

# Accepting the

# BIG DATA

# Challenge

Grocers need to step up to remain competitive.

By John Karolefski

**T**he Kroger Co. recently purchased much of DunnhumbyUSA, founded 12 years ago as a joint venture between the Cincinnati-based retailer and U.K. company Dunnhumby Ltd. Over the years, the country's largest traditional grocer meticulously analyzed POS transactions and loyalty card histories to develop insights to personalize the shopping experience and gain an enormous advantage in the marketplace.

That ability remains crucial, because retail grocery

is a competitive business that will intensify in coming years. Small, midsize and regional grocers also need to leverage the power that Big Data provides to stay relevant and gain an edge. But can they? Few companies have the resources and scale of Kroger. Maybe the question should be, will they? Opinions vary.

The kinds of Big Data that small and midsize grocers have are exactly the kinds of Big Data that large grocers have available, Janet Dorenkott, co-founder and COO of Cleveland-based Relational Solutions Inc., points out. The



**“Grocers that deploy enterprise marketing and promotions management software will benefit from fact-based, market-specific data to inform campaigns and communications plans.”**

—Tom O'Reilly, Aptaris

volume might be smaller, but the variety, velocity and veracity are the same.

“Most people think of social media data as Big Data, and that is true,” she says. “But it’s much, much more than that. Big Data is unstructured data that includes social, video, QR codes, geospatial information, etc. It also requires integration with other data sources in order to get value out of the data. For grocers, that means point-of-sale data, syndicated data, internal shipments, internal cost of goods sold, etc.”

Alan Lipson, global retail industry marketing manager at Cary, N.C.-based SAS, agrees that small and midsize grocers have essentially the same data available as larger grocery retailers. “In some cases, though, smaller grocers have the opportunity to be more nimble and do more with the data they already have. It’s easier for a smaller organization to identify the questions they can answer with existing data and determine what additional data they need to continue to make good decisions and remain competitive,” he explains.

According to Jeff Campbell, VP at Arlington, Va.-based APT, merely having large data sets doesn’t necessarily mean that the organization is using them effectively. Turning data into a competitive advantage requires using them to answer complex questions:

- Which tactics are most effective in driving store traffic?
- How to drive effective customer engagement?
- Which innovations should be introduced next?
- How to best design the store?

## Closing the Gap

It’s true that regional grocers can view comprehensive sales data, CRM and case movement, and scanned data, but they lack the internal and external resources that national retail chains can access to data-mine metrics, according to Tom O'Reilly, CEO of Tampa, Fla.-based Aptaris.

“The gap in business intelligence leads small to midsize grocers to rely solely on past performance and their intuition to make decisions,” he explains. “Grocers that deploy enterprise marketing and promotions management software will benefit from fact-based, market-specific data to inform campaigns and communications plans.”

Grocers have been leveraging transaction and customer data to some degree for years. But Brent Buttolph, of Dayton, Ohio-based Teradata, says many have yet to fully exploit all that can be accomplished. Many small to midsize grocers have turned to outsourced point solutions, due to a lack of available analytics resources, and potential infrastructure investments that are needed.

“The problem with point solutions is they individually solve for a specific business area and the analysis is cookie-cutter,” says Buttolph, Teradata’s principal consultant for retail business analytics. “Therefore, the ‘data’ is not integrated and it’s difficult — if not impossible — to provide a holistic picture of customer behavior across all touchpoints, for example, nor is the analysis providing a cross-functional view that is relevant to all business stakeholders in terms of driving differentiation in the marketplace in merchandising, marketing, supply chain and store operations.”

## Leveraging Insights

Aptaris’ O'Reilly says resources need to be freed up from day-to-day data entry and tedious tasks for retailers to be able to use their data and be marketers. The good news is that there are grocery retailers doing just that. For example, Raley’s, in northern





California, is focused on creating a world-class customer experience.

"They have started this journey by understanding their customers better than anyone, using their own transactional and shopper card data, and by connecting this with customer comments, and even by listening to their customers on a social media platform," observes David Ciancio, senior customer strategist at Dunnhumby. "Raley's uses Big Data insights to make customer-led decisions in marketing and category management," he adds, "and to inform and help their Great People Who Care," which the retailer touts as one of its specialties.

Teradata works closely with leading retailers in providing advanced analytics and data science services. Many of them — Wal-Mart Stores Inc., Whole Foods Market, H.E. Butt Grocery Co. and Publix Super Markets in the United States, and Metro Group, Tesco and Sainsbury's in Europe — are "actively involved in Big Data transformation," according to Buttolph, who declines to give specifics, citing confidentiality agreements.

Lipson, of SAS, also declines to give specifics about retailers advancing via Big Data, but he explains some of the work:

**“The industry is at an exciting turning point, as the winners will be those who embrace and implement contextual goals around data gathering and usage, allowing them to more effectively leverage analytics to garner the most meaningful insights.”**

—Lynn Lang, Capgemini North America

- A small, U.S.-based specialty grocer with a popular home delivery business analyzes demographic Big Data about current locations and shoppers to identify potential expansion locations and reduce new store-opening costs. The grocer also has used analytics to increase the effectiveness of new promotions.
- Using POS data combined with customer information, a midsize European grocer has better segmented its customers; created tailored, more appealing offers; and customized coupons in its monthly mailer down to an individual shopper level. Business results include increased response rates to offers and decreased mailing costs.
- A small-to-midsize European grocer analyzes its mountains of customer loyalty data to fully understand shopping patterns and develop better marketing campaigns that influence shoppers' basket size. Results from its use of analytics include increased basket size, reduced loyalty program membership churn and an overall increase in loyalty program enrollment.

### High Stakes

"The industry is at an exciting turning point, as the winners will be those who embrace and implement contextual goals around data gathering and usage, allowing them to more effectively leverage analytics to garner the most meaningful insights," says Lynn



Lang, consumer products, retail and distribution leader for New York-based Capgemini North America.

The stakes are certainly high today as supermarket retailers face competition on all sides: other grocers, online operators, dollar stores, and other retailers selling a good amount of food. Retail analysts agree that Big Data can give grocers the edge they need — if they step up and take action.

"Shoppers expect grocers to provide a better customer experience with more personalized communications and relevant offers," says O'Reilly, of Aptaris. "They don't want a special on cat food if they own a dog. Powerful marketing automation and promotions management solutions are now available for retailers. Armed with advanced software, grocers can make the Big Data in their loyalty programs visible, manageable and actionable, so they can be responsive to consumers' buying behavior and vendor partners' offers."

APT's Campbell calls for bold action on the part of grocers and for them to rely on their well-honed instincts. "Facts and data are a necessary component of decision-making," he asserts. "Getting real and reliable information about program performance in a very noisy and rapidly changing environment is extremely difficult, and obtaining it next month or next quarter is often too late. Better, faster, more accurate insight into store performance and consumer behavior is needed today to maximize the success of tomorrow's actions for all grocers — large and small." **PG**