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SUPPLY SIDE

SUPPLIERS ARE LEVERAGING
TECHNOLOGY IN PIONEERING
WAYS TO HELP RETAILERS
BETTER UNDERSTAND
CONSUMER PURCHASING
BEHAVIOR AND ADAPT THEIR
STORE STRATEGIES
ACCORDINGLY.

BY JERRY SOVERINSKY

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In the Steven Spielberg film *Minority Report*, while moving about Washington, D.C., in the year 2054, police officer John Anderton (Tom Cruise) is bombarded by customized advertisements, as ubiquitous facial recognition-capable cameras scan people's eyes and trigger personalized solicitations.

"It's not just a car, Mr. Anderton," a Lexus ad teases, while other passersby are inundated with their own distinct offers. "It's an environment, designed to soothe and caress the tired soul."

"John Anderton, you could use a Guinness right about now!" a frothy pint beckons.

"Stressed out, John Anderton? Need a vacation? Come to Aruba!"

As he later enters a Gap store, a virtual store clerk greets visitors, building on previous transactions. "How'd those assorted tank tops work out for you?"

"Come on in and see how good you look in one of our new winter sweaters," a soothing voice offers, while superimposing a virtual sweater — that changes from color to color — on another shopper. Creepy? Sure. But it's not as far-fetched as you might think.

Manufacturers and suppliers are deploying advanced technologies today in truly innovative ways to gain insights about consumer behavior, mining valuable data about how their categories are selling — or are likely to sell — in various retail formats. It's information that can be shared with retailers to optimize sales of their products, allowing them to be better and more collaborative partners.

Shopper Experience Innovation Center

"The brightest new star in the world of shopper marketing is not a renowned expert or an insightful study," Coca-Cola announced in November 2012 as it unveiled its Shopper Experience Innovation Center (SEIC), a 15,000-square-foot, movie set-like space that can morph into a variety of retail outlets, including a convenience store, supermarket or QSR.

"It's a catalyst for creating a pipeline of game-changing, insights-driven solutions that we can deliver to the market near-term and over the next 10-plus years," said Ron Hughes, director of Shopper Experience Innovation, Coca-Cola Refreshments, "a multi-channel facility where we collaboratively create innovative and irresistible shopping experiences that will truly drive growth for the company and our customers."

Through the creation of realistic retail settings, Coca-Cola is able to test and validate concepts for packaging, messaging, POS, fixtures, displays and even store layouts, altering variables quickly and at low cost. In addition, focus groups, in-depth interviews and shop-alongs provide shopper feedback in a controlled environment devoid of Coca-Cola branding (this prevents any bias test subjects might hold), leading to relevant and useful data that retailers can use to fine tune operational processes.

"The realistic retail settings enable in-environment learning and insight generation that will lead to more innovative designs, higher impact solutions and improved ways to work with our customers," Hughes said. "Learnings from the SEIC can create truly unique and engaging in-store experiences that drive revenue."

Customers who partner with Coca-Cola and its SEIC can convert a space into a nearly identical version of their outlet "within a few hours," the company said,

replicating signage, interior look, menu boards and even a drive-thru window. "This can provide tremendous cost savings to customers that might otherwise have to shut down operations while testing a concept in a retail outlet."

Behind the SEIC's physical flexibility lies advanced technology that precisely measures consumer engagement. The facility incorporates 21 cameras and 46 discreet nesting locations, comprehensive surveillance that can even read hand-held grocery lists used by test subjects. Technicians monitor feeds that are recorded and delivered to observers in an adjacent room, and the entire shopping experience can be beamed thousands of miles away to colleagues.

The SEIC has produced tangible results for retailers, including the On the Road Again (OTRA) merchandising solution that is being tested in Iowa-based Kum & Go stores in five U.S. markets.

THE OTRA IS A SMALL FOOTPRINT COOLER INTEGRATED WITH A 10-INCH VIDEO SCREEN THAT DISPLAYS UPDATED BRAND AND PROMOTIONAL MESSAGING.

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The OTRA is a small footprint cooler integrated with a 10-inch video screen that displays updated brand and promotional messaging; an expanded version includes racks for snacks and meals. The idea behind the merchandising tool is to generate combo sales by placing beverages and food items within an arm's reach of one another, generating impulse buys and enhancing overall foodservice operations.

“We believe OTRA will help Kum & Go meet multiple business objectives and enable us to serve our customers quickly,” said Richard Ginther, category manager of Kum & Go, “[providing]

a convenient, time-saving process for our shoppers.”

OTRA is just one outgrowth of the SEIC, an evolving program that Hughes said offers strong opportunities for the company's retailing partners. “Our objective is to become our customers' most valued supplier, and this facility amps up our ability to do so.”

Global Customer Insights Center

Similar to Coca-Cola's SEIC effort, **The Hershey Company** developed a Global Customer Insights Center (GCIC) that offers retailers a customizable retail format — convenience store or grocery store, for example — where they can assess customer behavior and tweak operational elements to optimize engagement.

“The innovation center helps us move away from the conference room and step into the retail environment, creating a dialogue about what the future [of retailing] can be,” said Rachel Rogers, vice president of U.S. knowledge and insights for Hershey.

