At the Crossroads of Change in CPG Retail

March 2021
IRI’s Growth Insights **C-Suite Conversations** feature insights and best practices from CPG and retail industry leaders. The experiences of these executives and their companies demonstrate the agility and foresight that keep our industry dynamic. Throughout the COVID-19 pandemic and economic struggles, CPG and retail companies have reengineered supply chains, launched new go-to-market strategies, pushed forward on innovation, and invested heavily to ensure that shoppers and consumers can be confident in the safety, quality and integrity of the products they purchase and use. Partnerships between CPGs, retailers, and sales and marketing organizations have been critical and have evolved to become even more important as companies navigate accelerated trends and change.

As critical as data and analytics are to the decisions we make every day, and as focused as we are on shopper behavior and changing demand for the products we make and sell, the insights we glean from executives navigating this environment are invaluable. Available as a [videocast](#) and as a [podcast](#), here we feature an edited version of IRI’s conversation with Chris Moye, chief executive officer at sales and marketing services company CROSSMARK.

In this episode of IRI Growth Insights C-Suite Conversations, Moye talks with KK Davey, president of IRI’s Strategic Analytics practice, and Kurian Thomas, retail chief operating officer at IRI. Moye shares insights on driving change and repositioning the company for a digital future; establishing the best road map for companies at the crossroads of brick-and-mortar and e-commerce shopping; transformative-thinking approaches and how to use technology to act with speed; shifting mindsets demanded by the pandemic and how to shift again moving forward; leading from the top and leveraging from the bottom up; and the Holy Grail as a dashboard to strategize and prioritize to maximize ROI.
Kurian Thomas: Let’s start by talking about what CROSSMARK and other sales and marketing agencies do, and the role they play in the CPG retail value chain.

Chris Moye: In a lot of ways, sales and marketing agencies are the operational guts of the connectivity between the CPG brands trying to get their products to the end consumer in partnership with the retailers. We do a lot of the work on behalf of the sales functions as well as the marketing functions.

KT: When you joined the company in 2019, you brought transformation experience, and you have been leading a repositioning of the company for a digital future. Please talk about the transformation you’re driving at CROSSMARK and how you’re bringing it to life.

CM: I find myself having the most fun I’ve ever had in my life, because this is actually allowing me to work with a bunch of very talented people who, quite frankly, were in survival mode for many years as the industry reset itself in many ways. I’m used to doing this from my previous experience in places like McKinsey & Co., and more recently with IBM, where I did digital transformation futures for companies – global companies, leading companies – that were trying to foresee how they could leverage technology as they go forward. And what a great time to be doing that, but in response to COVID-19. I mean, it’s just fantastic.

When people talk about digital transformation, I think there are many transformations that happen at the same time. There’s an operational transformation that has to happen. There’s financial transformation. And perhaps one of the more important ones is cultural transformation. Often, the IQ is figuring things out – the right answer, so to speak – but the EQ is how you get things done.

Having a culture that EMBRACES TEST-AND-LEARN AND THE UNCERTAINTY OF THE FUTURE is really a key part of where we’re going.

And, again, is there a better time to do it than during COVID-19?
KK Davey: How did COVID-19 change your transformation initiatives?

CM: It’s like the overused cliché that everybody says: COVID-19 changed everything. We actually started off last year with good momentum. Coming out of 2019, we finished the year pretty well. And then coming into 2020, we started very strong. We were ahead of plan into March, and things were looking great. And then, in our case, we call it the week from hell. We got hit with a cyberattack that brought us to our knees. And later, the same week, we got shut down by one of our biggest clients, Sam’s Club Events. They said: Hey, we’re going to put a pause on all events because of the sensitivity around COVID-19. Suddenly, everything changed for us in that one week. There were definitely bells ringing; things were not going to be the same going forward.

KD: What did you have to readjust as a result of these two big events in March? Let’s go back to your decision-making during those times.

CM: Well, I’ll address the different parts of the business. Obviously, from a technology standpoint, we needed to get back up and running. And, quite frankly, we had already started on an assessment of our infrastructure and what
we needed to do to survive and thrive into the digital age. So we had that already underway, and ironically, we had found that we had some weaknesses. We’ve since put in place a state-of-the-art platform around that. That’s the foundational layer that you have to operate with today. We had a precipitating event. We addressed that much faster than we expected because we had to, but that’s pretty much the theme of what happened in 2020 for us. We had things underway. We had teed up the idea of doing digital marketing, digital events in February, and then of course, mid-March happened. We got very motivated to make those happen really fast so that by September, we had turned those into real products and were producing positive client impact.

