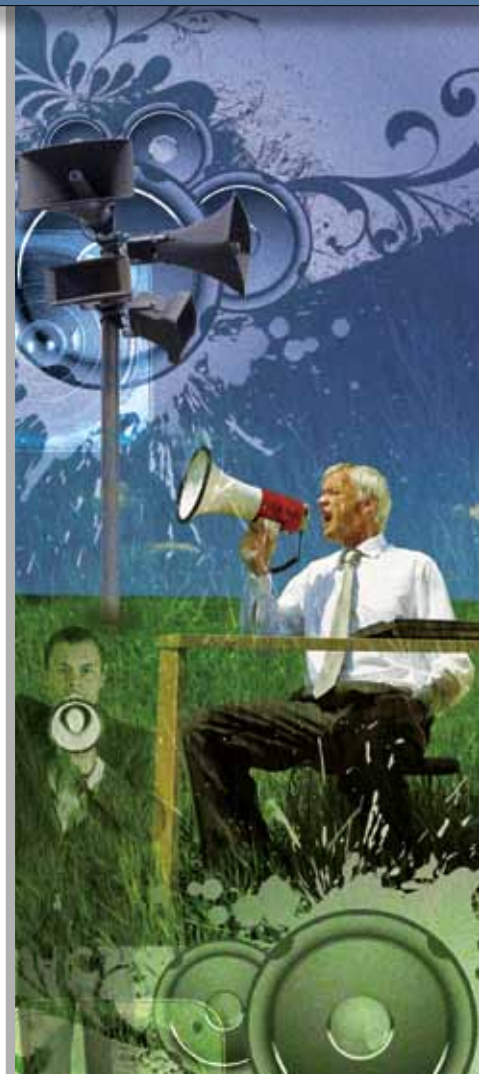


Local Impact Marketing

Taking the brand experience to the customer



Alongside TV ads and billboards, more companies are implementing local impact marketing tactics that engage customers in the brand experience on their home turf. In American cities, Red Bull hosts “Flugtag” contests, pitting homemade flying machines against one another in front of crowds of thousands. On urban streets, Marshalls dispatches “fashion police” to entice customers into stores. This type of grass-roots marketing is no longer just for cash-strapped, new-age companies. It’s the fastest-growing marketing discipline in business.

As winter settled on Chicago in late 2008, Kraft Foods’ Stove Top stuffing served up some big help—and subtle marketing—for Windy City commuters. In 10 bus shelters across the city, the company’s marketing team installed heat lamps to keep waiting riders warm, and to remind them of the same warmth they feel while eating Stove Top products. “Cold, provided by winter,” the accompanying posters said, “warmth provided by Stove Top.”

While many companies have experimented with “experiential” marketing—which allows potential customers to experience the essence of brands and products directly, rather than by traditional means—fewer have applied it systematically, with consistency and discipline. That is changing.

As companies’ total marketing budgets increased 17 percent a year from 2002 through 2007, experiential marketing was the biggest area of growth. Now as the economic downturn threatens budgets—60 percent of companies have plans to sustain their marketing budgets, or reduce them—marketing departments are turning to nontraditional approaches that are far less expensive and can offer a better return on investment.

One particular subset of experiential marketing, called local impact marketing, is experiencing the fastest growth. Exemplified by the Stove Top campaign, this strategy uses localized tactics to tap into consumers’ senses, with the intent to create a more personal and longer-lasting brand

experience. According to a study we conducted late last year, 71 percent of companies have plans to expand their use of local impact marketing (see figure 1).

Local impact marketing is not necessarily new. It's easy to imagine old-time salesmen hawking their goods on crowded corners, long before the era of TV and radio. But the relationship today between consumer and brand has changed. Marketing is no longer a one-way street, with a company pushing its product and buyers merely listening. Today's consumers are more sophisticated. They want to communicate with a brand, play a role in it and have an emotional connection (see sidebar: *Why Local Impact Marketing?*).

In the era of advanced communication, grassroots marketing is vital for drawing in customers. The key is building the organizational structure to support it.

