



# Why Should Brick And Mortar Grocers Leverage Their Customer Data

- A WHITE PAPER  
By Express Analytics

# EXECUTIVE SUMMARY

Recent studies in the retail sector have thrown up a surprising fact – grocery stores, though a treasure-trove of data, are lagging on leveraging on this data as compared to other retailers. Traditional grocers have been gathering data on their customers through a variety of ways - loyalty programs, customer feedback forms, even basic research on customer preferences. These are rich with detailed, micro-level customer data, thus providing grocers with a head start over other retailers. Yet, that's not the case. In today's digital age, faced with increasing competition from e-commerce and non-traditional grocers, it has become all the more imperative for brick and mortar grocers to get going on getting their data analyzed.

The drag could be attributed to factors like lack of understanding, absence of knowledge of the field of analytics, reservation against getting into a technical field, or sheer complacency. But whatever maybe the reason, increasingly, it is becoming essential to leverage this data for better understanding of consumer behavior and shopping preferences. Data without analysis is meaningless. One needs to understand the patterns in it to derive value; even predict consumer behavior in the future with the use of Predictive Analytics tools.

All of this provides an opportunity for small and medium-size grocers to compete against multinational retailers and e-commerce sites. The latter can take advantage of automated data collection services and analytical tools, among other measures, that require little effort on their part except an initial investment, not only to be ahead of the competition but to also improve upon profitability.

## **INTRODUCTION**

Traditional brick and mortar grocers today face a double onslaught - Internet-based shopping and entry of non-traditional players in the segment. Both have started capturing the grocery market (some researchers say by over 20 percent already), making it imperative for grocery store owners to modify their business models in order to remain competitive. Old-style models based on pricing and convenience no longer attract customers as they used to in earlier times.

These traditional players need to, indeed are trying, to find new ways to engage with customers. Grocers have, for decades, been collecting transaction and shopping data but most are yet to fully exploit it. They need to leverage on this to create unique customer profiles to understand what the consumers want in order to provide the experience they are looking out for.

But before setting out on the journey, such data needs to be integrated or else there is always the possibility that the grocer may never get a holistic picture of his customer across all touch points. Thus, what is needed is investment in all round analytics resources and infrastructure at the very start, or else the chances of getting what is often-described as a “cookie cutter” solution are high. Customer behavior across the entire chain shopping experience needs to be recorded, studied and analyzed to drive differentiation in merchandising, marketing and store operations. Tracking, analyzing and monetizing shopper data is the name of the new game.

What has added an extra dimension is Internet shopping. Analysts around the globe hold differing views on whether it is necessary for a traditional grocer to set up an Internet-based grocery channel also. While a clear-cut answer on this is not forthcoming yet, what is apparent is that the real world grocers need to embrace technological solutions that will help them stay germane to today's digital shopper. What is also clear is that ultimately data powers multichannel strategies, regardless of the purchasing platform shoppers choose.<sup>1</sup> The e-commerce channels already enjoy a distinct advantage over their real world counterparts – they have the insights provided by click-stream data to base their decisions on promotions, pricing, product selection, among others.

