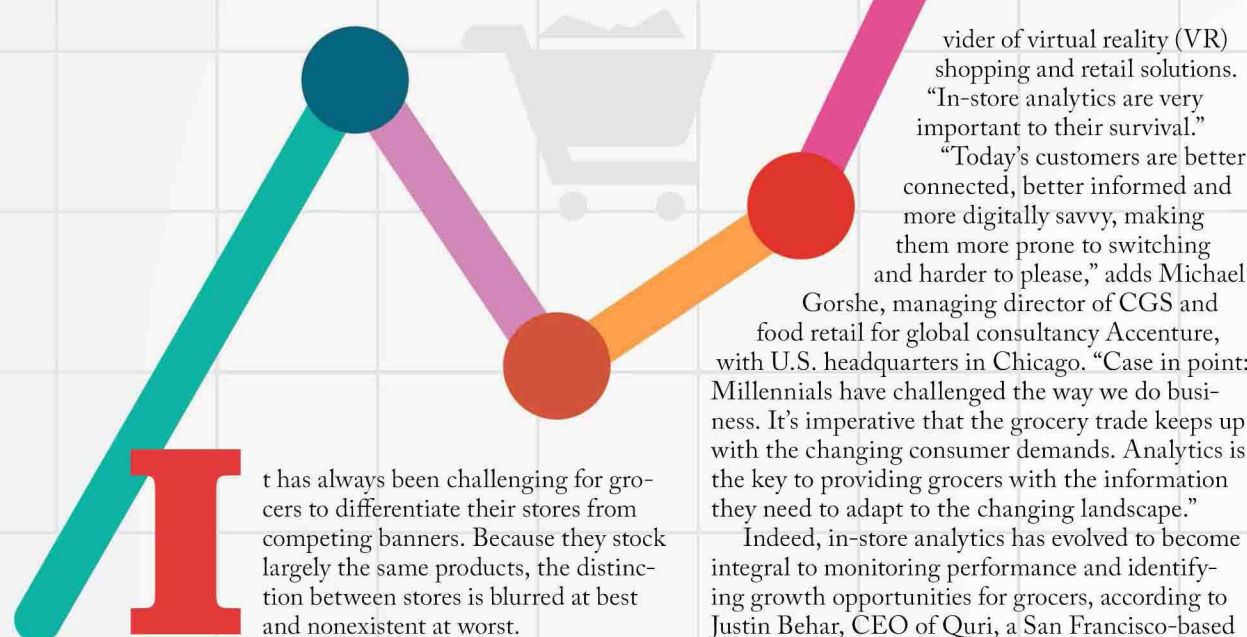


In-store Analytics Steps Up

Understanding shopper behavior is key.

By John Karolefski



It has always been challenging for grocers to differentiate their stores from competing banners. Because they stock largely the same products, the distinction between stores is blurred at best and nonexistent at worst.

But there are exceptions. At one end of the spectrum is Walmart, which brands itself as the low-price leader; at the other end are large retailers such as Whole Foods Market and Trader Joe's, as well as smaller operators like Jungle Jim's and Stew Leonard's that offer a unique in-store experience.

Meanwhile, most other grocery retailers are stuck in the muddy middle, struggling for a way to maintain shoppers and attract new ones.

The stakes are high to get it right, because the demographics of shoppers and their behavior in the store are constantly changing. Alert grocers need to be aware of these changes to ensure that merchandising strategies, assortments and the in-store experience are appropriate and effective. But how is that done? More and more, grocers are turning to in-store analytics.

"In-store analytics can really help to better understand what shoppers see as the benefit of what grocers are offering and help them build strategies to enhance that differentiating attribute of shopping with them," says Rich Scamehorn, chief research officer at InContext Solutions, a Chicago-based pro-

vider of virtual reality (VR) shopping and retail solutions. "In-store analytics are very important to their survival."