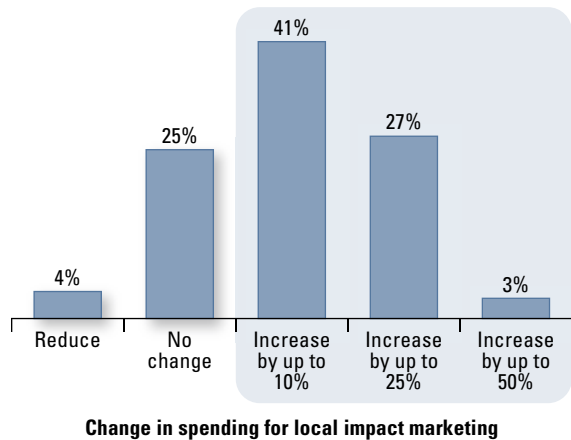
Standing Out

The power of local impact marketing comes from several factors. One is the ability to create an emotional connection through an individual's experience. If your customer can "touch, feel, connect"

Figure 1

Most companies plan to expand their local impact marketing

Survey response (marketing executives)



Source: A.T. Kearney analysis

with your product, you can enhance and reinforce your brand positioning. The other factor is the way it engages the consumer in more intimate or personal settings, what we call "experiment, innovate, localize." Typical local impact marketing such as product sampling, guerilla marketing, the

Why Local Impact Marketing?

Several factors are contributing to the rapid rise of local impact marketing and its future growth.

Clutter. Today's consumers are barraged by marketing from every direction, so it is hardly surprising that they respond better to a more interactive, personal and tactile marketing experience.

New technologies. Advances

such as TiVo and iPod have also made it much easier for consumers to skip past traditional marketing.

The Internet. The proliferation of the World Wide Web has fueled self-expression, especially within Generation Y, those 20-something consumers who make up a quarter of the U.S. population and spend more than \$200 billion annually.

This generation has been the first to master new communication methods, from YouTube to Facebook, that invite consumers to be actors on a brand's stage.

Budget cuts. Companies are feeling the pinch, and slashed budgets are forcing them to find cheaper alternatives that can promise a greater return on investment.

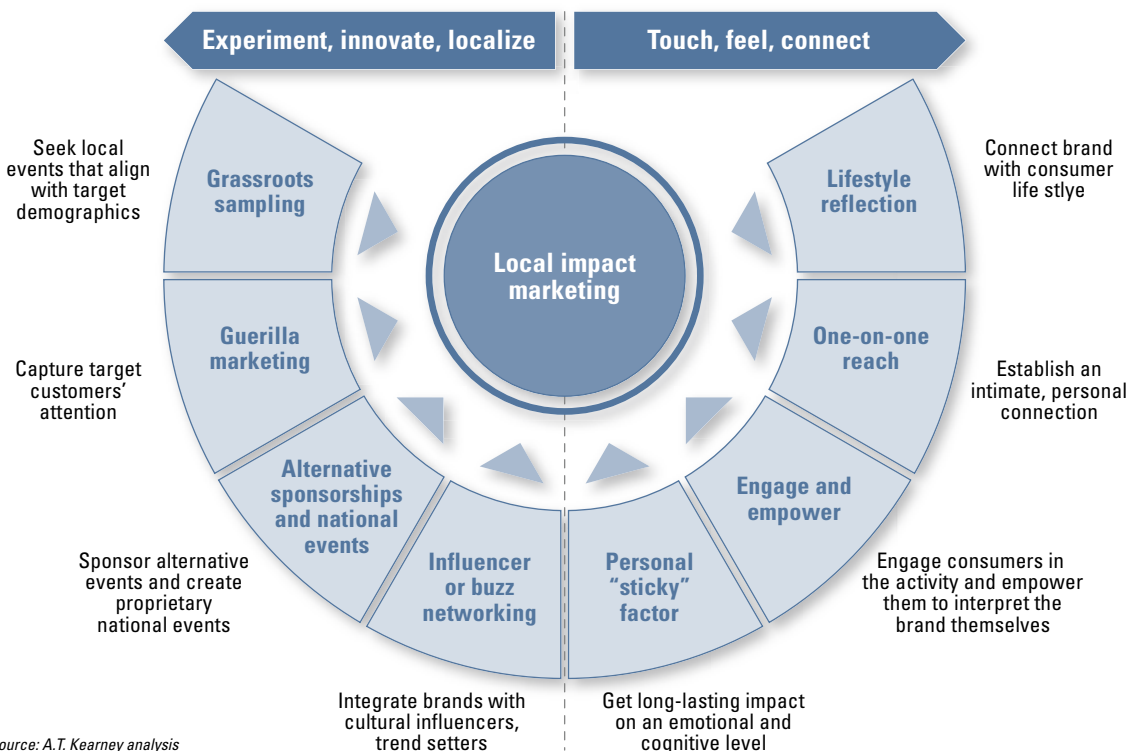
sponsorship of alternative events (such as Flugtag) and “buzz” networking allow you to interact closely with consumers and enhance your brand by leaving a strong impression (see figure 2).¹

