

COMPETITIVE EDGE

By Craig Rosenblum

January 2017

Three Requirements for Winning at Retail in 2017

INTEGRATION.
INTEGRATION.
INTEGRATION.




willard bishop
an inmar analytics company

THE TIPPING POINT

Omnichannel, a term coined by Darrell K. Rigby in a *Harvard Business Review* article titled, "[The Future of Shopping](#)," will reach the tipping point this year. While the term omnichannel continues to be scrutinized by some, I think his description was spot on. Below is the original definition from Mr. Rigby's article, which was published in December of 2011:

"As it evolves, digital retailing is quickly morphing into something so different that it requires a new name: omnichannel retailing. The name reflects the fact that retailers will be able to interact with customers through countless channels—websites, physical stores, kiosks, direct mail and catalogs, call centers, social media, mobile devices, gaming consoles, televisions, networked appliances, home services, and more. Unless conventional merchants adopt an entirely new perspective—one that allows them to integrate disparate channels into a single seamless omnichannel experience—they are likely to be swept away."

While some people continue to dispute the semantics of the term, 2017 will be the year laggards begin executing dormant strategies and nay-sayers begin developing plans for digital commerce. And rightly so as sales from eCommerce (in CPG) are growing at disproportional rates. Plus, Fast-Moving Consumer Goods retailer's are the last retail segment to climb aboard the eCommerce bandwagon.



The IoT is Driving the IoE (Integration of Everything)

In real estate the mantra is: Location. Location. Location. For retailers, regardless of segment, the mantra for 2017 is: Integration. Integration. Integration.

The internet, combined with smart devices, is fueling the integration of everything. Smart phones are integrated with smart homes. Smart appliances are being integrated with other smart devices—and these smart appliances are rapidly gaining acceptance. Parks and Associates estimates that 18% of U.S. households will own a smart appliance by the end of the year.

The Big Tie-In

I know you're probably wondering how smart appliance have anything to do with your business. The answer is "everything" because these devices will change purchasing behaviors. Consider Samsung's smart fridge, a 2016 Honoree of CES' Innovation Award, which is integrated with notification systems, reordering systems, food management, calendars, and more. The smart fridge features a wi-fi enabled 21.5" built-in tablet that is integrated with the following:

- Cameras that take snapshots of the fridge's interior. These cameras are integrated with your smart phone so you can take a "refrigerated inventory" anywhere, anytime.
- The integrated tablet can also place and pay for orders through an arrangement with MasterCard. This means the smart refrigerator will become another customer touch-point.
- Samsung's smart fridge also provides recipes and maintains shopping list, providing yet another conduit to the shopper.
- No more pictures held in place with flamingo magnets or crossed out To-Do lists since the smart fridge displays high-definition, digital images as well as your To-Do list, which is also integrated with your smart phone.



Integration of Everything, Including People, Processes, and Data

The IoE is just that...Literally. Because integration begets integration. For example, a friend of mine recently received an Amazon Echo for his birthday. He immediately integrated it with his Amazon Prime account as well as his Spotify account. By integrating his Amazon Prime account he can place orders simply by asking Alexa, Echo's digital assistant, to buy such-and-such. Therefore Amazon's Echo is another integrated, customer touch point. Within the same week of his birthday, he added smart home skills—giving Alexa the ability to control lights and TVs. His next "skill," which is Echo-ese for adding a new capability, is to integrate his garage door opener and security camera. While this is a small scale example, it accurately illustrates the snowball effect of integration. Innovation follows a similar path and often shares a symbiotic relationship with integration.

Intrigued by my buddy's relationship with his new digital assistant, I began wondering (and researching) about the device's impact in the CPG space. One key factoid I discovered is that:

Echo buyers are heavy Amazon purchasers across all categories, but a purchase of an Echo device was followed by a seven percent increase in spend per person on CPG items.

Source: Slice Intelligence, *Amazon Echo: Seattle's sonic boom is felt beyond eCommerce*, by Ken Cassar

The IoE Calls for an Industry Reset

Success in 2017 will be driven by those who break free from silo'd thinking and traditional, myopic perspectives. The winners for the year ahead will keep the IoE top-of-mind as they work to improve organizational structures, create new capabilities, and redefine their path-to-market.