**WE GOT TREMENDOUS RESPONSE FROM OUR CLIENTS**
by applying new technology and new thinking because COVID-19 gave us an opening.

It just accelerated the marketing.

**KD:** What about sales?

**CM:** We have two key parts of the sales-agency business. One is the headquarters selling that we do. Initially, the shelves went bare all of a sudden. So those people were primarily shifted away from “How am I going to promote my product?” to “How do I get the product?” It was a supply-chain allocation challenge for all. It seems like every single manufacturer in America was suddenly out of stock. The shelves were clear, and that translated into challenges for our retail-rep business. And, for example, many of the people that were on the front lines found themselves, as essential workers, facing off directly with COVID-19 challenges. So out-of-stocks on one hand, demand for their services never greater, and on the other hand, their health. They’re on the front lines, and it became very apparent to everybody how important their role really is.

**KD:** Did you deprioritize any other initiatives because of all of the changes?

**CM:** At the end of the day, we went through a period of time when suddenly our entire marketing services business was put into what I call the induced-coma phase. It went from a robust, firing-on-all-cylinders, everybody-out-in-the-
field situation to suddenly no demand at all overnight. In my previous life, I was in a financial-restructuring business during a financial crisis, and I never thought I’d see such a thing again. This one was worse. The magnitude of change was just instant – from 100 to zero right now. And so the emphasis became: What do we have to do to make sure we get through this and our people get through this safely on financial fronts, safety fronts, etc.? We de-emphasized things to prioritize those.

**KD:** How do you see all of this coming together – digital marketing and omnichannel sales from a consumer and retailer perspective? And how do you see services evolving to meet the needs of the marketplace in the future?

**CM:** What makes this a unique marketplace to work in is all the different channels, all the different products. There’s 316 different categories that we work in in the grocery store alone. If you go to Amazon, there’s a lot more of what they offer. So the complexity here is quite significant. To have a strategic road map within an uncertain future means to say, “Let’s pick some north star characteristics that we think are going to hold up, and then let’s do test-and-learn to link here’s what we think from a top-down perspective, and here’s what we’re seeing from a bottom-up perspective.” Ultimately, that’s the methodology that we use. Increasingly, we go from a very small group of people at the top, getting more of the business leaders and the people that manage the processes to say, “OK, well, if this is true, how does your piece play a role?”

We ultimately came up with this vision of how all the pieces are going to fit together, which is quite a different view of the way that this organization, and even within the consumer-goods area, has typically operated. The sales department does what the sales department does, the marketing department does what they do, and the operations team does what they do, and also the finance team. Everybody’s lived through it, and they see it quite different. So we’re trying to get everybody to have a view of:

We’re trying to **OPTIMIZE COMMERCIAL SPEND** on behalf of our clients and customers, and that’s the game.
We’re in an environment where data is growing exponentially and is coming at people so fast that they can’t possibly comprehend what it all means. Looking for those patterns is really better done with advanced technology tools. How do we get that and get visibility about how we can put a specific offer in front of you? How do we make sure that in your environment you get the right offer? And then on top of that, how do we execute all the way to the front lines to make that happen? That’s a lot of heavy lift. But if we say: Here’s the way we see these parts interacting, here’s our headquarters sales function, here’s our retail function, here’s our marketing services function … ultimately, we’re still trying to get to what we call the Grand Vision.

This is the smarter way to faster growth — BETTER ALLOCATE YOUR RESOURCES TO GET BETTER, MORE PROFITABLE GROWTH for our clients, better satisfaction for the consumer.

Ultimately it’s all the same stuff – new tools, new data, new ways of looking at the world can give us better answers. That’s the Holy Grail today.

WE WANT TO DELIVER OPTIMIZED ROI ON COMMERCIAL SPEND
**KT:** What are you doing with technology that can enable a more efficient, effective workforce that supports the value chain and allows you to create more value?

**CM:** This is a 105-year-old company, and the base of this business is on the people that are doing the work we’re talking about. We’ve got 20,000-plus people doing tasks across America right now. In today’s environment, where essential workers are increasingly being recognized for the value and the important role that they play in society, their wages are going to go up. We should want to pay them more – I want to pay our people more. That is a shift from what the environment has been, where people just said: “Hey, I don’t see that as core business. I’m just going to try to cost optimize around that.” And so there was a tendency to go for lowest-common-denominator costs. Basically, you’d get the cheapest person you could get. I think that’s ill-considered in today’s day and age and certainly in tomorrow’s day and age.