"Today's customers are better connected, better informed and more digitally savvy, making them more prone to switching and harder to please," adds Michael

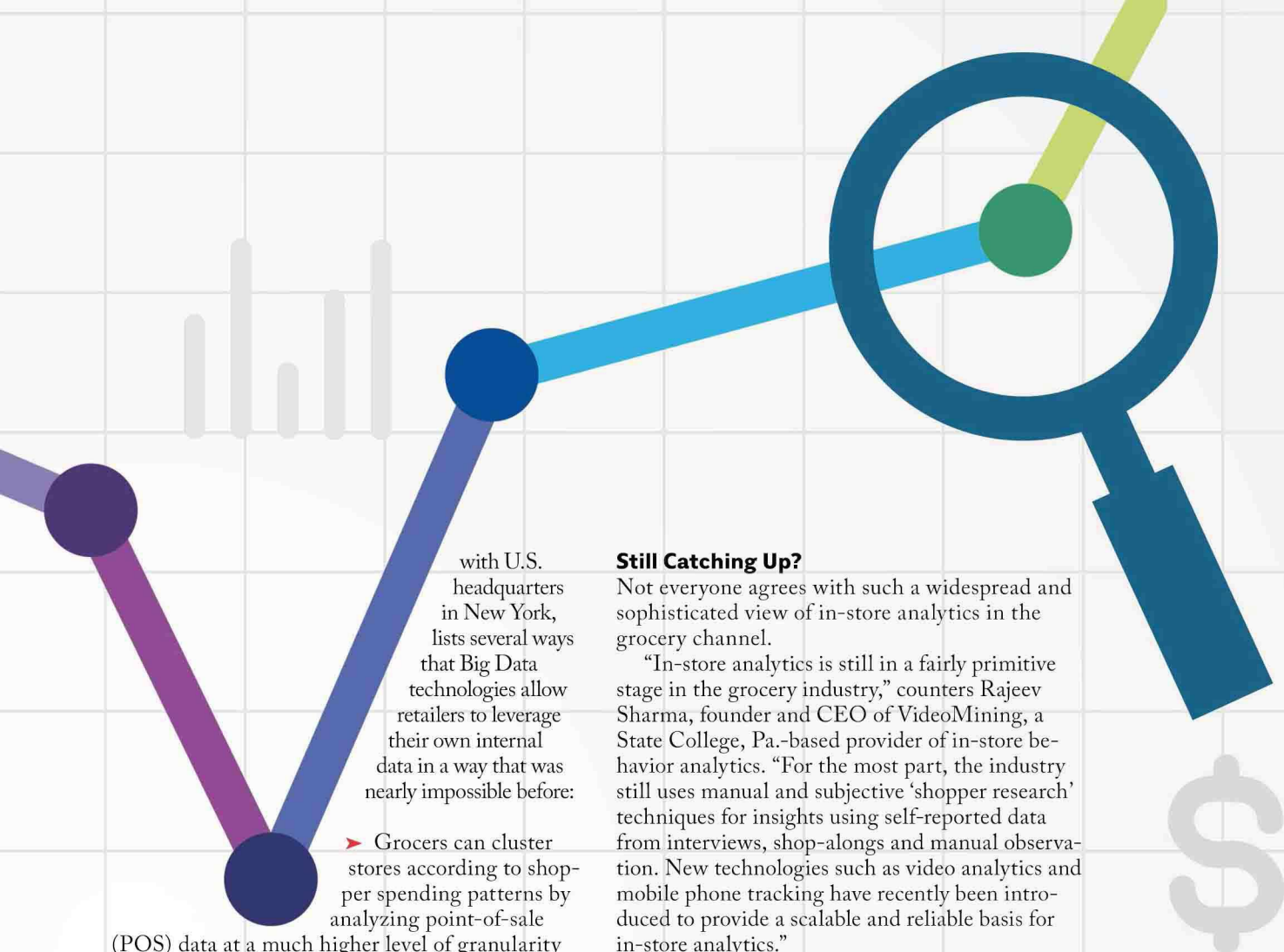
Gorshe, managing director of CGS and food retail for global consultancy Accenture, with U.S. headquarters in Chicago. "Case in point: Millennials have challenged the way we do business. It's imperative that the grocery trade keeps up with the changing consumer demands. Analytics is the key to providing grocers with the information they need to adapt to the changing landscape."