At the center of most trading partners' re-engineered strategies is the shopper and shopper data. But not just historical shopper data that identified "who bought what from where." New insights will be extracted from big data. Of course this includes transactional data; however, it will also integrate non-transactional data such as size of household, income range, social messaging, click-patterns, basket analyses, cart abandonment, etc. In other words, transactional and non-transactional data will provide 360° views of shoppers. This will connect shopper behaviors with the shopper's journey, while providing the needed resources for optimizing promotions through personalization.

Other areas impacted by the IoE

In additional "big-picture" transformations, look for integration to become the norm in the following areas:

- Marketing and Merchandising
- Trade and Consumer Spending
- Health/Rx and Shopper Consumption
- Supply Chain Production to the Shopper
- Technology-Enabled Shopping Experience

Marketing and Merchandising

Shopper data can no longer reside solely in the marketing department. Merchandising needs these insights to develop strategic and tactical game plans that satisfy the wants, needs, and desires of their shoppers. Shopper purchasing data, combined with behavioral data, will impact pricing strategies, promotion planning, product assortment and space allocations. These decisions will help retailers improve their competitive position by making their localization efforts more granular. Specifically, shopper data will be used to improve performance for price zones, geo-demographic clusters, and ultimately each individual store.

Trade and Consumer Spending

Trade dollars will become integrated with consumer spending as the lines between online and in-store purchases continue to blur. By blending trade allowances with consumer promotions, trading partners will have more resources to apply towards their personalization efforts. Unique offers will most likely be allocated by some form of customer segmentation. For example, core shoppers (the most loyal) may receive offers that promote deeper store penetration, while potential shoppers receive offers that stimulate store visits and channel conversion. On the other hand, CPG manufacturers need to validate returns on their co-funded allocations using scanner data. Manufacturers also need to validate the impact of their funds using non-transactional data such as social engagements, click-rates, time on page, and total media value.

Health/Rx and Shopper Consumption

Disease states and Rx will get integrated into the total store versus being limited to the pharmacy. Many banners have in-store dieticians that can help consumers improve their eating habits or support integrative medicine techniques that may include dietary guidelines and exercise along with conventional medicines. This is also where new products become integrated with new lifestyles. Awareness of healthier living is being fueled by businesses, as well as by healthcare professionals, manufacturers, and retailers. David Mounts, Inmar Chairman and CEO, recently discussed the advantages of healthier eating on Triad Today. [Click here](#) to view Mr. Mounts' discussion with Jim Longworth from Triad Today.

Supply Chain Production to the Shopper

Store-level shopper data will also create supply chain efficiencies by determining product allocations based on purchase behaviors. For example, stores with a predominantly price-sensitive customer base will require larger shipments since this consumer segment buys more "on deal." Larger shipments will reduce out-of-stocks and improve COGS by reducing the number of deliveries. Conversely, stores with shoppers that are less price sensitive should receive fewer deliveries and less shipments to minimize spoilage and returns.

Technology-Enabled Shopping Experience

Now that the shopper is the center of the retail universe, trading partners will collaborate more by developing shared goals and objectives. Each will integrate True Profitability into their decision-making processes. They will also share shopper information in order to drive engagement in-store and online as they work collectively to deliver a seamless shopping experience.

Channel blurring combined with digital commerce led to omnichannel retailing. However, channel boundaries continue to dissipate while in-store shopping continues to fuse with eCommerce. Traditional retailers are becoming click-and-mortar retailers, while pure-play eTailers like Amazon are opening physical stores—giving more proof that the IoE is reshaping retail. Perhaps this transformation, combined with consumer-centric digital communications, will settle the omnichannel debate by referring to today's retail landscape as unichannel. Or better yet... How about we call it "retail?"

To learn more about improving performance using shopper analytics, contact Craig Rosenblum at craig.rosenblum@willardbishop.com or at 847-756-3726.