Activities that are more interactive and connect with consumers locally, personally and creatively, such as special events or community samplings, are generally more effective than less creative, less personal events such as street theater (see figure 3 on page 4). In general, the best activities aim to attach a brand to a consumer’s senses—the warmth of a heated bus stop, the exhilaration of an extreme sport or the savory taste of pre-mium chocolate. It often taps into local sentiments, as a

recent IKEA campaign in New York City demonstrates. On the opening of its Brooklyn store, the company erected 20-foot-by-20-foot boxes, or “pop-up rooms,” in busy public squares, reflecting the small apartments in New York and how IKEA furniture fits into them. The move allowed IKEA to demonstrate its advantages in tight living spaces.

In some industries, local impact marketing is the norm. For example, newcomers to the beverage industry, trying to create a lower-budget buzz with young people in a crowded marketplace, devote almost all of their marketing to it, according to findings in our study. Jones Soda grew in a crowded market by attracting customers

Figure 2
Local impact marketing creates an emotional connection

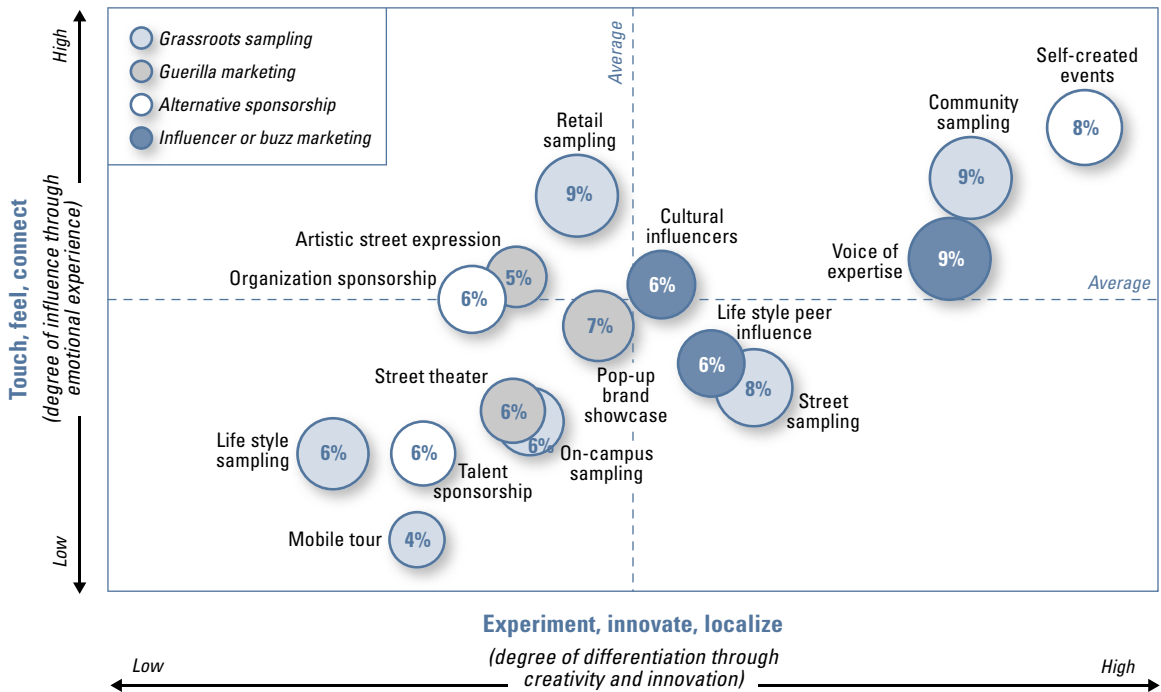


Source: A.T. Kearney analysis

¹ Guerrilla marketing is the targeting of consumers when they are not expecting it. Buzz networking aims to make each encounter between the consumer and the brand unique and unchoreographed.