Indeed, in-store analytics has evolved to become integral to monitoring performance and identifying growth opportunities for grocers, according to Justin Behar, CEO of Quri, a San Francisco-based provider of retail intelligence technology. The speed, granularity and ultimately the ability to act upon the data are allowing retailers to merchandise each store individually with a more shopper-centric approach, and to make corrections quickly.

Behar points out that retailers can obtain true visibility into the real-time merchandising conditions of their stores and gain insight into how they can affect shopper behavior to drive sales. That's a far cry from the past, when grocers largely relied on anecdotal information "that painted an overly simplified, overly optimistic picture of store conditions" and promotion performance on a much broader level.

"With the new data streams that have emerged, retailers now have an unbiased, consistent flow of information that can help eliminate holes on shelf, ensure higher levels of execution on volume-driving promotions and a whole host of other growth opportunities," he says. "This information is allowing retailers to understand what influences purchase decisions and forge a closer connection to the shopper."

Nona Cusick, SVP of consumer products, retail and distribution at worldwide consultancy Capgemini,



with U.S. headquarters in New York, lists several ways that Big Data technologies allow retailers to leverage their own internal data in a way that was nearly impossible before:

- Grocers can cluster stores according to shopper spending patterns by analyzing point-of-sale (POS) data at a much higher level of granularity than with syndicated data.
- Grocers can track consumer sentiment and preferences from online chatter in real time, instead of having to rely on 2-month-old panel data.
- Store audits can now be collected robotically, decreasing the cost of data collection and providing a treasure trove of insights about category adjacencies, display effectiveness and shelf configuration.
- Advances in data science make it possible to connect shopper, product and store information for a truly comprehensive view of the business. Grocers can now tell better than ever before what consumer profile is most likely to shop a given basket or to respond to a given assortment.

“There has always been some form of in-store analytics originating from forecasting how much stock they needed to have in their store each week,” explains InContext’s Scamehorn. “But the tools to do that have evolved with frequent-shop- per databases and Big Data applications to attempt to uncover less obvious relationships among the products being sold. This area is growing very quickly. It is becoming something that all retailers are embracing at varying levels of sophistication.”

Still Catching Up?

Not everyone agrees with such a widespread and sophisticated view of in-store analytics in the grocery channel.

“In-store analytics is still in a fairly primitive stage in the grocery industry,” counters Rajeev Sharma, founder and CEO of VideoMining, a State College, Pa.-based provider of in-store behavior analytics. “For the most part, the industry still uses manual and subjective ‘shopper research’ techniques for insights using self-reported data from interviews, shop-alongs and manual observation. New technologies such as video analytics and mobile phone tracking have recently been introduced to provide a scalable and reliable basis for in-store analytics.”

David Ciano, senior consultant for customer strategy at Cincinnati-based consultancy DunhumbyUSA, offers a harsher assessment of in-store analytics in the grocery class of trade. He claims the industry has been relatively late to adopt analytics except with regard to the supply chain, despite the fact that grocers were early pioneers in data collection via UPCs and loyalty cards.

“Many grocers are using some level of analytics for pricing and promotions, but almost none are using analytics to really improve the customers’ shopping experience,” he asserts, ticking off his criticisms:

- Many promotions are still confusing to customers and unprofitable for the merchants.
- Value perception is a challenge for most grocers, despite the analytics.
- Assortment strategies are unclear to customers.
- Marketing is imprecise, wasteful and not truly personal.

