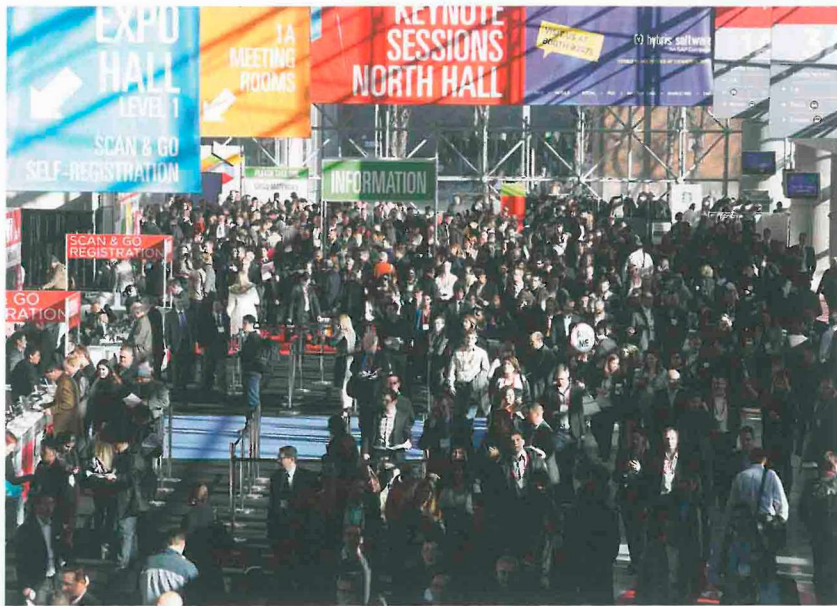


Power to the People

NRF's 2017 show will put spotlight on customer-centric retailing.

By Randy Hofbauer



with, the ever-changing consumer population. This is an especially huge issue as grocers turn their focus from products and stores to consumers themselves — a shift that's anticipated to be a huge topic in presentations, on the show floor and elsewhere during the show.

The Customer is Always Right

Customer-centricity is an especially big deal in an era when consumers demand to know more than ever before about the products they purchase — and expect brands and the folks that sell them to deliver.

Recent years have seen increasing interest in products with a stronger focus on health and wellness, safety, sustainability, ethical procurement, and more, making such attributes critical for new product success. Further, 94 percent of consumers value transparency about everything,

from ingredients to sourcing and manufacturing processes, when purchasing items, according to Chicago-based technology company Label Insight.

This means that companies need to make sure that they're truly delivering the attributes consumers want, and that they're open about it. And not just manufacturers: While, on average, they placed most responsibility on farmers and manufacturers, respondents to a 2015 survey from The Center for Food Integrity (CFI), of Kansas City, Mo., put 16 percent, 17 percent and 13 percent of responsibility on grocers for the impact of food on health, food safety and environmental impact, respectively. They also placed 15 percent and 11 percent of responsibility on them for human rights and animal well-being, respectively, and 16 percent on them for business ethics.

Since 40 percent of consumers expected transparency efforts only to get better — and 11 percent fewer thought the opposite, compared with two years before the CFI research — grocers that aren't currently on the ball with regard to transparency and authenticity need to work with their partners to better respond to consumer demands here.

The best place to start is in what they actually do: CFI notes that consumers, in five of the six areas listed above, value a company's practices over poli-



SHOW BUSINESS

This January's Retail BIG Show will offer a forum for a wide array of forward-thinking retail thought leaders.

As it does every year, the National Retail Federation's (NRF) Retail's BIG Show this January will offer a wide array of forward-thinking retail thought leaders to speak, exhibit and connect with in New York.

Perhaps the leading figure addressing attendees at this year's event will be visionary and entrepreneur Sir Richard Branson, founder of the London-based Virgin Group. Beginning as a retailer in the early 1970s, Branson, through a mail-order record business that evolved into Virgin Record stores, built a business empire that now comprises nearly 400 companies and boasts global brand revenues totaling \$24 billion. Today, the Virgin Group is a leading international investment organization that has grown successful businesses in the telephone, travel and transportation, financial services, leisure and entertainment, and health-and-wellness sectors. Branson has even been knighted for his services to entrepreneurship.

