL cell, which meant an overall advantage of 5% since the inception of the Tracking.

Going into greater granularity of results, the following advantages were found for the ‘Experimental’ vs. ‘Control’ MVC households:

1. Higher purchase index in 8 of the 11 Unilever brands (up to 64% higher);
2. Higher volume share in 7 of the 11 brands (up to 70% higher);
3. Higher value share in 7 of the 11 brands (up to 65% higher).

This advantage was insufficient to compensate the overall volume loss resultant of the economic crisis and price adjustments, but dramatically underscored the positive “hard” effects of the research-driven CRM program.

The “Soft” results

The volumetric data had indicated mild immediate return on the CRM investment, hindered by economic turbulence. ‘Soft results’ from interviews with the two research groups demonstrated more advantages of the research-based program that would not easily be seen from the hard numbers alone (table 4).

In the telephone interviews, the women were questioned about their unaided advertising recall in the diverse product categories, their levels of involvement with numerous brands on a six-point scale, and their probable next brand in each category. The products were constantly rotated to diminish order bias.

Among Experimental vs. Control MVHs:

1. Higher recall, for 9 of the 11 Unilever premium brands (in some brands, up to 91% higher);
2. Higher purchase intent also for 9 of the 11 Unilever premium brands (in some brands, up to 82% higher).
It seemed clear from these results that the CRM program created “good will” toward the Unilever brands that could not be manifested immediately in revenues. It was expected that an economic upswing would convert some of the “soft” results to the “hard” columns, and to the bottom line. Within the EXP panel, Unilever managed to maintain and actually increase market share of these premium-priced brands during a recession marked by heavy down-trading in almost all consumer product categories.

CONCLUSIONS

Key learning points:
1. Use a single-source sample for all stages of strategy development research. Each ensuing study increases consumer knowledge in an accelerating fashion, so that there is the research advantage of a ‘within-subjects’ design for the different parts of the research.
2. Do the quantitative business analysis before the qualitative research: Avoid guesswork about the prime targets of opportunity. Valuable market niches may go undiscovered if excellent qualitative research is performed, but done only in the obvious, over-worked market segments.
3. Begin with transactional (not demographic) segmentation, to ensure actionable results. Avoid stereotyped samples such as “Class ABC housewives aged 25-49”. Cherchez l’argent: Start with a collection of sub-segments, even small ones, but based on the key variable being … whence comes the money. FMCG research seldom has the convenient lists of Key Clients common to B2B projects; therefore locating the profitable consumer niches demands a substantial quantitative sample. The sample size will enable a series of small but coherent segments with heavy consumption behavior to take shape and support further investigation. Some of these segments may be ignored in modest samples, despite offering...
the best prospects for higher-margin targeted product offerings.

4. **Use large-scale sequential monadic conjoint** (partial profile), including visual stimuli, to test “everything” simultaneously, including large numbers of elements. Do not reduce the scope of elements to those that are simplistic, without tonality, soul or feeling.

5. **Go beyond the conventional conjoint, which works with features, to conjoint which works with messaging, and reality of tones, feelings, and complex nuances.** Unsophisticated respondents can recognize stimuli they like, even when choosing among them is difficult. Monadic sequential conjoint, not an artificial choice task, was imperative in this research in Brazil, to make the respondents’ task pleasant enough to undergo an exercise with 100 concept evaluations per respondent.

6. **Use a Control Panel, which is essential in any potentially unstable test environment.** The world seems to have less and less recognition that control panels are critical to the understanding and validity of experimental results. And in an increasingly unsettled world economy, the controls are all the more necessary.

7. **Treat the respondent panel well to avoid sample mortality.** Replacement of respondents may not be viable, especially in CRM evaluation. When a Tracking Study becomes extended, the diminished sample size may compromise its results.

8. **Use multiple hard and soft metrics to detect short-term and probable long-term effects.** As advertising professionals have long insisted, and might hold true, marketing efforts require generating a build-up of positive attitudes before they move products off the shelves. Using purchase diaries, cash register receipts, and telephone interviews also, is not necessarily excessive research.

These key learning points can be generalized and extended as shown in appendix 1 where the suggested eight steps show a sustained systematic research-based approach as applied to the companies of different sizes.
Appendix 1 extending the approach to companies of different size

Over the years members of the cross-functional team have been using some variations of the approach in many countries (e.g., Marcus et al, 2005). The approach has proved viable and scalable for companies of varied sizes and for projects of different scales.

In a generic form it can be divided into eight stages presented in table A. Depending on the specifics of the project, locality and demographic characteristics of the target population, the research can be done utilizing CATI, CAPI or CAWI. In our experience the results are generally comparable.

TABLE A
STAGES OF SUSTAINED SYSTEMATIC RESEARCH-BASED APPROACH FOR COMPANIES OF DIFFERENT SIZES

<table>
<thead>
<tr>
<th>STAGE</th>
<th>DESCRIPTION</th>
<th>METHOD USED</th>
<th>SAMPLE SIZES</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Perform a Profile and Actionable Segmentation Survey</td>
<td>Quantitative survey</td>
<td>2000-3000</td>
</tr>
<tr>
<td>II</td>
<td>Create a Single-Source Database for all further stages of research, with well-defined representative samples of priority segments such as “MVCs”</td>
<td>Multi-stage statistical analysis</td>
<td>-</td>
</tr>
<tr>
<td>III</td>
<td>Perform qualitative research to generate concepts without imposing “censorship” or numerical limits on the ideas</td>
<td>Focus groups or 1-on-1’s</td>
<td>40-80 respondents</td>
</tr>
<tr>
<td>IV</td>
<td>Key professionals from the client, creative agency, and research providers join to compile the ideas, edit and organize them, and then present them as clear, attractive stimuli.</td>
<td>Brain-Storming</td>
<td>1-2 sessions</td>
</tr>
<tr>
<td>V</td>
<td>Have the key target segments evaluate dozens of ideas in visual and text form, in a single quantitative research study, using large-scale conjoint analysis.</td>
<td>Conjoint via CAPI or CAWI</td>
<td>200-400</td>
</tr>
<tr>
<td>VI</td>
<td>“Optimize” the concepts by combining the ideas that motivate the largest numbers of consumers in each market segment</td>
<td>An Optimization Software</td>
<td>-</td>
</tr>
<tr>
<td>VII</td>
<td>Strategy Implementation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VIII</td>
<td>After implementation or launching, measure the results over time</td>
<td>Quantitative Tracking via CATI or mixed methods such as diaries, cash registers receipts</td>
<td>Monthly, with Experimental vs Control panels (400-800)</td>
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References


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