

Shopper Strategies: From Insights to Activation

On almost every level of the consumer packaged goods and retail business, and every aspect of consumers' lives, digital is playing an increasingly indispensable role.

"Keep your eyes open and follow your consumer, and that is going to guide you," said **Catherine Roe**, head of industry for CPG, **Google**, Mountain View, Calif. "Understand where your consumer is spending their time, and make sure you are there with that message."

Well-managed loyalty programs are making better use of their huge amounts of data than ever before. Consumer packaged goods companies and retailers are increasingly focused on understanding the customer before attempting engagement. Analytics are reaching new levels of sophistication, even helping marketers to reach today's cash-strapped shopper. New digital channels like social media, social buying and mobile devices are challenging marketers to find new ways to take advantage of them, while traditional media like coupons and circulars are finding new life in the digital world.

These and other topics outlined in the following Executive Summary were discussed during the 2011 LEAD Marketing Conference held on September 19-21 in Rosemont, Ill. (LEAD, produced by the Shopper Technology Institute, stands for Loyalty, Engagement, Analytics and Digital Applications.)

LOYALTY

dunnhumbyUSA

Integrating customer loyalty across the entire business as a philosophy, and not just a marketing challenge, is the way to build long-lasting relationships with a company's best customers, said **Matthew Keylock**, senior vice president, client solutions, **dunnhumbyUSA**, Cincinnati.

"You've got to be hungry for that success as an organization, but you also have to be aligned and you have to make sure that what gets executed across the business is consistent. How you do that within a big organization is a really big challenge," he said.

Keylock cited three keys to creating a more customer focused company.

- Understand who your best consumers or shoppers are.
- Understand what their needs are.
- Align the entire enterprise to be customer-centric.

A loyalty program can be a great tactic for enhancing or enabling true customer loyalty within the business, but the loyalty philosophy and approach is absolutely essential, he noted. That needs to be an enterprise-wide strategy that connects the board room with the shop floor.

“Winning the customers is hard. Very few businesses are succeeding today, and the need is critical for the future. In the future, the pressure on data and the disintermediation threats and challenges is going to create a new set of opportunities that businesses should be alert to now and should be considering as they build their strategies for the future,” Keylock said.

Bi-Lo

One retailer that is using loyalty data to deal with the reality of the current economic situation of its customers is **Bi-Lo**, Mauldin, S.C. **Bill Nasshan**, senior vice president, marketing and merchandising estimated that 20-30% of the retailer’s customers now rely on food stamps, and 70% are shopping like they are on food stamps.

For example, Bi-Lo is using its loyalty data in working closely with the government departments responsible for food stamps, while depending on Spire, Monroe, Conn., to turn the card data into actionable insights. “Our definition of leveraging a loyalty program changes along with the economy. We know when the food stamp money is coming out, and we leverage the Spire data to figure out what items to put in the weekly ads,” he noted.

Bi-Lo would prefer to use the loyalty data to trade customers up to better grades of product, but the times aren’t right for that. “You already have the data, so you might as well spend some money trying to learn from it. Then, as we work our way out of this economic situation, we can look to how to raise the ante,” Nasshan said.

“You can’t walk away from the last week of the month, or the worst calendar week of the month, when you’ve got customers who only have \$5 or \$20 to spend that week on food” when other more price-oriented retailers like Aldi are out there, he added.

Ipsos Loyalty US

Matthew McNerney, president, and **Timothy Keiningham**, global chief strategy officer of **Ipsos Loyalty US**, New York, spoke on the innovative Wallet Allocation Rule. Loyalty programs cannot stand alone, McNerney said. The Wallet Allocation Rule ties loyalty with market share of wallet, and it’s the first measure ever to accomplish that, he added.

The Wallet Allocation Rule is a percentage of consumer spending within a category, as identified by a brand, store or company. Traditional metrics of loyalty program effectiveness, such as customer satisfaction or Net Promoter Scores, can be greatly enhanced by measuring share of wallet, he said.