Relating Reading



About the Author

Craig Rosenblum | Senior Director

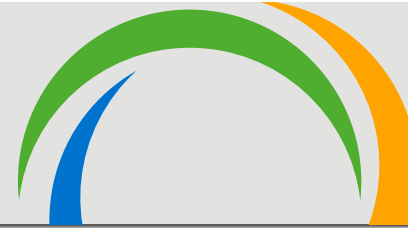
Mr. Rosenblum leads Willard Bishop's expansion efforts through business development and strategic alliances. Craig's expertise includes supply and demand side technologies, systems, and strategies. His rich expertise and leadership can be found in a number of industry initiatives, including Category Management, CPFR, ECR, Activity-Based Costing, and Data Synchronization. Craig has also been keenly instrumental in driving collaboration for companies such as CVS, SuperValu, Cadbury Schweppes, and Masterfoods USA.

Prior to joining Willard Bishop, Craig led the business development efforts for Prescient Applied Intelligence, Milton Merl Associates, and Crossmark. He currently sits on the National Steering Planning Committee for UConnect, presents at CGIT, and has been published in GMA Forum. Craig earned his B.S. degree in Packaging Science and Technology from Rochester Institute of Technology.

Want Willard Bishop to address a specific retail or CPG issue in an upcoming Competitive Edge?

If so, send a request to jeff.rice@willardbishop.com stating your challenges, issues, or ideas. The Willard Bishop editorial staff will review all submissions and notify you if your topic is selected. This document may be shared freely.

Copyright © Willard Bishop LLC, an Inmar Analytics Company 2017. All rights reserved.



Solving Complex Issues for Consumer Goods Manufacturers and Retailers

Willard Bishop uses its manufacturer expertise and unprecedented retailer knowledge to create performance-based strategies that work for the supply side, as well as for the demand side. Willard Bishop also integrates shopper-based analytics and cost modeling to identify and quantify hidden opportunities. The company further augments its solution matrix (manufacturer, retailer and consumer) by providing custom-developed applications, models and tools that improve client performance – from concept to consumer.

For Consumer Goods Manufacturers

Capturing growth in mature markets and channels has always required a deep understanding of the manufacturer-retailer-consumer relationship. However, the emergence of omnichannel marketing and the evolution of the digitally connected consumer, are creating new challenges and opportunities for consumer goods manufacturers. Willard Bishop helps manufacturers identify these opportunities; then develops specific road maps that enable clients to capitalize on these trends, while uncovering hidden growth opportunities. Areas of expertise include:

- Growth Strategies
- Shopper Analytics
- Performance Optimization
- Store-Level Merchandising and Support

For Consumer Goods Retailers

Willard Bishop helps consumer goods retailers develop competitive platforms that attract and retain specific shoppers and optimize the sales floor. These platforms include a diverse solution set that connects the retailer's brand identity to the in-store experience. Using localized approaches to assortment, pricing, and promotion, Willard Bishop helps retailers increase shopper loyalty and basket size, while applying advanced analytics to increase efficiencies that span the extended value chain. Areas of expertise include:

- Competitive Positioning
- Pricing and Promotion
- Profit/Productivity Optimization
- eCommerce and Delivery

Products, Tools, and Data

Through the years, Willard Bishop has developed products that bring new insights and understanding to the manufacturer-retailer-consumer relationship. In addition to shopper analytics and merchandising data, Willard Bishop provides comprehensive decision support systems and promotion optimization solutions.

AD-IN™ (*Developed by Willard Bishop and Prognos*) AD-IN™ is the first promotion productivity tool that optimizes the collective performance of retailers' circulars (print and digital) and TPRs in order to gain margin and increase visits.

Willard Bishop SuperStudy™ (*Available for Grocery, C-Store, and eCommerce*) SuperStudy™ is a subscription-based service for benchmarking product and category performance using expanded dataviews to provide critical financial insights that are not available from traditional syndicated data providers.

Willard Bishop SuperShopper™ Database

Improve decision making and business intelligence with the SuperShopper™ database, and benefit from more than two billion consumer transactions from key retailers, representing 20 million households.

About Inmar, Willard Bishop's new parent company

Anyone who has redeemed a coupon, filled a prescription or returned a product, has touched Inmar. We apply technology and data science to improve outcomes for consumers and those who serve them. As a trusted intermediary for over 35 years, we have unmatched access to billions of consumer and business transactions in real time. Our analytics, platforms and services enable engagement with shoppers and patients, and optimize results.