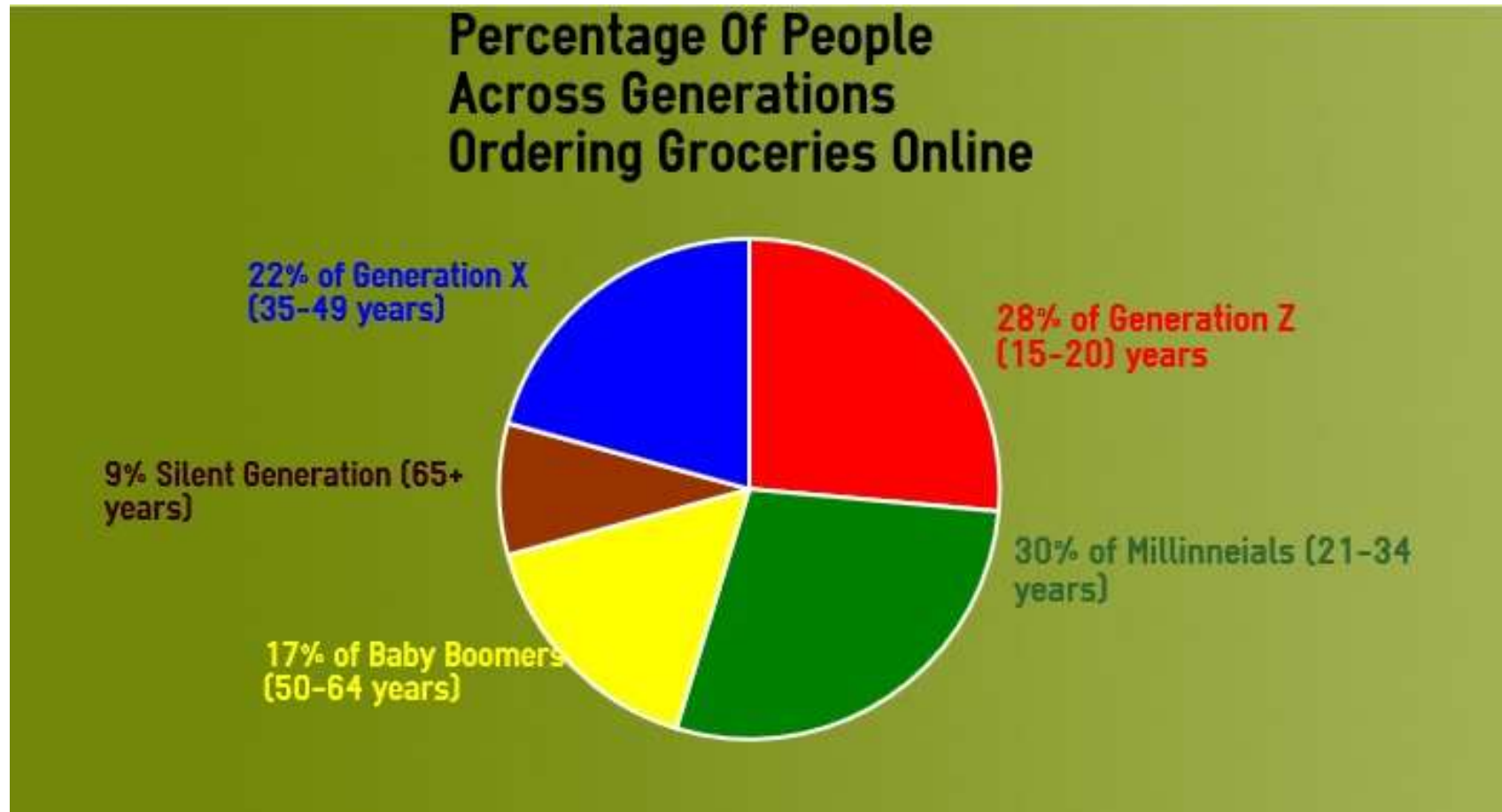
Whether a mom-and-pop store or a medium-sized grocer with an online presence, it is time for grocers to deploy the processes of monitoring and leveraging on data generated in a consumer's journey. Brick and mortar grocers, for now, enjoy one advantage over other retailers. Of the total online sales recorded every year, grocery was at the bottom of the pyramid. A recent report in CNBC <sup>2</sup> quoting a 2014 research by Forrester estimated that grocery accounted for about 2.2 percent of all online sales. Why? Grocery shopping has certain associated sensory aspects which are difficult to duplicate online. For example: Many customers would like to check on the ripeness of a fruit before making up their minds to buy it. So it is not like cooked food that one can simply go online and order.

In a media statement released by global performance management company Nielsen <sup>3</sup> in April 2015 on the 'Global E-Commerce And The New Retail Survey', 61 percent of the global respondents polled said they believed going to the grocery store was an enjoyable and engaging experience. Almost the same percentage called grocery shopping in a retail store "a fun day" out for the family. While this may be so, for real world grocers there's no room for complacency, especially in the face of such sophisticated methods being used by supermarket major chains such as Tesco. <sup>4</sup> The latter aims to save over €20 million annually using sophisticated business intelligence technology just by ensuring its store refrigerators operate at the right temperatures.



The majority of shoppers will continue to shop for their grocery purchases in store, but retailers need to infuse technology to ensure the experience is both, pleasant and efficient to ensure they keep returning. The tide is turning in favor of e-commerce. Who can argue otherwise when faced with statistics such as these?

Here's what global performance management company Nielsen said in its report released in April 2015:





Some real world grocers, though, have got off the block in this race of customer analytics. While, on the one hand, this motley lot is learning even more about their customers using data analytics platforms, on the other, more and more buyers, too, are shedding earlier inhibitions, and sharing their data with grocers through location-based services and smart phone applications. There are recorded instances of hypermarkets that allow returning customers to browse online coupons on their mobile phones while they walk the aisles. With advanced analytics, the sky is the limit so far as customization is concerned.

**Once a grocer has pieced together a complete customer profile, grocery retailers can do one or all of the following:**

- Identify the best store locations to create an online presence
- Offer individualized pricing
- Give customized offers

Already, grocers like US' Kroger and Canada's Metro are customizing offers not only to boost sales but keep their customers from switching stores.

## **Time To Wake Up And Smell The Coffee**

We live in a world that is rapidly getting digitized. The advent of new technologies, newer channels and the emergence of a new, 'always on' category of customers means faster analytics leading to faster decisions – from interactions to transactions.

