



Big Data: In Search of Benefits

Making insights actionable is key.

By John Karolefski

Big Data means big business for grocery chains. Kroger leverages data to drive basket size, shopping visits and retention over time via highly targeted promotions. Raley's, in Northern California, creates a world-class customer experience by analyzing its transactional and shopper card data, connecting this with customer comments, and by listening to shoppers on social media.

"In order to use Big Data to the fullest, grocers need transaction history with data like demographics, social media activity, geolocation, and personal preferences and behavior, to predict their consumers' next product purchase and deliver coupons, offers and messaging that they're actually going to respond to and use to make a purchase," explains Craig Alberino, CEO of Grey Jean Technologies, a New York-based AI-powered personalization company.

But not every grocer has the resources of a Kroger or a Raley's. Experts advise food retailers of all sizes to make leveraging Big Data more of a priority, and perhaps partnering with a consultancy to guide them within the limits of their budgets.

Why? Because the insights from Big Data may prevent them from losing customers, and will enable independent and mid-sized retailers to compete more effectively with larger chains.

"It's clear that grocery chains are taking learnings from their data and using it to target customers in smarter ways," affirms John Kyriakides, assurance office managing partner with BDO USA, a Chicago-based professional services firm. "We're seeing this in strategic shelving as well as how they send targeted coupons to customers through email, text and sometimes in-app.

"As for the smaller and more niche grocery stores, they know that they must be conscientious of their regular customers," he continues. "It's impossible to say, in general terms, whether all grocery chains and all small grocers are using data to the fullest, but it's obvious that many are clearly using it to their advantage in smart and meaningful ways."

Here are some of the specific benefits that grocers can gain by leveraging Big Data:

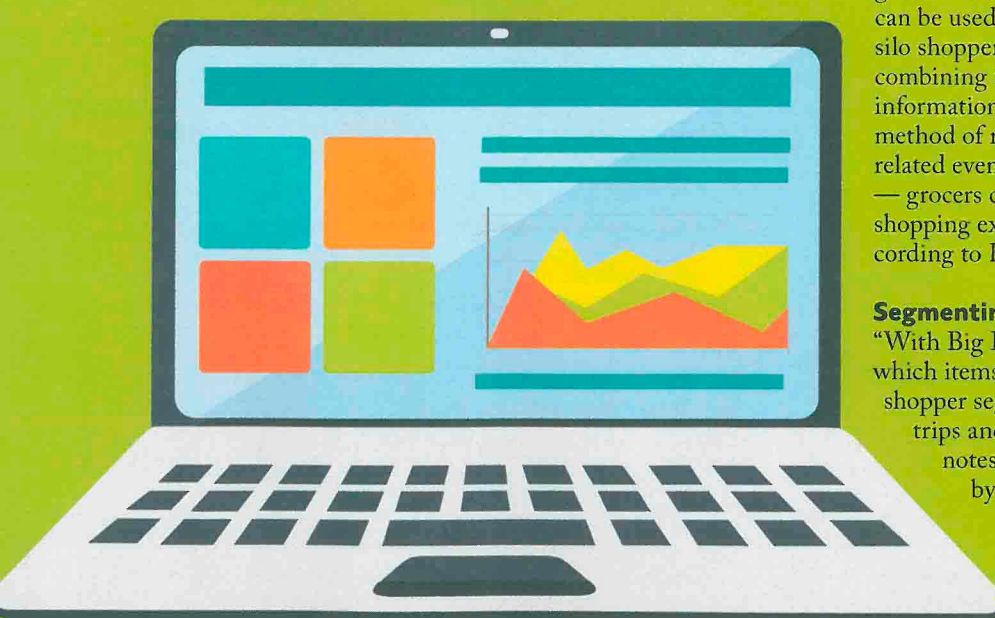
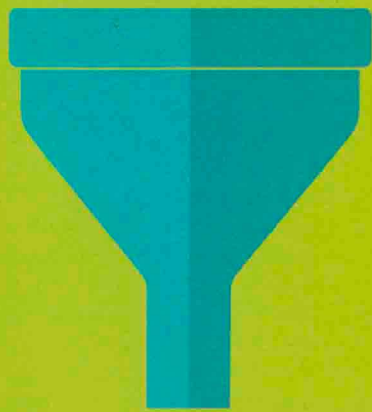
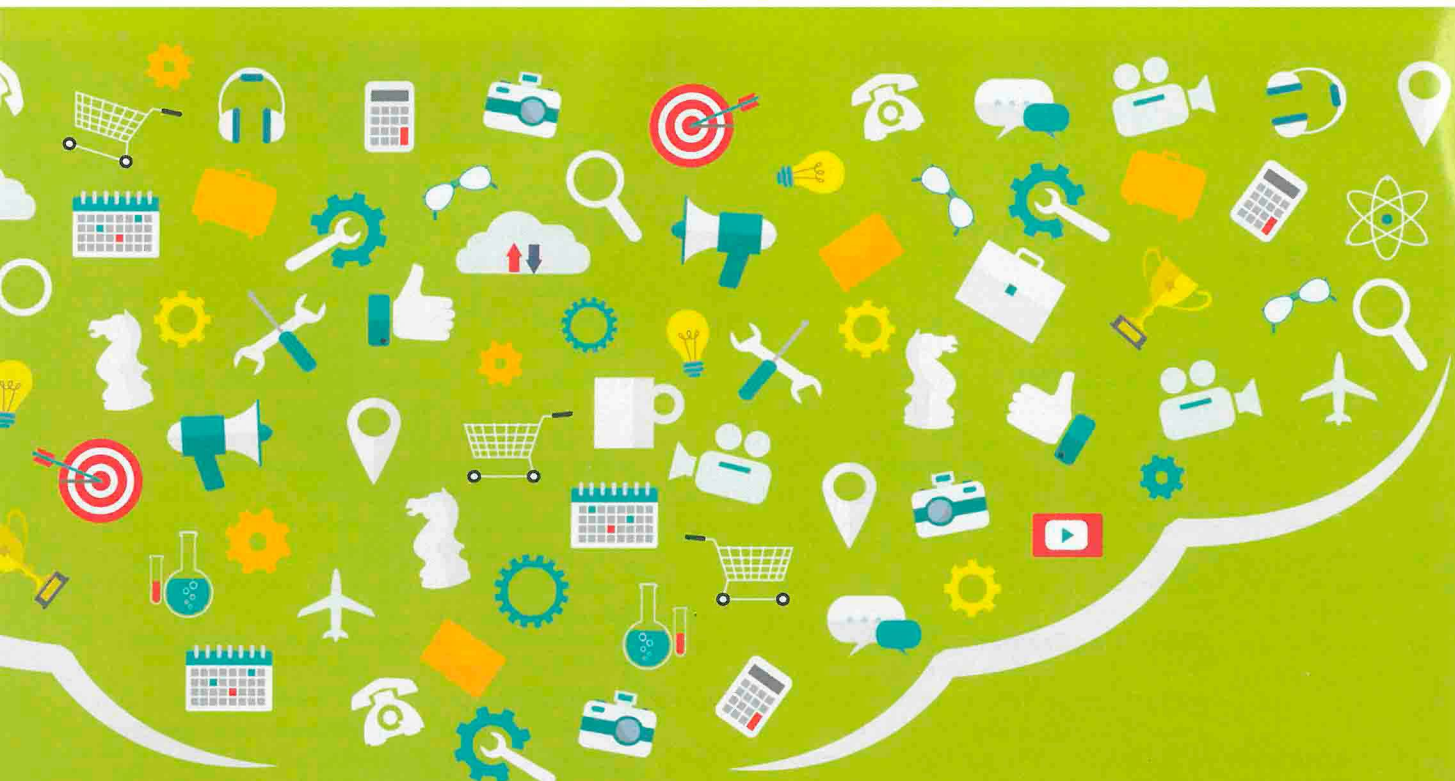
Understanding Customers Better

"One of the biggest benefits grocers can acquire from Big Data is a better understanding of their customer base, which in turn drives revenue," says Eileen Kolev, marketing program manager for Tysons Corner, Va.-based MicroStrategy, provider of an enterprise analytics platform. "This understanding is especially critical in the grocery industry, where margins are razor-thin and food waste is a crucial issue. By effectively leveraging shopper data,



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—Craig Alberino, CEO of Grey Jean Technologies



grocers can customize marketing activities, pricing, product assortments and customer service in order to build consumer loyalty and increase revenue.” She adds that one available source of Big Data — mature loyalty programs — provides grocers with a wealth of customer insight that can be used to identify product segments, silo shoppers and define product affinities. By combining these data with other sources of information — nutritional trends, preferred method of receiving promotions, weather-related events and customer traffic patterns — grocers can focus on improving the overall shopping experience and drive revenue, according to Kolev.