True, he's not a grocer, but through his "Undying Brand Engagement in an Age of Continuous Disruption and Reinvention" presentation, Branson will address arguably the foremost topic relevant in grocery retail today: the importance of constantly working to achieve relevance to, and relationships

cies, performance or verification. Consumers want to know what companies are actually doing in these areas, as well as to have the ability to engage by asking questions via a company website. And they expect straight answers in a timely fashion.

Transparency isn't the only reason to be customer-centric today. Take omnichannel, for instance, an incredibly hot topic in a world where Amazon.com is planning physical grocery stores, while services such as Instacart and Shipt are allowing more grocers nationwide to move into home delivery. NRF even reported in 2015 that the nation's largest retailers at the time — including such grocery sellers as Walmart, Target, Costco and Amazon.com, all in the top 10 — were continuing to grow because of their “keen ability to connect with their savvy customers,” and that omnichannel strategies such as click-and-collect, direct-to-consumer fulfillment, same-day shipping and mobile shopping have “transformed the shopping experience and boosted sales in both physical and e-commerce spaces.” Customer-centricity is critical to developing a successful omnichannel strategy.

Making the Move

Many retailers today, including grocers, still don't have such a business approach in place, however. For example, in the merchandising process, seven out of 10 retailers surveyed didn't use in-depth consumer demographics and psychographics in the merchandise- and assortment-planning process, according to EKG Research, a division of Chicago-based EnsembleIQ and a *Progressive Grocer* sister company, in its 2015 “State of the Industry Research Series.”

Meanwhile, the lack of customer insights in the merchandising process emerged as the foremost challenge for four in 10 retailers surveyed.

Moving to a customer-centric model requires several steps:

- In the planning phase, grocers must move from channel-specific merchandise teams and plans to a unified merchandising team and integrated merchandising plans.
- In the assortment process, grocers must move from low variability of assortment across stores and low levels of personalization and localization to highly localized and personalized assortments based on micro customer segments.
- In the allocation and replenishment process, grocers need

to go from limited flexibility with fixed allocation for distribution centers, warehouses, stores and online to high flexibility and response time based on real-time allocation.

- In the pricing process, grocers need to change from pricing based largely on historical data and intuition to price optimization based on advanced analytics on data integrated from across enterprise and customer data sources.
- In the promotion process, grocers must go from heavy use of mass promotions and markdowns to personalized promotions integrated with overall merchandising plans and customer profiles.

Tear Down Those Walls

It's not enough to focus solely on consumer-focused operations for success in retail, of course; grocers also need to scrutinize operations on the inside. Far too much disconnect occurs within many grocers' organizations due to barriers and distractions that hinder communication.

On most occasions, silos encourage behaviors that are beneficial to their occupants, but often are not in the best interest of an overall business or its customers. In fact, according to the New York-based American Management Association (AMA), 83 percent of executives say their companies have silos, and 97 percent believe they have a negative effect.

There are many ways to “break down” silo walls. In its April 2015 “Why Silos Damage Customer Experience” whitepaper, however, U.K.-based cloud service company NewVoiceMedia suggests three elementary ones that grocers should consider:

Focus on the customer, as learning how they're missing, meeting or exceeding their expectations is paramount to success.

Freely share information across the enterprise and deliver it into the hands of those who impact the customer. This discourages information hoarding and improves collaboration.

Create an atmosphere in which collaboration, teamwork, trust and open communication are encouraged. This can be done by developing cross-functional teams with people from all relevant points of view, levels, divisions and locations. Additionally, AMA suggests rewarding cooperative behavior, being straightforward in communications, encouraging innovation and even holding employee retreats.

NRF's 2017 Retail's BIG Show will take place Jan. 15-17, 2017, at the Jacob K. Javits Convention Center in New York. **PG**



HIGH FLYER
Sir Richard Branson will tout consumer-centricity.