E-commerce companies such as Amazon have shown the way, even in non-traditional areas such as grocery purchase. They have in place a 'quick to collect and process' Customer Relationship Management (CRM) system, and all that is required of them is to replicate this in the grocery segment, thus giving them an edge over the traditional players. On the other hand, a majority of the small to medium-sized grocers continue to utilize established norms of data collection such as forms, and age-old marketing practices such as sending out hand printed generic leaflets. So while an e-commerce Site, highly invisible in the physical world with no real storefront, knows exactly the behavior of a particular customer, his preferences and even his geographical location, the neighborhood store, on the other hand, still seems content in distributing 'Sale' flyers at subways and street corners. If nothing else, as a beginning, all that traditional retailers need to do is copy the capabilities in order to compete and stay relevant.

Deploying an integrated customer view means increasing customer loyalty, improving levels of satisfaction, among other benefits.

## Here Is What Is Required To Be Done

If they haven't done so, real world grocers can start off by leveraging the data they already have. They can start with their 'transaction data', which even today is found to go largely untapped. Sometime down the line, they need to add sources of real time data to their analytics dashboard, all of which constitutes "big data". While information on last month's sales numbers may be of help to make macro corporate decisions, number crunching in real time will help address issues such as inventory management, product recommendation and overall better in-store experience.

Big data analysts believe that a retailer utilizing big data – defined as vast pools of information that can be captured, stored and analyzed – has the potential of increasing its operating margins anywhere between 40-60 percent.

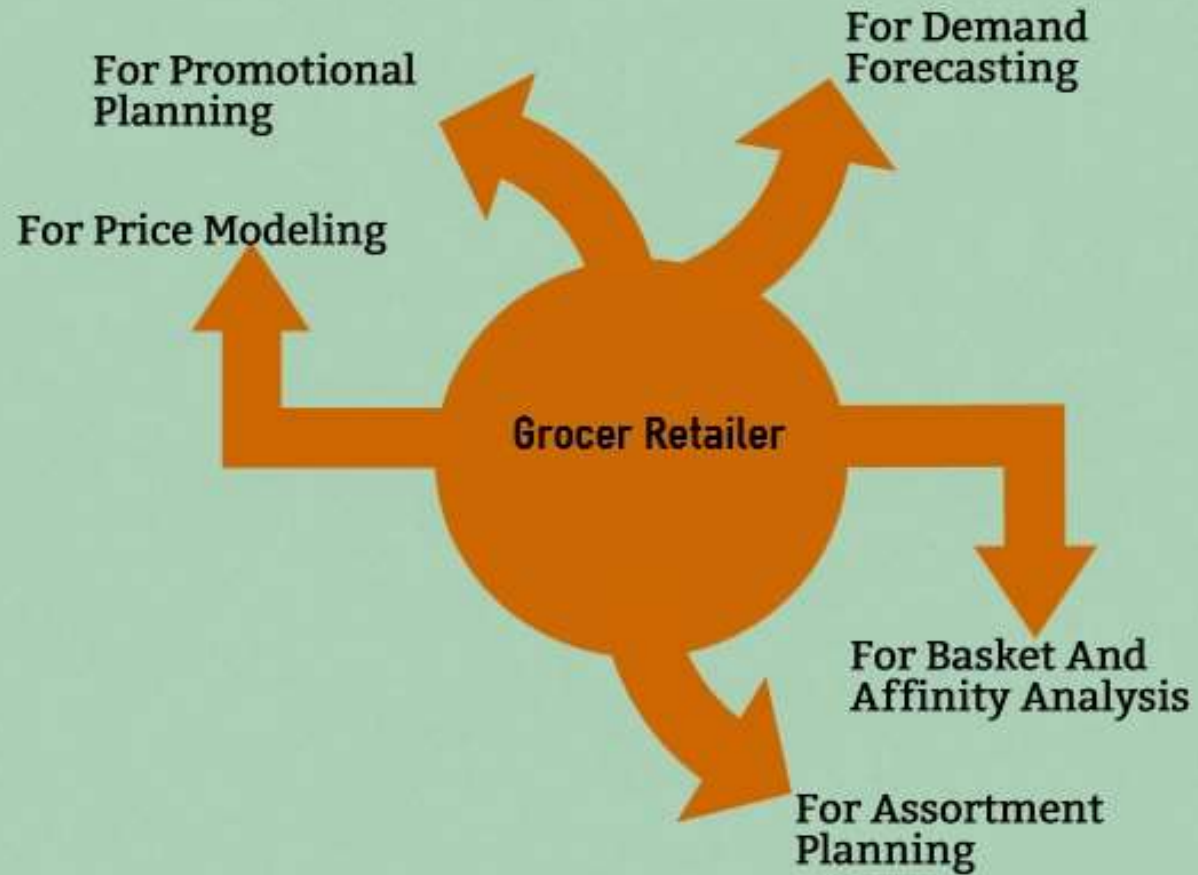
## Here Is How

- ✓ Initiatives like refining forecasting by combining sales histories and seasonal sales cycles
- ✓ Analyzing customer preferences and buying patterns in order to have an informed dealings with suppliers
- ✓ Deciding which products to carry based on local demographics and buyer perception
- ✓ Developing customer loyalty and couponing programs to increase the lifetime value of each of their customers