“Customers are not loyal to just your brand. They are not monogamous. Your customers are fooling around on you. They shop a portfolio of different companies, but we are treating them as though you are the only one that they come to,” McNerney said. “Focusing on increasing the share of wallet has a 10 times greater impact than focusing on retention alone,” he noted. “We know it is easier and cheaper to sell more to existing customers than to acquire new ones.”

The Ipsos’ executives provided three steps to follow in calculating a company’s share of wallet:

- 1) Establish the number of competing brands, stores or firms customers use in the product category to be analyzed. When surveying customers, ask about everyone who shops in the category and where they are shopping.
- 2) Survey customers and obtain satisfaction or other loyalty scores for each brand. Then convert the scores into ranks.
- 3) Use the Wallet Allocation Rule to determine a customer’s share. The rank customers assign to a brand relative to other brands predicts share of market according to a simple, previously unknown formula.

ENGAGEMENT

Precima

Shopper-centricity is one of the fastest growing and most proven strategies for both retailers and manufacturers to increase sales profit, and long-term competitive advantage through greater shopper relevance, said **Brian Ross**, president, **Precima**, Toronto, Ontario.

Ross discussed what is driving those forces, and five keys to success:

- 1) Organizational commitment. It starts at the top from companies, organizations committing to a shopper centric strategy.
- 2) Understanding who a company’s shoppers are, and building an enterprise wide shopper strategy.
- 3) Enabling a shopper strategy to transform all aspects of a company’s go-to-market strategy. This would include all elements of companies’ value proposition, from the products they carry, the prices they put on the shelf, the promotions they run, and for retailers, the way in which they engage with their manufacturers on collaborative, shopper-centric approaches.
- 4) A phased, change-management plan. “Transformation of this kind takes a very significant effort,” Ross said.
- 5) New capabilities, tools, resources and processes to make that happen.

Why go through all of that effort? “Simply put, because it works,” Ross said. “Companies that have implemented this holistically have been able to see a 5% or more sustained increase in sales and profit.”

BP’s am/pm/VideoMining

Following a recent study, **BP’s am/pm** convenience store chain is looking at ways to renew its merchandising, store layouts and product assortments next year, said **Michael Burkenbine**, marketing programs specialist, of the La Palma, Calif.-based retailer.

The chain participated in the Center Store MegaStudy conducted by **VideoMining Corp.**, State College, Pa. This involved gathering information from ceiling-mounted cameras that tracked shopper movements, combined with transaction data to measure customer behavior on the path to purchase, and at the shelf. The study included several other convenience store chains, such as **7-Eleven**, **Circle K** and **Sheetz**.

In one finding, Burkenbine said the chain’s conversion rate of 61% — shoppers to purchasers — was low for the channel, while its average time in store of 2.79 minutes was high. So ampm is considering how it can take advantage of the time shoppers are in the store to buy more products, he said. “What else would people who are spending as much as six minutes in our stores like to see?” Burkenbine asked. The chain hopes to start answering that question with merchandising changes next year.

Rajeev Sharma, chief executive officer of VideoMining, said the goal of the study, which will ultimately collect data on over 10 million trips, is to identify where a chain is losing shoppers, “then look at different marketing stimuli to quantitatively measure what impact it has on the conversion rate.”

Gladson

Gladson, Lisle, Ill., which sponsored the pre-conference workshop of the **In-Store Implementation Network** on best practices, focused on sustainable compliance, said **Stephen Cole**, chief marketing officer.

“We know the idea of creating a plan at headquarters, and somehow that magically gets transformed exactly onto every shelf in every store across the country, doesn’t happen in reality. We are trying to help people understand how we can achieve this sustainable compliance,” he said.

Acknowledging there is no silver bullet for this, Cole pointed out three ways to start the process:

- 1) Start with good quality data, not just about products — such as package dimensions and images — but good information about the stores. When a “gold standard”

planogram is versioned for hundreds of stores, there are going to be differences, such as the size of the section, how many shelves, and what are the dimensions.