We’ve talked about applying technology and applying technology to drive ROI on behalf of our clients and customers. Because, at the end of the day, there’s a lot of money spent, but ask whether or not that money is well allocated. I think we can do a better job with leveraging
technology to do that, and in so doing, we can pay our people more. We’re going to ask them to be higher-skilled people. We’re going to ask them to do different things, things that are going to drive ROI. And when we get that better ROI, there’s money to be shared with our people on the front lines. That’s what I’m hoping to accomplish.

**KT:** Would you please address on-shelf availability alerts and how you’re using that technology as an example of a way to direct your workforce?

**CM:** I remember more than 20 years ago, I was at Campbell’s Soup, and I was working with Walmart on RFID because everybody thought at the time RFID was the key to on-shelf availability. So it just goes to show that challenges are the same. The technology now that’s available is different. In this case, we have been working with you at IRI to take some of those alerts, which are basically a machine learning-type of “Did you notice that maybe this is out of stock because nothing’s running through the cash register?”

That’s particularly magnified in today’s environment, which is different than it was a year ago, because now we have click & collect mostly being pulled from the shelf. Product may have been on the shelf overnight when the stockers went through and checked the shelves, but during the day somebody goes through and pull, pull, pull, pull, pull, and suddenly you’re out of stock. The normal recycling might not be until next week, so having that signal and sending somebody in to address that out-of-stock makes a huge difference. We’ve known that for a long time. That’s been a focus area for us. We used to call it cost per incremental dollar.

**ONE OF THE BEST INVESTMENTS YOU COULD MAKE WAS ADDRESSING OUT-OF-STOCKS.** That’s always been the case, and we have a better way to do it now.

**KD:** Where do you see the new normal? And what are you hearing from your clients about how the industry is evolving?

**CM:** As you know, we’re very fortunate to have relationships with some of the leading CPG companies, some of the biggest, most sophisticated, most forward-thinking people in the world in consumer packaged goods. And then on the retail side, we have the same. So we work with Walmart,
Sam’s Club and Kroger, etc. For example, Kroger is leading the way on customizing advertising targeted for you as an individual. We’re working with them on that kind of an effort right now. In other areas where we have deep relationships with retailers, we service them in the retail area and probably some in headquarters sales as well; they’re interested in what the future of retail really looks like. We have a unique perspective because we work with many CPG companies and many retailers, and so we have the opportunity to scan and see what’s happening, and then take those best practices and work together with their smart people so we can come up with a strategy that wins in the future.

**KD:** So what is the future of retail?

**CM:** My crystal ball’s a little foggy, but I think we have some principles in mind as we build that. Number one, the future is still going to be driven on return on investment. No question. I remember Larry McWilliams, who was my chief customer officer who I worked with very closely at Campbell’s Soup, would say that 80% of all sales is driven by whether or not you’ve got the product on the shelf. And then it’s packaging and advertising and all that.

So winning at the shelf is really, really important and still, even with today’s e-commerce growth, you’re still getting the vast majority of sales happening in brick-and-mortar stores, one way or another.

It may be delivered to your house, but it’s coming out of that store. You see the Targets and the Walmarts using their stores as distribution centers. We’re recognizing that the channels are going to change a little bit, and that there are cross-implications like we’ve rarely seen before. Like I talked about in omnichannel: If you ring up the sale, a year or two ago those were the people sitting over there in the corner working on the e-commerce website. It was a small percentage of sales. Now it’s a meaningful percentage of sales and growing fast all the time. And it has an impact on store operations. So more and more, I think,

**WE’RE CROSSING THE LINES OF TRADITIONAL SILOS** — that’s a big part of what’s happening in the future of retail.
KD: With click & collect, curbside and all of the e-commerce development, how do you see the dynamics playing out in the next 12 to 18 months?

CM: We hope to be working with partners that will work with us on a collaborative solution, because sometimes – and I grew up in the auto industry – the instinct is to just beat up the suppliers, beat on the guys who are at the end of the line. And they end up in a bad way. I think as we move forward, these are relatively complex problems to solve for. And there will be some pushing and pulling between the retailers and the CPG companies about allocating money here versus there. At the end of the day, the money’s going to flow to where the returns are going to maximize.