Figure 3

The more locally and personally connected, the more effective



Note: Bubble size represents percentage of time spent on activity

Source: A.T. Kearney analysis

at the local level, using a team of recreational vehicles to crisscross the country to distribute free samples at games, concerts and fairs.

Established companies can also win with local impact marketing at a relatively low cost. For example, Charmin drew national headlines when it installed 20 portable toilets in New York’s Times Square, allowing passers-by to test out Charmin toilet paper free of charge. It also tapped into a uniquely local story, as New York has tried for years, unsuccessfully, to install public toilets around the city. The toilets are now a permanent Times Square fixture.

Of course, there is some risk involved; particularly if a campaign is poorly planned, badly received or overly intrusive. For example, the

California Milk Processor Board quickly scrapped a marketing program that introduced the scent of chocolate-chip cookies in bus shelters to evoke the desire for dunking cookies in milk, amid complaints that the smell caused allergic reactions.

Making the Case

The best programs create an emotional connection through a relevant, unique consumer experience, such as special product samplings or creating networks of users. For example, Hershey’s introduced its Bliss line of chocolate by sponsoring more than 10,000 house parties across the country where partygoers got a chance to sample the new product.

Marshalls, the discount department store,

introduced a concept that generated in-store traffic and reinforced its core message. The company introduced a street marketing campaign where “fashion police” roamed the city wearing oversized price tags. They targeted well-dressed pedestrians, accused them of overspending on their clothes, and issued them “citations” inviting them to the local Marshalls. The tactic succeeded in capturing the attention of its target consumers and increasing traffic to stores. In Boston, where fashion police issued numerous citations, a local newspaper wrote a story about the campaign.

Another example is Panasonic’s nationwide tour, “Living in High Definition,” which offered consumers a live experience with its high-definition televisions (HDTVs). With its interactive mobile tour of custom-built trucks visiting retailers and select events across the country, Panasonic provided a hands-on experience of its own HD products to increase awareness and build brand value. HDTV sales increased an average of 20 percent at retailers visited by the Panasonic truck. Panasonic has since made a further commitment to experiential marketing, setting aside one-third of its marketing budget for similar initiatives.

Before Executing LIM

There is a tendency to see local impact marketing as a quirky side project that simply takes a few part-time workers on a defined mission. In our experience, however, when you do not take structural and operational issues into account, there are problems. Using local impact marketing strategies requires changes in both attitude and infrastructure.

For marketing teams, the new techniques often lead to wasteful clashes. On one side of the battle is the traditional marketing organization, where the brightest minds draw up marketing

plans and budgets to grow or maintain market share. They worry about setting up plans and controlling the message. When the local impact marketing team comes in with its more provocative ideas, it can be a chore *not* to stifle creativity. These local teams are often staffed by college students—found on Craigslist, not at an MBA job fair—exercising their freedom and the ability to act without excessive intervention.

Local impact marketing thrives on grass-roots-level creativity and the freedom to think outside the box; yet a brand can pay a hefty price if its marketing plan backfires. The very traits that make local impact marketing so successful can also fail and leave a lasting impact on the brand and the company.

All sides of the organization must be aligned when implementing local impact marketing. It must be well executed and balanced. If not, any sort of friction will hinder local impact marketing success. As figure 4 illustrates, the organization must balance creative freedom with brand consistency, efficiency with effectiveness and autonomy with corporate controls.

Figure 4
Common friction points for local impact marketing



Source: A.T. Kearney interviews with marketing executives

The Implementation

Incorporating local impact marketing into an existing business model built on traditional marketing brings up other issues, such as the legal, financial, labor and oversight concerns that come with implementation. For example, we worked with one company where the hiring of part-time workers became an unexpected hurdle because the firm did not typically hire part-timers, and the human resources systems could not handle it.

Today's consumers are more savvy and more sophisticated. They want to communicate with a brand, play a role in it and have an emotional connection.

The point is that the structural needs of any new plan must be considered before it is implemented. In many cases, new processes will have to be created and old systems will need to be changed in order to handle the new activities and avoid any unforeseen and costly setbacks. With that in mind, we suggest the following steps to implementing local impact marketing.

