

How Stakeholders Have Become the “New Consumers”

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Behind the one-way mirror in the viewing room of a Bethesda, Md., focus group facility, two factions from a large alcohol manufacturer watch nervously as the moderator leads the participants through the discussion. Tonight's group is testing the reaction to the company's new product packaging for its frozen daiquiri. What's different about this group is that the people sitting around the table aren't target consumers - instead, they are key policy elites from consumer watchdog organizations and other third parties. On one side of the viewing room, the marketing team paces back and forth with fingers crossed, while the corporate affairs team silently makes notes on the other side. Both are anxious to know how these influential stakeholders will react to the new packaging. The shiny silver foil triangle is innovative and tests extremely well with consumers, but it's also the same packaging used by Capri Sun, the children's drink. Could the new packaging incite anti-alcohol groups to react, damaging sales and corporate reputation? At stake, greater market share versus a public relations disaster. In this case the result was clear: Stakeholders thought the idea was reckless. They imagined teenagers drinking in public without anyone noticing and expressed their intention to act should the company actually launch the new packaging.

Stakeholders, the new consumers - Corporations are usually very good at predicting how their customers will react to a new product, but they are much less likely to fully forecast the impact of other key stakeholders such as regulatory and nongovernmental organizations and the media on new products or marketing campaigns. The market research may show that “consumers love it,” but what about stakeholders?

The increasing societal focus on such things as healthy diet, environmental responsibility and ethical sourcing and labor issues, combined with the instantaneous scrutiny and reaction of online media, means that companies need to test their ideas with stakeholders as well as consumers. How will third parties, policy-makers, regulators, media and other influencers who shape purchase decisions react? How they react can make the difference between long-term product success and failure. For example, as new food and beverage products incorporate functional health benefits into their formulations, regulatory bodies like the FDA may well decide to regulate them. Likewise, a boycott organized by dieticians and nutritionists around snack food marketing could drive down sales or even force products off the shelves. With this in mind, companies are enhancing their traditional marketing strategies and including stakeholders early in the innovation process so they can anticipate opportunities and threats from the start, rather than waiting to react after a launch. Treating stakeholders like consumers is the next generation of product development and marketing.

More than opinion research - APCO Insight, the opinion research division of APCO Worldwide, has developed a proprietary service called APCO PathfinderSM that enhances product launches and market entries by anticipating the full stakeholder landscape. Pathfinder involves more than traditional research techniques. It is comprehensive and multi-disciplinary, combining aspects of public affairs, corporate communications, marketing, and research in a new and exciting way. The result is not only an understanding of the landscape, but also a fully articulated strategy for engagement and action. By bringing together the product development, marketing and corporate teams, it is easier to identify the full range of issues and possible stakeholder reactions.

- Establishing hypotheses about the stakeholder and issues landscapes. Led by an external moderator, team members from innovation, corporate communications, marketing, research and other disciplines work together to identify exactly what aspects of the concept are likely to attract stakeholder attention. They also attempt to identify the set of issues currently at play in the various markets where the product will be launched that could have an impact on the launch's success. The role of the external research agency is to lead the workshop and apply a rigorous process to identifying stakeholders and issues.
- Developing a comprehensive framework of the stakeholder and issues landscapes through desk research, small-scale qualitative research, or soft soundings. Next, the research agency “fills in the blanks” from the workshop, to complete the list of stakeholders and issues. The result is more than a traditional stakeholder or issues map. It is like a political campaign “war book,” exhaustive in its scope and strategic in terms of the information gathered. For example, we need to know why each stakeholder might care about the concept or product, why the company should care about them (this involves an initial calibration of the group's power and volatility), what the group's stated view is, any actions they may have taken in the past and what success looks like to them, as well as an initial ranking of their importance.
- Conducting original research to test hypotheses and gauge reaction to the concepts, products and ideas. As with consumer product testing, we conduct qualitative and quantitative research with stakeholders to fully understand what they think about the product, especially what aspects they find appealing or problematic. We also determine how they are likely to react. Will they find out more, try the product, encourage others to try it, discourage others from trying it or actively advocate against the product in their official capacity?

Some best practices:

- Involve stakeholders early and often in the entire process.
 - Dedicate a portion of the marketing budget to the stakeholder audience, just as you would any other target audience.
 - Understand the relevant stakeholders and their propensity to act (sounds simple, but it's not).
 - Treat stakeholders as partners, not pariahs.
 - Be open and transparent with them.
 - Be creative and take risks, but know what the risks are through research.
 - Bring corporate and marketing together as partners in innovation.
- Reporting and synthesizing. Through workshops, the findings of the research are fed back into innovation and marketing processes. Products may be reconsidered (e.g., shelved), repositioned or launched without change depending on the research recommendations. Marketing also may be tailored to minimize the likelihood of provoking stakeholder audiences.
 - Developing a strategic plan for engagement. Based on the entire research process, we recommend a course of action that includes advice on how to deal with each stakeholder. Should they be ignored, isolated, moderated, neutralized or recruited as advocates?
 - Engagement. Depending on the situation, it may be necessary to engage with stakeholders to address their concerns. Possibilities for engagement could include direct engagement (e.g., convening one-on-one meetings or roundtable discussions), third-party advocacy or creating counter-bodies of credible data to rebut any criticism or attacks



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Conclusion - Pathfinder is just one approach to ensure stakeholders are treated as partners in the development and launch of new products and marketing campaigns. Another example is the process of "co-creation." Co-creation involves inviting consumers to participate directly in the entire product development process. It is now being applied with other stakeholder audiences in exciting ways.

Stakeholders are the new consumers. Leaving them out of the development and marketing mix is a missed opportunity and a huge risk to success. Gaining their endorsement increases the likelihood of a smooth launch. Conversely, imagine what would have happened to our alcohol company's reputation and sales had they gone ahead and launched their daiquiri product in its shiny new "Capri Sun" style packaging. It's easy to imagine Mothers against Drunk Drivers or another NGO running a campaign against the targeting of underage drinkers and creating a public relations crisis. Identifying the appropriate stakeholders and listening to them can mean the difference between a launch's success and failure. Companies that are leading the way and listening to stakeholders are finding their new marketing mantra is: *Do the policy-makers, regulators, NGOs and other stakeholders love it as well?*

