

A 'Quantum Leap' to Price Personalization

P&G, Quotient presenters encourage CPGs, retailers to mine data and leverage technology

By Ed Finkel

ROSEMONT, ILL. — Rapidly evolving digital technology and data-mining techniques offer the promise for retailers and CPGs to boost shopper loyalty and sales lift without significantly higher trade spend — if they use these tools to track granular patterns and offer price discounts only for those shoppers who need them. That was the message of a Path to Purchase Expo seminar in September titled “How Technology Wins Trips and Grows Baskets.”

For all the advancements in retail, trade promotions have barely changed for the past couple of decades because shopper teams generally “anniversary” what they did the previous year for a given season or holiday, said Chris Frericks, client director at **Quotient Technology**.

“A trade promotion still means selling a \$10 item for \$9 to anyone who walks in the door. What I propose is, there are technology tools available, with data and results justifying them, to say there must be a better way,” Frericks said. “You’re pushing that savings out equally to affluent consumers and the needy. Why not incentivize those who are most value-conscious while extracting full revenue from those who aren’t?”



Chris Frericks



Tyler Beck

This potential innovation comes against a backdrop in which trade funds comprise about half of every marketing dollar spent in the U.S., Frericks said, and while they certainly provide return, they’re a costly way to drive business without some degree of personalization.

“There’s data to prove out that these tools work,” he said. “The question becomes, if we all want a more efficient way ... why aren’t we doing it? We’ve got a gap between the demand for efficiency and willingness to try new solutions as a result of comfortability in deviating from year-ago executions.”

Frericks shared a case study in which a manufacturer and a retailer advertised a \$3 item for \$2.50 to everyone, which provided a \$1.66 return on investment. They then advertised the same item for \$2.75 but layered an additional \$1 digital coupon — and the resulting ROI was \$2.13, higher despite an advertised net-price of \$1.75 with coupon, due to the tighter targeting.

“What’s holding us back?” he asked. “Is there a single person in this audience who thinks the future is less digital? You want to be on the leading edge of this trend versus playing catch-up in five years.”

Agreeing wholeheartedly with Frericks was fellow presenter Tyler Beck, the **Dollar General** customer team marketing manager for **Procter & Gamble**. “This is a race to digital,” Beck said. “It’s not a walk. It’s not a strut. The best approach is not a small step. It’s not a hop. It’s a quantum leap to price personalization.”

Beck encouraged CPGs and retailers to ask themselves whether they were leading the way in acting on available data and finding solutions to make this quantum leap. “We as marketers must adapt,” he

said. “We should best understand shoppers, where and how they’re spending their time, and how best to communicate with them. What’s the most efficient and effective way to speak to the shopper?”

Shopper marketers need to consider the full range of channels, including digital and mobile, to deliver experiences that will drive trips and baskets, Beck said. He used an example of the fictional “Parker’s Grocery” to make his point: Facing declining sales in liquid laundry, the grocer decides to serve up and “goose” a Face-

book post, geo-target everyone within 10 miles on an ad exchange, provide a text-to-phone coupon and ramp up its in-store marketing.

“We could all look back as shopper marketers and say, ‘What a great plan,’” Beck said. “But I will submit to you that this isn’t a quantum leap.” Instead, the grocery should turn loose a data analytics team and work with marketing partners to find patterns in the data. For example, target people who redeemed coupons for fabric softener. “That is the quantum leap that

we’re all moving toward,” he said. “That is price personalization.”

CPGs and retailers need to ensure that they’re acting on all available data, Beck said. They need to look at signals that indicate intent to purchase to understand what shoppers want and when they want it, including cross-category affinities.

“The issue we struggle with is capacity,” Beck acknowledged. “Who, ever, has a data analyst come up to their desk and say, ‘Can I pull some data for you?’” But companies that don’t figure out a way, whether using internal resources or an external agency, will fall behind. “If you’re not already pressing the keys to put intent to purchase together, the person next to you is.” **SM**