Hershey's GCIC brings to life the store experience for customers, with tightly simulated retail environments that enable the close monitoring of operational processes. “We focus on shopper insight to

NACS CONVENIENCE TRACKING



While the innovative suppliers mentioned in this article have their methods, NACS can also help you learn more about consumer behavior.

The NACS Convenience Tracking Program (CTP) is based on shopper intercepts conducted on-site at the retail “moment of truth.” The program captures actionable insights based on customer perception, experiential factors, opportunity gaps and conversion rates for specific categories, category drivers/destination categories and the forms of promotion customers find most engaging.

Subscribers are using these insights to identify opportunities and gaps in performance, including:

- What drives customers to shop in convenience stores?
- What are shoppers buying and why?
- What did you fail to sell shoppers that they intended to buy and why?
- Do they notice promotions and what types/ methods are most effective?
- How can we extract additional sales from shoppers?
- What is preventing fuel-only shoppers from entering the store?

The NACS CTP sample size has grown to more than 15,000 interviews per year across 40 states. This robust sample size enables the insights to be segmented by missions, demographics, daypart, product categories/subcategories and brand.

To learn more about CTP, visit nacsonline.com/CTP or contact Leroy Kelsey, NACS director of industry analytics at lkelsey@nacsonline.com or (703) 518-4255.





**HERSHEY'S
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FOR CUSTOMERS.**



THE BENEFIT OF DATA

On a lower tech level — but no less ambitious in its effort to assist retailers — **Anheuser-Busch** has undertaken an extensive analysis of NACS State of the Industry (SOI) quartile/decile data to help its retail customers improve their beer sales.

Studying beer revenue and store surveys for roughly 40,000 retail outlets, Anheuser-Busch has been analyzing and identifying the tactics of the most successful retailers in an effort to generate key learnings for retailers. “The findings were really interesting,” said C.J. Watson, vice president of category management for Anheuser-Busch. “We found that top quartile [stores have] 10 more feet of space for beer than bottom quartile [stores].”

The result might be intuitive, you say (more product, more sales), but Watson said despite the additional space allocation in top quartile stores, “they don’t have more items — top quartile [stores] have six fewer items per store than bottom quartile. This means that top quartile [stores have] more facings for many SKUs than bottom quartile[s], effectively increasing their days of supply. The top quartile also displays more — 124 cases on display per week versus 79 in bottom quartile.”

It’s just one piece of important information that Anheuser-Busch has uncovered with its effort, information that the company shares with retailers to assist them with their annual planning.

“The response has been strong,” Watson said. “Retailers are excited because they can now start to evaluate the impact of their decisions by comparing them to the quartiles. This also provides a scorecard for many retailers as to where and how large the opportunity for beer is for them.”

understand what drives traffic and it’s helped ground an understanding of the intent of why a shopper enters a store versus another store format,” Rogers said. “It’s enabled us to unlock where to place the product and how you can increase the basket size, changing the way [products are] merchandised.”

Hershey works with its key strategic retail partners with the GCIC, a “joint collaboration” that she said studies the broad possibilities of what can occur in a retail environment.

The initiative is far from theoretical and is already paying dividends for retailers. For instance, Rogers said that with industry gum sales on the decline, the GCIC revealed a more favorable 75/25 strategy for space allocation: reserving 75% of convenience store space for sweets and chocolate and 25% for gum and mints. “We’ve worked with 45 retail chains [applying this strategy] and [we’ve been able to]

accelerate category growth between 3% and 5%,” Rogers said. “The key is allocating space to products that show growth potential.”

The “Eyes” Have It

Nearly approaching *Minority Report* on a retina-esque scale, **Mondelēz International Inc.** has developed “smart shelves” that incorporate sensor technology to identify the age and gender of shoppers. If someone lingers long enough or picks up a particular product (weight sensors are also applied to products), a customized advertisement is triggered.

“Knowing that a consumer is showing interest in the product gives us the opportunity to engage with them in real-time,” said Mondelēz CIO Mark Dajani, to *CIO Journal*.

The shelves relay data to Mondelēz, whose engineers apply analytics to determine highly precise demograph-

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ic shopping preferences. Armed with such valuable information, Mondelēz can help retailers fine-tune their product placement and promotions to maximize sales.

The smart shelf is currently a prototype but is expected to go public in 2015, with a goal of broadening Mondelēz’s understanding of purchasing behavior. “We must know how the consumer behaves in the store,” Dajani said.

As for the creep factor, Mondelēz is planning a far less intrusive applica-

tion of its technology than was on display in *Minority Report*. Pints of virtual beer won’t call after customers by name; rather, the shelves will collect data anonymously, without capturing or storing images of people.

Collaboration Breeds Success

As margins continue to tighten and channel competition increases for convenience store retailers, suppliers and retailers must count on one another to find innovative and more

efficient ways to tap into consumer preferences. Whether that’s sharing straightforward data analyses or feedback gleaned from more ambitious tech-heavy retailing simulations, the information just might mean the difference between future profits and losses. **NACS**

Jerry Soverinsky is a Chicago-based freelance writer. He’s also a NACS Magazine contributing writer and a NACS Daily writer.



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