2) Create accurate versions for every store, and do it rapidly. For any leading retailer that has hundreds of stores, the ideal planogram has been converted for individual conditions. For example, when a shelf length is 5-feet instead of 4-feet, or when there is a pillar in the middle of a Center Store aisle.

3) Lastly, there needs to be very good execution at the store. There are a number of tools for doing quickly, efficiently and accurately the first time. Without getting it set right the first time, there is very little chance maintaining compliance in the stores.

“There are hundreds of billions of dollars of sales lost every year through out of stocks and overstocks. Meaning you’ve either got too little on the shelf and the shopper can’t find what they want when they come into the store, or wasted money that is sitting on the shelf in overstocks,” Cole said. Sustainable compliance can help retailers and their suppliers do something about this, he adds.

The trend of shopper marketing has led to a greater level of intricacy in planning, added **James Tenser**, executive director, In-Store Implementation Network, Tucson, Ariz., which put on the workshop. “The more we plan, the more it is important that we have a fighting chance of delivering on the promise. Add to that the promise of mobile marketing, which opens up some possibilities for performing these tasks in-store and capturing information about their performance in-store that didn’t exist a short time ago.”

As a result, “I think this is a pregnant moment for the industry. The need is greater, the opportunity is greater, and the cost of getting there may be lower than it has ever been in our lifetime,” Tenser said.

ANALYTICS

GfK Interscope

Research from **GfK Interscope**, Westport, Conn, has revealed the emergence of the “Xtreme” shopper,” said **Joe Beier**, executive vice president. “The new Xtreme shopper has arrived and we need to get to know them well, and understand how we can win with them,” he said.

Two trends are reshaping shopper behavior:

- The hard economy — one of three people in the study were barely able to meet expenses, and only 15% were living comfortably.
- Technology — the ubiquity of the Internet and the explosion of mobile smartphones and tablets.

Using technology, information and other resources, this new breed of shopper has emerged, and is determined to win at the game of finding the best value across a broad range of categories, according to Beier. "The game is won for them when they feel like they've extracted maximum value out of their transaction and their shopping experience," he said. Xtreme shoppers are becoming the "new normal," he said.

Beier pointed out that this group is not defined by traditional demographic categories like age, income, household size and employment status. These people are also more optimistic than others, with one of three saying they are better off than a year ago, and one of two believing they will be better off in 12 months.

"Xtreme shoppers are going to change the fundamentals of shopping forever and in very dramatic ways," he noted. "The broad message for the CPG community is to be aware of this mindset and to start to think about whether what you are bringing to market is well-suited to service this shopper and capture their purchase," Beier said.

CPG companies need to make sure they are delivering a strong message of value in their proposition, he noted. This does not mean they need to lower all their prices. "They need to make sure they are managing that price/value equation. It's what I get for my money and how good I feel about that. It doesn't always have to be lowest-bidder pricing, but to make sure that we deliver a strong message of value. Organizations need to challenge themselves to creatively think about some of those methods and how they can leave that price communication behind as a key takeaway for shoppers," Beier said.

Relational Solutions

Companies need to leverage point-of-sale data across all departments, and maximize the benefits of this data by integrating it with internal data, said **Janet Dorenkott**, co-founder and chief operating officer, **Relational Solutions**, Westlake, Ohio.

An example of one benefit is identifying not only what is out of stock, but where other issues are occurring within the supply chain. In other words, "what's out of stock versus what's out of stock, not at a distribution center, not in shipment, and not even on order," she said.

The way to do this is to establish a Demand Signal Repository, a process whereby on a scheduled basis, POS data is integrated into a centralized database for sales reporting, according to Dorenkott. An enterprise DSR is a central, integrated, truth database with clean, valid POS data that also integrates internal data, third-party sources, loyalty data, social media, and any other data source.

Among the benefits she cited: improved retailer relationships, faster access to information, increased productivity, optimized efficiencies, maximized sales, reduced costs and increased profits.