Segmenting Shoppers

“With Big Data, grocers can understand which items to sell at which prices to which shopper segments that will drive loyalty of trips and stimulate incremental demand,” notes Brian Elliott, CEO of Periscope by McKinsey, a global consultancy. “This insight into consumer behavior impacts pricing, promotions, assortments, personalization and even vendor negotiations.”



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Elliott gives an example regarding assortments: Big Data enables grocers to optimize which products shoppers see in the store, how many facings are needed, and the total linear feet by category, given the shopper segments in the store.

"With Big Data and advanced analytics," he explains, "we better understand which store clusters need to be sharper on price and which can save money by not investing in price quite as deeply. With a better understanding of willingness to pay by customer segment, by key value item and by store cluster, retailers are better able to make investments in loyalty that pay off."

Optimizing Promotion Pricing

"Making correlations between verified price-to-consumer information and a retailer's own POS data allows individual stores to optimize pricing by location," points out Guy Amisano, CEO and founder of Salient Management Co., a Horseheads, N.Y.-based software provider. Retailers can do this in three ways:

- Finding the best price point for a specific product or an entire brand
- Effectively offering promotion
- Tracking product flows and understanding profitability

"Combining the mass amounts of data already at a retailer's fingertips — from invoice info to scan records to vendor rebates — allows them to gain a clear picture of profitability by day, as well as digging deeper into performance of each vendor, department or individual store as a whole," he says.

Personalizing Promotions

According to Elliott, the consultant, there are two ways that Big Data enables companies to motivate their customers. The first is localization, which allows companies to tailor which products are available in which stores and which promotions best appeal to the local shopper market.

"The second approach is personalization, which is a step beyond localization," he explains. "With this, companies move from a segment of many to a segment of one. This can be reflected in simple targeted pricing promotions as well as 'awareness' promotions targeted to shopper interests without requiring a price promotion to get their attention."

He gives the real-time example of a store sending a text to alert a shopper that an item they have purchased a lot previously is currently on clearance in a nearby store, or to share a recipe near dinnertime to spur an incremental trip for the ingredients.

Summing up the benefits, Alberino, of Grey Jean Technologies, stresses that the biggest piece of knowledge grocers can take away from the data they've accumulated is that perceived "volume" of data doesn't matter.

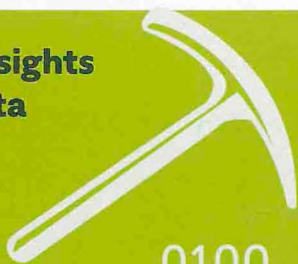
"What you do with your data is much more important than how much data you have," he says. "In order to provide the biggest value for your customers — and, consequently, grocers themselves — grocers need to make those data insights actionable. The key to successful Big Data use is the ability to identify exactly which customer data points will help them understand individual buyers, what motivates them and what drives them to purchase — and understand that this data can and will change from purchase to purchase." **PG**

Mining for Insights in Loyalty Data

Retailers with mature loyalty programs have household-level shopper data showing basket activity over time that experts say can be used to identify product trends, segment shoppers, define product affinities, and more.

Hari Shetty, global head — retail vertical at Bangalore, India-based consultancy Wipro Ltd., agrees, but only if grocers have the capability to analyze the data in a mature loyalty program.

"The more grocers and other retailers know about their



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customers — the way they shop and when, their preferred methods of communication, their buying patterns and habits — the better they can tailor products and services, which improves the overall customer experience," asserts Shetty.

As evidence, he cites key findings from a study of retailers by the London-based Economist Intelligence Unit:

- 64 percent believe data increases brand loyalty
- 52 percent say Big Data enabled them to expand their sales by offering the next logical item
- 64 percent of retailers have made financial gains in customer relationship management through Big Data
- 66 percent significantly increased the amount of information held about customers last year

"It's obvious that the more you know about your customer, the more effectively and efficiently you can deliver on their needs," notes Shetty, "and loyalty programs are one way to do just that."