InContext

Bridging the Data Divide

How Virtual Technology Unlocks Insights into the Future of Retailing

"The CPG world is drowning in data."

That proclamation from Gordon Wade, senior vice president of category management best practices at the Category Management Association (CMA), succinctly sums up the state of data in the world of food retailing today.

"Every category manager, whether at a retailer or a manufacturer, has more data than anyone could possibly review, much less analyze and understand," Wade wrote in an article featured in Progressive Grocer's 2015 Category Management Handbook.[1]

From purchase data, to web browsing patterns and social media posts, to mobile device locations, loyalty programs, search habits and email, there has been an unprecedented explosion of data that retailers and CPG companies can tap.[2]

But if that plethora of data doesn't translate into merchandising and marketing strategies that positively impact the shopper's experience and the company's bottom line, it isn't accomplishing what it was designed to do.

The goal, after all, is not to drown retailers with reams of information, but to integrate data in ways that will keep them profitably afloat!

Presumably, by sifting through and analyzing big data, CPGs and retailers can eventually take advantage of valuable insights to make shopper marketing efforts more targeted and relevant for today's smartphone-carrying, webrooming, showrooming, omnichannel consumers. The Holy Grail? To tie those insights and innovations back to in-store sales.[2]

Wade concurs.

Personalization based on customer behavior has become a hallmark of digital commerce…The challenge now is to bring that same level of personalization to alter the in-store shopping experience.[2]

"If there's one neglected area of professional training in marketing and category management today, it's that of teaching how to develop insights and turn them into effective strategies and practical tactics in the store," he says.[1]

Transformational Power

Social media. Those two little words have had a very big impact on data availability and the role it plays on today's grocery retailing stage.

This now omnipresent technology has transformed what was once a one-way street—where advertising, coupons, circulars and in-store signage carried messages to shoppers—into a digital super highway, with information traveling back and forth between companies and consumers at incredible speeds.

"For the first time, these companies have a more direct relationship with their shoppers and can gather data around what those shoppers like and how they communicate," says Rich Scamehorn, chief research officer at InContext Solutions. (InContext Solutions is the leading provider of virtual store simulations, including ShopperMX™, a web-based 3D simulation software that puts the power of virtual in users' hands.) "Before, shoppers had no way to communicate except to redeem coupons, and the only way to measure results was to compare one promotion versus another or one store versus another. There was no way to discover information about individuals or specific groups of shoppers."

Enter smartphones, tablets, e-commerce, and social media outlets like Facebook, Twitter, Snapchat and Instagram— and almost overnight, technology has created a world in which consumers can communicate 24/7.

Each time a consumer searches online, browses a retailer's website or opens its app, logs on to in-store Wi-Fi, scans a product, adds items to their online shopping cart, ignores an email, 'likes' on Facebook, or 'pins' something on Pinterest, they exhibit 'digital body language.' Retailers have recognized the opportunity to read these signs and accordingly cater their engagement with digital (online, mobile, social) customers. The digital channels for the most part identify users and provide rich and targeted contextual experiences to shoppers almost instantaneously or soon after a search or a purchase.[3]

Scamehorn describes this as a two-way street that gives shoppers more power over offers they receive.

"Instead of only having an offer in the Sunday paper or on in-store signage, companies can provide offers directly via social media," Scamehorn says. "Now retailers can connect directly with specific shoppers with unique, tailored offers to develop a relationship with a product or brand."

Data Trends Today

The current volume of available data presents retailers with an unparalleled opportunity to personalize the shopper experience. A typical retailer, for example, can access a customer's purchase history, call center interaction, mobile/social interaction, supply chain data and more—all in addition to basic demographic data.[4]

**KEY STRATEGIC ELEMENTS OF RETAILERS' IN-STORE CUSTOMER ENGAGEMENT STRATEGY:[3]**

- Personalized content **55%**
- Guided selling **47%**
- Value differentiation **46%**
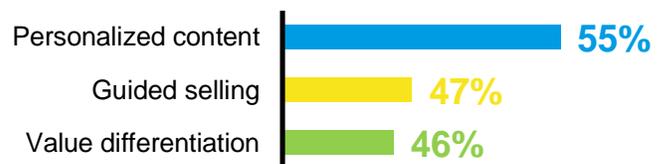
CURRENT ADOPTION OF CUSTOMER ENGAGEMENT TECHNOLOGIES:[3]

63%	**59%**	**43%**
Social campaigning	Loyalty campaigns	In-store digital media

KEY IN-STORE BUSINESS CHALLENGES:[3]

54% inability to predict customer traffic in stores

48% lack of insights into what customers want

37% customer are not fully informed about promotions and special offers
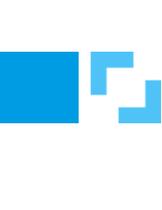
Currently, social campaigns and loyalty programs are the most popular ways retailers are engaging customers and creating new shopping experiences. But many retailers are planning to initiate more sophisticated in-store customer engagement capabilities as part of their strategic goals.