Google

The world is changing and there is now a “zero moment of truth” in the path to purchase, said **Catherine Roe**, head of industry for CPG, **Google**, Mountain View, Calif.

“The stimulus, the first moment of truth, and second moment of truth, haven’t gone away. We still have to win those points as well. But there is a new zero moment of truth where, coming out of digital and consumer behavior, good marketers can capitalize on, especially in CPG,” she noted. This is the time when consumers are researching their planned purchase.

Some think consumers don’t research consumer products.”But if you think about 6.8 billion recipe searches, there are a lot of people that represent food. The question is, do I want to be there when she is making a new recipe and do I want her to buy my products versus the competitors?” Consumers use an average of 7.3 sources of information to help make a grocery decision, she pointed out. People are definitely researching CPG products,” Roe said.

“Keep your eyes open and follow your consumer, and that is going to guide you,” Roe concluded. “Understand where your consumer is spending their time, and make sure you are there with that message.”

DIGITAL APPLICATIONS

IBM

Tracking information gleaned from social media, and deriving marketing insights from it, is going to become more important in the future, said **Stephen Horne**, associate partner, business consulting, **IBM**, Armonk, N.Y.

“The concept is, you can track and understand how people are interacting with brands, or products and services, or actual companies on the basis of how people talk about them and how they build their advocacy in terms of social media commentary,” he said. “We try to track that sentiment, understand it, and apply it to the way the people would go about looking at how their brands, and the consumers and shoppers who are buying those products, are looking at them in the marketplace.”

This is just one aspect of an overall marketing process, Horne noted. “It is a way to apply a certain type of media that is new, exciting and growing, and using it in a way where you can leverage it at a cost that is probably lower than traditional marketing methods for building advocacy and trust for people who are trying to build better relationships with the consumers.”

Indicating the significance of this digital trend, Horne noted that IBM has made a “multi, multi-million dollar” commitment to social media. “We are going to do everything we can

to help our clients get in and understand their consumers better, and to use this channel as a better method of communicating, and building advocacy,” he said.

Ultimately, that is going to be a way of the future, and more and more people are going to be involved in social interaction, because it is going to be part of life. There are going to be more devices, more technology, more capabilities that are going to allow this to happen,” Horne commented.

Quaker Foods

Quaker Foods, Chicago, owned by **PepsiCo**, is building a broad-based digital presence using the various technologies becoming available, such as social media and mobile, said **Barbara Liss**, director of digital and social media.

“For us, it is not about being avant garde or ‘what’s next’. It’s about how do we best use the tools out there today, like Facebook and things like that. We are going to talk about QR codes — we understand they are out there, and that they are pervasive, but are they the best thing for us and for our consumers at this point in time? We are not sure yet. So it’s a matter of finding that balance,” Liss noted.

“At Quaker, it is a balance between using everything technology offers, and also making sure we are using it in ways that make sense for our consumers, who aren’t necessarily the most technology-savvy consumers. How do we use the mediums that they are using?” she said.

“You have to test, you have to learn, you have to try, but at the end of the day, you have to do what is right for your consumers,” Liss commented.

Incentive Targeting

Manufacturers and retailers involved in selling consumer packaged goods are only beginning to recognize the potential in social buying opportunities represented online by companies like Groupon and LivingSocial, said **Benjamin Sprecher**, founder and vice president, marketing, **Incentive Targeting**, Cambridge, Mass.

“Social buying is an enormous trend right now,” he said. “The companies involved in it are some of the fastest growing companies in the history of the world, and there are huge numbers of them. As of last night, there were 680 that are doing various kinds of social buying. But it is really just entering the grocery space.”

Incentive Targeting has worked with retailers and manufacturers to develop some of the earliest social buying programs for CPG products.

One was a **Groupon** program with **Kellogg's** that ran at **Big Y Foods**, Springfield, Mass. With that deal, a consumer could buy products from four different categories of **Special K** items — cereals, chips, bars, and protein shakes. "They saw huge levels of trial and uptake on that. It was a very exciting way to move people across the Special K spectrum," Sprecher said.