KD: The industry spends quite a bit on trade promotion. Do you see that spend decreasing?

CM: Clearly it has come down during the COVID-19 period, because if you just worry about getting the product on the shelf, you’re not worrying about optimizing, selling more to be even more out of stock. But as we move forward, it will come back, and I think there will be different tactics for different channels of distribution. There has been a lot less stuff in-store because people today are oriented toward
getting in and getting out. They don’t want distractions. They don’t want people giving samples yet, but it is starting to come back. People are aching to get back to normalcy, but at the same time, some of these changes are not going to snap back, maybe ever. We have to migrate our business practices as a result.

**KD:** Which ones do you think will never come back?

**CM:** To a large extent, I think what we’ve seen is an acceleration of trends that were already underway. So omnichannel was already growing. I think there was a move to plant-based, simple ingredients that will continue. I think we saw some move to comfort foods and things that may end up being shorter-term in nature, depending on what people’s lifestyles actually look like. It’s hard to say. Quite frankly, I don’t pretend to know the answer to that stuff. I know that the change, the rate of change, is important here. And so we’ve doubled down on data. We’re surrounded by data.

**WE’VE NOW RECAST THE WAY WE THINK** about things in terms of data flows because that’s the opportunity as we look forward.

**KD:** Do you think some manufacturers will bring back all of their innovations and refill the shelves, or will some of the assortment that went away be gone for good?

**CM:** I think clearly there’s been a push on the part of the operations people to streamline in the short term. That was really driven to get fill rates up. So if we don’t have to have so many changeovers, we can drive more volume through our limited capacities. That’s been critically important, but what it’s done is essentially been a great experiment with the consumer.

**So NARROWER ASSORTMENTS HAVE RESULTED IN HIGHER SALES.** That’s not typically what the argument has been.

The argument always was: I can give an incremental SKU and I can get incremental volume. It was always the question of whether or not it was truly incremental, or was it cannibalizing what you would have added otherwise? This is a unique time; we’re learning new lessons as a result.
**KT:** In the last year e-commerce has taken off, and we expect an elevated level to remain relative to in-store. In a much more omnichannel world, what are the services you are strategically thinking about to help retailers, especially brick-and-mortar retailers, be more profitable as they grow?

**CM:** The short answer is that we want to be a one-stop shop.

**WE’RE GOING TO BUILD INDUSTRIAL SCALE** to connect what our CPG clients are trying to do and deliver to the retailers and to their consumers that use those retail channels — either in-store or online.

We want to give our clients visibility so that we can optimize their commercial spend. That’s a big number that we’re talking about here.

Optimizing how you address the consumer that is online and the consumer that is in the store should have some commonality and some differences. Our ability to segment that through content development, content presentation, A/B testing, search engine optimization, those become the key issues online. Whereas today it’s: I’ve got five SKUs in two feet. Am I going to get one of those SKUs to be my client’s SKU? Or is it going to be replaced by somebody else’s? That’s the game that traditionally has been played in brick-and-mortar, and that’s all the levers that we use across our sales and marketing capability set.

We need to develop some new capabilities, but we’re not going to develop all those internally. We are partnering with companies – data companies, service companies, lots of companies across the ecosystem – because I think this obviously is going to be a big idea. And the idea of giving what I call the Holy Grail viewpoint, which increasingly we see the most sophisticated clients and customers are moving to.

They want to **SEE ON ONE SCREEN WHAT IS GOING ON** with this product across the different channels.

That’s what we’re trying to deliver. So for us, that’s headquarter sales. That’s what do we have going on in the store, on the shelf, and what do we have going on online? So digital marketing, as you know, that’s not a new thing.
That’s been growing for a while, and it will continue to grow for a long time, because you can tell what the ROI is. It’s hard to do in some of the other areas. You know the old saying about 50% of advertising money is wasted? That does not apply in digital marketing. You know what works.

**KT:** With fulfillment being more challenging and retailers balancing footprint and trying to have more dedicated fulfillment centers for click & collect or delivery, are there CROSSMARK services you’re building to support that? And how is that different than what’s in place for retail stores?

**CM:** There’s a recognition that tomorrow is going to be different than yesterday. And there’s recognition that there is not a clear answer for all retailers. We need to customize that solution for the retailer. We have many test-and-learn type of activities going on across many different retailers and many different clients. And we’re always looking for additional partners in our clients, or new clients, new customers to do that with. Kroger is a good example. We find out what Kroger wants to do, we say we’d like to play with that, let’s figure out how we can connect Kroger plus clients, and we help facilitate making that happen. We’re great facilitators.