Survey results indicate that the topmost investment area for in-store customer engagement in the next 12 months is customer loyalty/reward programs followed by mobile apps/sites for customers, in-store/in-location fulfillment of orders placed through other channels, customer check-in/check-out and customer insights. Coincidentally, all three of the top investment areas drive the adoption of advanced technologies that use uniquely identifiable customer data, purchase behavior and context-based messaging to support in-store or in-location-based customer engagement, customer experience and analytics.[3]

Clearly, the game of retailing, specifically related to data, is changing.

Personalization based on customer behavior has become a hallmark of digital commerce—online shoppers expect the sites they visit to know who they are and what they've bought, and to provide them with relevant offers and suggestions based on that history. The challenge now is to bring that same level of personalization to alter the in-store shopping experience. Brick-and-mortar retailers may soon be able to have a consolidated view of their individual customers—and use real-time analytics to provide new levels of service and support that will increase the size of the shopping basket.[2]

Loyalty programs, for example, are not only growing—they're also becoming more tightly integrated with the supporting brand and shopping experience. That gives consumers a seamless experience across point of sale, the Internet, phone and mobile channels. Consumer-facing businesses must think beyond the concept of a me-too, points-based loyalty program. To reap the full benefits of customer loyalty, they must create a differentiated experience, consistent with their brand, to provide a step change in brand preference.[5]

A Bridge to the Future

Data available today enables retailers and CPG companies to understand how people shop: the kinds of promotions they prefer, the kinds of products they use and what they actually buy.

But state-of-the-art technology has emerged that can gather behavioral data gleaned from customers' shopping trips to stores that don't even exist, and integrate it with attitudinal data to present a more complete, personalized picture of shopping patterns of both individual consumers and specific shopper groups.

InContext's customized research combined with the ShopperMX™ platform is an example of technology that's bridging the gap between what's possible today and what will be possible in the years ahead.

"Loyalty cards can help manage data related to what happens when you introduce a new product. But, with virtual stores, you can now see what would happen before you put a new product on the shelf," InContext's Scamehorn explains. "It has the unique ability to look at 'What If" scenarios: What if we added a product? What if we shifted categories? What if we changed from an 8-foot section to a 12-foot section?"

Using web-based, virtual 3D technology, InContext can help retailers measure customers' reactions to new products, new aisle configurations or new lighting in a hyper-realistic virtual store that simulates the same experience they would have in a brick-and-mortar store.

"We can see if the customer's reaction is positive or negative, see its impact on their behavior and see why it is happening," Scamehorn says. "If you only want to look at past behaviors, virtual may not be the best tool. But if you want to know what the future will look like, virtual enables you to see things that you can't look at in any other way because it doesn't exist."

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> **RICH SCAMEHORN, INCONTEXT SOLUTIONS**

Not only can InContext help retailers and CPG companies capture data; it can also help companies leverage that data in meaningful ways.

InContext's ShopperMX™ platform allows companies to ideate, evaluate and activate new concepts. The ideation process can be aided by pulling information from other data streams (shopper and loyalty card data, for example) and displaying it in a 3D environment. That process allows companies to visualize what that data is telling them about what to try next. They can then test those new ideas using a virtual store to see if the concept has the desired impact.

"It is a way to integrate third-party data and leverage it to create better conversations between CPG companies and retailers," Scamehorn says. "You can use the platform to visualize data from different sources and create Big Data synergy—it helps you synthesize data in a more effective way."

Whatever the future holds, the ability to combine data sources in new, more cohesive ways will be key to grocery retailing success. And data in all its forms will continue to play a significant role in influencing what attracts customers to your stores.

The Amazon Effect

Purchase and loyalty data can help retailers and CPG companies develop customized strategies that achieve dramatic results. In fact, history proves it can completely change the face of the shopping experience.

Twenty years ago, data about the books people were buying was nonexistent. Customers would buy books at stores like Barnes & Noble, but those stores weren't capturing purchase data. Then Amazon stepped in and began using data to not only track the books individual customers were buying, but also who was buying similar books. It completely altered the way books could be sold.

"It changed how people shopped," InContext's Scamehorn says. "Now they recommend a book for you based on what you've looked at and what others who bought that book looked at. That data is making a better experience for shoppers—it enhances the experience."

Call it The Amazon Effect—it changed the way companies across the globe track what their customers are buying. Today, Amazon is poised to continue its innovative data analysis by impacting how groceries are being purchased with its new Amazon Fresh service. "The grocery delivery opportunity is intriguing," Scamehorn says.

For more information, please visit www.incontextsolutions.com or email us at solutions@incontextsolutions.com.

[1] 2015 Progressive Grocer Category Management Handbook

[2] Mars Agency, "Shopper Marketing: Filling the Cart with Big Data, June 19, 2014

[3] EKN, Customer Context Power-A Success Imperative for Every Retailer, 2015

[4] Informed Logix, "Shopping Shift: Big Data's Influence on the Retail Industry," May 2014

[5] Business Insider, "The Secret To Creating Loyalty Programs That Actually Work," March 21, 2014