“The evidence is clear that few operators are differentiating based on analytics, and even fewer are winning true customer loyalty,” Ciano says. “Overall, grocers have yet to fully exploit all

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—Justin Behar, Quri

that can be accomplished with transaction data, let alone the customer data. And the grocers who do analyze customer data do not have a holistic view of their customer across all touch points. So there is a massive amount of work to do to better leverage analytics in the retail grocery arena today and to untap the many opportunities for growth based on an understanding of the available data.”

Crucial to Success

While there's some disagreement about the level of sophistication of in-store analytics, there's widespread agreement about its importance to a grocer's success.

“Analytics is hugely important for grocers,” stresses Accenture's Gorsche. “Consumers are demanding more. The industry needs to understand what the consumer trends are, and analytics is the key to gathering this information. Analytics can help grocers see where technology can improve business efficiencies and reduce costs. It can help them identify the in-store experiences that will be enhanced by technology.”

VideoMining's Sharma agrees that in-store analytics is crucial to the success of a grocer. He likens not having in-store analytics today to hosting a website without any analytics on click-through rates and web traffic. In other words, it would be a huge competitive disadvantage.

“While analytics from transaction data and loyalty cards helps grocers target promotions and understand performance, it does not provide insights on how to convert more shoppers into buyers and improve store performance,” he says.

Because research has consistently revealed that almost all purchase decisions are made in-store, experts say that knowing how those decisions are made and how to influence those decisions is extremely helpful. Sharma rhetorically asks grocers:

- How do you redesign the store to make it easier for shoppers to navigate?
- How do you lay out the categories to improve the shopping experience?
- How do you position displays for driving impulse purchase?
- How do you cater to specific demographics such as Millennials or Hispanics?

Capgemini's Cusick adds that knowing what shoppers need and want, and how they make their baskets, is a tremendous competitive advantage.

“If we look at top- and bottom-line initiatives,” she says, “in-store analytics helps remove risk by

informing how to configure the store, the aisle and the shelf, and increase accuracy of execution. Shoppers can then do their shopping more efficiently every time they come to the store, and they'll come more frequently, driving promotional ROI.”

Analysis is Key

Ciancio believes that a strong analysis of shopper behavior helps a retailer outperform its market. In Dunnhumby's experience, understanding shopper needs and how they use the store can contribute at least 1 percent to same-store sales growth. He promotes good analysis as the key to differentiation and the optimizer of marketing strategies and resources.

“What Kroger has done with their frequent-shopper card data analysis has allowed them to enhance their points of difference from the competition, because they better understand how their heavy shoppers behave and how their lighter shoppers behave,” says Scamehorn, of InContext. “They encourage the behavior they want with deals for their frequent shoppers over time. Now they have that history of data and can employ Big Data tools to find other linkages they may not have seen with just the frequent-shopper card data initially. These tools are taking those insights to a higher level.”

He explains that Walmart has data from Retail Link that provides an understanding at a highly granular level of how products move in the mega-retailer's stores. It has information on how rollback pricing can drive sales. The company has controlled its shopping environment to provide a clearer understanding of what to do with its merchandising, and when. He points to retailers such as Meijer, H-E-B, Costco and Publix Super Markets as other examples of grocers doing a great job of identifying their respective customer profiles and catering to them well.

The relentless advance of technology will lead the way to a better understanding of shopper behavior and how to use this gathered information effectively. Such things as in-store WiFi and beacons may not only benefit the shopper, but also obviously provide critical intelligence to the retailer about the profiles of shoppers and their routes through the store.

“Online, the technology already exists to make useful suggestions based on other items in the basket, but this could equally be applied in the physical store,” says AJ Van Bochoven, head of retail innovation for Boston-based Cambridge Consultants. “Overlaying video analytics from in-store cameras can add another layer of information. The bricks-and-mortar grocery store has a great opportunity to sell more by becoming an ‘aggregator’ for other potential purchases.” **PG**

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