**KD:** How will the future of sales and marketing agencies like CROSSMARK evolve in the next two to five years as sales continue online and marketing is digital? What are the areas that you’re consciously trying to play in and leverage in the new world?

**CM:** I am a product of my history, and I did grow up in what many call Industry 3.0. That was the early part of my career. It’s been very clear to me coming from McKinsey and IBM before I came here that we’re in Industry 4.0. You ask me that kind of question and it’s kind of like putting chum in the water.

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I think this is a digital ecosystem that is very fast evolving around the availability of big data and analytics, and **HAVING THE ABILITY TO OPTIMIZE ROI IS A DREAM COME TRUE** for the real application of the technology tools that exist today.

It is a matter of getting people to learn how to use those tools and then fully integrate them with the way that we work. That’s why I’m having the time of my life doing this. I love this place. This is so fun!
KD: CROSSMARK is a big company with a long history. From a cultural change management perspective, what have you found easier than expected, and on the other hand, what has been more challenging as you lead the organization through change?

CM: So the relatively easy thing that leaps to mind is that my predecessor invested in the development of what we call Bridges, which is our corporate value set. And what I’ve found easier than expected is that people actually did believe in that stuff. A lot of times I’ve walked into companies before and they’ll say: Here’s our mission, here’s our values and all that. Well, OK, that’s anywhere. But do they actually live that? – is what you find out after you’ve been there for a while. And it’s not uncommon to find disconnect between what they say and what they actually do. So I would say that was good. People had good intentions. These were good people, very, very good people, very smart people, very passionate about the business. They want to win, they want to serve our clients and get our clients the win. That was all very good, strong, foundational stuff.

I’ve read a lot of books on change, and it starts with mindset. Siloed organizational thinking on top of that, where all I have to do is move my widgets from here to there, move this paperwork from here to there, just answer my emails and I survive, that’s yesterday’s thinking if there ever was one. Those are the kind of challenges from a mindset perspective that we had to overcome to move forward.

KT: You are driving change from the top and building on the strengths of the organization, but change comes from everywhere. What kind of strategies are you using to drive change from the bottom up as well?

CM: That’s a tremendously insightful question, so thank you for that. In large-scale change, you need some direction from the top. There’s no question about that. But in order for it to be sustainable, you need it to be bottoms up. And the question is, how do you get those two to come together? The way we did that is quite frankly something that I’ve learned over the course of my career. Again, a lot of this is what I did at McKinsey, which
was a structured framework approach. No surprise. When I was at IBM, I was able to take that methodology and apply it to, how you do it in a digital world? In this case, you guys know better than many, the future is not the same as the past because the tools enable a different future, a different answer.

OSA (on-shelf availability) – same problem, new tools, new approaches, new answers. That’s what we’re looking for. The senior team got together the first time in October [2019], again in January, and then we put on a big push in the May-June-July time frame. Once we settled down post-COVID-19, and everybody’s working from home, and it’s kind of stable, we said: Hey, the world’s going to be different, let’s get ready for it. We started challenging each other about what we think the best practices are going to look like. So, again, we don’t know currently what the total answer is going to be, but we have directionally said digital ecosystem and the use of technology is going to be core to our future. No question about it.

**KT:** In order to change thinking, having people with different perspectives and different backgrounds is important and allows you to test-and-learn faster. Where is CROSSMARK on the journey of diversity and inclusion?

**CM:** This is a service business. The rubber hits the road on the front lines. So the reality is those front lines are facing a lot of diverse circumstances. There happen to be diverse people in those roles as well.

They’re **SEEING DIFFERENT THINGS**, and they’re **SEEING THINGS DIFFERENTLY** at the same time, both of which have to be considered as we develop this new model to move forward.

Quite frankly, this is another thing we all recognize: 2020 was a milestone year for the way diversity came into the mainstream. I’ve been fortunate to have opportunities to work with diverse people over the course of my entire career. For me, it’s kind of a natural thing to do, but embedding that into the culture of the company has been something we’ve definitely focused on.
Let’s continue the conversation. We invite C-Suite leaders to share their perspectives on the changing CPG retail demand curve in an upcoming episode of Growth Insights. Please contact your IRI representative or email us.

About IRI

IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care, retailers and media companies to grow. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI guides over 5,000 clients globally in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver growth. IRIworldwide.com

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