Another one was a program at the Chicago-area **Jewel-Osco** banner of **Supervalu**, Eden Prairie, Minn. The **Unilever** promotion highlighted six of their ice cream brands, including **Ben & Jerry's**, **Popsicle**, **Klondike**, **Good Humor**, **Starbucks** and **Breyer's**. Shoppers paid \$9 to get \$15 in Groupon dollars to spend on any of those items. "Again, they saw very exciting levels of uptake and interest. People were buying ice cream who had not bought it recently, and people dramatically increasing their spending on ice cream as a result of that program," Sprecher noted.

"Social buying in grocery is in its infancy. It is going to have a very, very big impact, but we do not know what that is going to be yet. Now is the time to get involved. Start experimenting. Start learning so you are ahead of the game," he concluded.

Inmar

Paper coupons will continue to dominate the promotional landscape in the short term, but digital delivery systems will ultimately gain ground, said **Bob Carter**, president of the Promotional Services division of **Inmar**, Winston-Salem, N.C. He characterized this as a change in the "promotional ecosystem."

It will take about a decade for digital coupons to grow, "but it is already starting to happen," he said. "Reaching consumers is going to require marketers to use a combination of paper and digital media," he added.

The decline in paper coupons will occur because of the widely reported drop in newspaper subscriptions, "and I don't see any way that is going to turn around," he says.

"So we are gradually going to come to a convergence of types of media, and we are also going to have a demographic shift from older consumers that are used to dealing with paper media to younger consumers that are never going to deal very much with paper media," Carter notes.

Consumer packaged goods companies are ramping up their digital efforts, Carter says. Based on information from Inmar's client base of 725 CPG firms, digital promotional activity rose 181% from 2009 to 2010, and another 50% from 2010 to May 31, 2011. This has resulted in increasing digital offers, which rose 105% from 2009 to 2010, and 117% from 2010 to May 31, 2011.

“The digital offers are much smaller in terms of the overall distribution, and they are generally more targeted by distribution method. They are trying to reach a certain set of consumers, or they are deals done specifically between a brand and a retailer. But their volume is growing rapidly and has surpassed the FSIs. These high growth rates are encouraging for the digital media.” Carter pointed out that the triple digit growth was from a small base, and that the volume of digital coupons at major grocery retailers is about 2-3% of paper coupon redemptions.

Ahold USA/Datalogix

Anticipating a decline in the importance of newspapers for circular distribution, two **Ahold** chains are testing the online delivery of circulars to their customers, said **Rebecca Kane**, vice president, brand management and customer specific marketing, Ahold USA, Carlisle, Pa.

Ahold wants to be sure it meets its customers wherever they choose to be, whether in the newspaper, email, or online. “Over time, we believe that will help to grow loyalty and ultimately help our company be successful,” Kane said.

Using technology from **Datalogix**, Westminster, Colo., and combining Ahold’s loyalty card data with Datalogix’s more comprehensive database, two of Ahold’s chains — **Stop & Shop Supermarket Co.** and **Giant Food-Landover** — are able to reach customers online with their weekly circulars, noted **Rob Gierkink**, chairman and chief executive officer, **Datalogix**. Using cookies with no personal information dropped by companies Datalogix is affiliated with, banner ads pop up in place of other ads inviting the customer to view the retailer’s circular. In some tests, rich media was used to deliver targeted deals that expanded when the customer rolled the mouse over the banner ad. The banner ad is just like sending a direct mail piece, Kane said.

The test has been running since early 2010, and will continue into 2012, Gierkink reported. It has resulted in a “definite” return on investment, Kane said. Meanwhile, the retailer found that the program also resulted in higher incremental sales for its most loyal customers, with the rich media ads outperforming the standard media.

The campaign also is a good sales measurement tool, Kane noted. “Although we could look at the click rate and the page views, we concluded that was less important than getting direct to the customer based on our frequent shopper data.”