Assess success factors. Figuring out exactly what fits an industry and its consumers, what options are available and what makes a company stand out will help in assessing the level and nature of the local impact marketing needed and lay the groundwork for operational decisions.

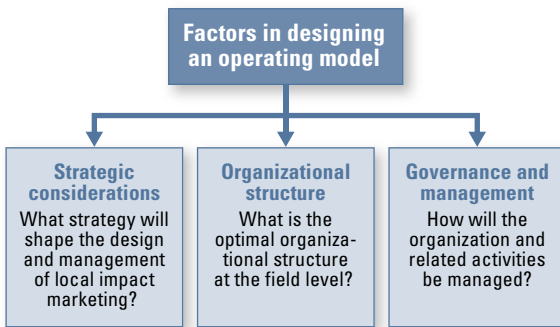
What works best will depend on your target. A company selling an energy drink aimed at young adults may opt to sponsor “extreme” sports events, while a healthy beverage maker targeting young mothers may find that creating a special affinity group is the right strategy to spread the word.

Identify the best operating model. Not all models work for every company. Strategy, current organizational setup and governance framework are factors that determine the proper structure for executing local impact marketing (*see figure 5*). New roles and responsibilities must be defined clearly (*see sidebar: Questions for Engagement*).

Taking the discussion a level deeper, companies need to make decisions about how they will set up their local impact marketing organizations. Some options to consider include a brand-dedicated structure, where teams are divided by product; a market-dedicated configuration, which splits priorities by individual markets; or pooling, in which resources are shared across markets and brands. The right option depends mainly on the company's overall strategy.

Determine the role of agencies. This is perhaps the stickiest issue when diving into local impact marketing. In general, hiring an agency to perform local impact marketing activities is not a bad idea. External providers can offer flexibility, minimize risk and serve as a liability buffer. But good agencies that really know experiential marketing are hard to find. Determining an agency's local knowledge and staffing capabilities is crucial during the selection process.

Figure 5
Choosing a local impact marketing model



Source: A.T. Kearney analysis

It is essential to determine how much oversight is necessary for a particular brand. Finding the most experienced, most creative agencies is important, but so is maximizing the value for the brand. For example, if a company is trying to target a younger generation, then a non-traditional agency might be best to execute the plan. On that note, though, if the new marketing campaign is too wild and crazy, it could affect the over-

all brand, especially if there is not enough central oversight. This problem is common in more traditional, centralized marketing organizations.

Develop or adjust internal processes. After considering all the risks and rewards of different operating models, the focus shifts to instituting new processes. This can be more difficult than anticipated, as the current system may have trouble fitting with the new processes and policies associated with local impact marketing. Additionally, the decision-making process must have the appropriate level of flexibility and independence to allow local teams to perform at their peak.

Create a communication plan. As discussed earlier, be prepared for friction points when adding local impact marketing to traditional marketing. Involving the entire organization from the beginning will help ensure acceptance and smoother interactions.

Test the strategy. Do not think about a full-scale roll-out until methods, brands and markets have been tested, in order to gain a better understanding of the tactics that will best suit local teams.

Questions for Engagement

When developing a local impact marketing strategy, there are several questions to answer:

- What are the strategic considerations that shape the design and management of local impact marketing?
- What are the objectives for our brand? How much brand risk are we willing to take?
- What is our level of commitment?

What role will local impact marketing play in our marketing program? How will it be integrated with corporate marketing?

- What is the best field-level organizational structure? What type of structure and roles do we want? How will we manage it? How will we organize our field operation to serve multiple brands?
- How should we staff the local

impact marketing organization— in-house or agency? What is the career path for local impact marketing employees? How rigorously do we want to manage performance?

- How much latitude are we willing to give local teams? Where should activities be planned?
- What type of controls do we need? How should we control the budget?

Bringing a Vision to Life

In a world with more technology, more media and more ads, it is no wonder that consumers are craving a more personal experience with the products and brands they use. Too often, though, companies apply these new methods without building

the organization necessary to ensure success.

Local impact marketing is a great way to reach increasingly sophisticated consumers. But the Flugtag contests and heated bus stops won't bring lasting results unless you've laid the organizational groundwork for change.

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