In fact, grocer retailers will soon realize that they need to assimilate as many data resources as possible in order to "complete the picture" and really influence the decision-making process of their loyal customers.



## The Many Uses Of Data Analytics



## Sources Of Data

A customer's interactions across channels needs to be factored in to understand a consumer, his/her preferences and interests. These cross-channel sources can be traditional ones such as loyalty cards and subscription flyers, distributed at entry and exit points. But in today's world, brick and mortar grocers have to quickly adapt to technology to add more sources of data.

### Preliminary Requirements

***Websites are almost mandatory:*** For starters, setting up a website should be the first basic step. What this does is immediately start generating additional data such as number of visits, and so on. Footfalls read in combination with digital traffic paints an even more accurate picture.

***Search advertising and social media:*** Social media like Facebook and Yelp! are not only brand and community builders but also help collect valuable data on the store's behalf. These are strategic business tools that provide grocers a glimpse into how specific locations stack up against the competition. Advertising on some of the major online search engines and even online directories can help cultivate new customers at a quarter of real world costs.

***Digital feedback – faster and better:*** While requests for hand-written feedback on forms continue to exist, adding digital forms to better in-store experiences accentuates the experience. Surveys on emails or over the website helps reach conclusions faster, making the response time in days rather than weeks or even months. Online discount coupons help understand individual consumer preferences at jet speed, helping the store to provide real time product recommendations even, and optimize discounts.

## More Sophisticated Techniques

**Smartphone applications:** Apps have become common place and are Millennial friendly. They provide consumer interaction data on the fly.

**Beacons:** In-store beacons, those little pieces of hardware, help better understand purchase paths and can be utilized for interactions with consumers even as they are in the shop.

Thus, Location Analytics can go a big way in not only personalizing shopper engagement but also to reduce expense overrun.



Once the methods of customer data acquisition are set, data is captured and stored, it needs to be tied in to a single touch point to enable the data scientist to go to work. Once he reaches certain conclusions, which are then implemented, retailers need to monitor outputs to understand whether shoppers were reacting to their efforts. These may require a certain degree of course correction. All of which will ensure that a grocer is getting the maximum return on his investments.

## THE BOTTOM LINE

Purchase of grocery can no longer be treated as only a real world event. The lines between physical and online stores are slowly but surely blurring. With the entry of non-traditional players in this segment, competition has been raised several notches. Price and assortment are no longer the only marketing differentiators. The combination of Information Technology and the Internet is a new weapon being deployed in this business. Social media networks and Internet companies such as Google have forever changed consumer behavior. New strategies include physical stores being linked to online versions.

While some traditional grocery retailers have been quick to react, and have resorted to using new digital channels to engage customers and create purchasing options in order to stay afloat in face of the overwhelming challenge posed by e-grocers, others have still to take off.

Whatever their form, it is abundantly clear that grocer retailers have to start learning more about their customers. The relationship between them is evolving, it's becoming a two-way street, thanks to the digital age we live in. Customers are no longer loathe to share personal details so long it helps them engage with the retailer.

All of this requires not only the collection of data but its analytics. Data analytics is increasingly being viewed as a "strategic asset and competitive differentiator." No longer can grocers be content with the mere collection of data, they need not only to understand it but also to act on it. Preferably in real time. These potentially game-changing innovations allow them to not only expand their product offerings but also create greater value for their customers.

### ◇ - Grocers need to adopt a two-step strategy to remain relevant - ◇

**Step 1** consists of finding new ways of garnering data, and tying them in with the traditional ones.

**Step 2** is to bring in an analytics firm that can either deploy a data scientist or implement an automated data analyzing software with a single dashboard to monitor and analyze data and make modifications in the long run.

The good news is that even small and medium grocers can take advantage of the opportunities offered by data analytics. The writing is on the wall for those who don't. Wafer thin margins in the business otherwise leave no room for large maneuverability, not in today's digital age.

## Footnotes:

1. [More Grocers Need to Leverage Big Data Analytics](#)
2. [Online grocery a tough sell despite all the buzz](#)
3. [More Than Half of Global Consumers Are Willing to Buy Groceries Online](#)
4. [Tesco uses big data to cut cooling costs by up to €20m](#)



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