

# Shopper-Centric Retailing for Today and Tomorrow

FOCUS ON SOLUTIONS AND EXPERIENCE IS A FOUNDATIONAL REQUIREMENT IF RETAILERS ARE TO EFFECTIVELY EARN SHOPPER LOYALTY.

By Win Weber

**S**hopper-centric retailing is an all-encompassing and transformative business model that focuses all functions within a retailer on increasing sales by exceeding shopper expectations.

This means evolving beyond ingrained business policies and practices to a fully integrated, top-down, cross-functional focus on the shopper, shopper solutions, and enhancements to the shopping experience.

Considering the fact that the grocery industry is experiencing the most dynamic change in decades with expanding food lifestyles, digital connectedness, social media and increasing generational complexities, this new business model provides the support necessary in today's shopper-centric environment to deliver sustainable incremental gain. It's expected to be a key contributor to industry growth by delivering customer satisfaction for years to come.

The new shopper-centric retailing business model represents a major paradigm shift. This will vary from a few retailers requiring minimal change to a majority that will require significant change.

## New Vocabulary to Reflect Evolution

Job titles and the vocabulary within retailers changed 27 years ago, when the industry shifted from basic buying to category management. Now, with another significant change taking place, it's important to reflect this commitment throughout the organization.

For example, at the department level, the term "category management" should be replaced by the term "shopper solutions." The category manager job title should be changed to shopper solutions manager or merchant. Also, the functional title "store operations" doesn't convey the importance of serving and meeting the needs of the shopper. One retailer has already made the change to "customer experience team." This helps put the shopper at the forefront at all levels.

## Insights Into Solutions

Shopper solutions planning is the next-generation process specifically designed to translate insights into enhancements at the category, aisle, department and total store. It shifts focus from products and categories to

those solutions the shopper is seeking and enhancements to the shopping experience.

This aligns with what we know about today's shopper. Traditional definitions of categories no longer dictate the shopping journey, with shoppers wanting solutions tailored to their lifestyles. It's the combination of items, with a particular solution in mind, that often defines a shopping trip. In a recent survey, shoppers scored solutions-based merchandising as significantly more attractive on almost all key metrics than item-specific displays and signage.

Shopper solutions planning is a continuous process allowing for adaptability to, and staying in front of, changing market dynamics. It begins with, and is driven by, an in-depth understanding of the "why" behind what drives merchandising solutions, with a focus on shopper insights that identify actionable shopping experience issues and opportunities. The internal/external assessment step, which looks at actual and anticipated market performance for merchandising-solution potential, is an in-depth collaborative process requiring transparency in the sharing of consumer and shopper insights between the retailer and CPG manufacturer. This leads to the development of solutions groupings.

Solutions groupings capitalize on the growth power of complementary categories and products comprising the solutions from a shopper's perspective. ►



Solutions groupings, combined with shopper insights, lead to the development of solutions strategies. Strategy statements must align with corporate strategic initiatives and be consistent with the role of the category. The preparation of the final plan is a retailer-driven, in-depth collaborative process that focuses on the shopper, shopper solutions, the shopping experience and building shopper loyalty. This process sets a new standard for the industry, with CPG manufacturers participating to date rating it better and more productive than any they have experienced in the past.

**Focus on Solutions and Experience**

There are certain structural elements that should be applied to how a retailer structures its organization if it is to optimize its shopper solutions management capabilities, including how support is provided to the merchandising teams, how merchandising and operations should interact, and how store execution should be addressed.

Our experience suggests the traditional department structure (grocery, nonfood), based on merchandise attributes, needs to evolve to a solutions-based structure focused on shopper attributes. The current siloed department alignment should evolve to one with a focus on shopper solutions.

In this new structure, there are solutions group managers. For example, pet care, including food, supplies and accessories, would be assigned to one solutions group manager. Other solutions group examples include baking needs, household care and baby care. Reporting to the group managers are shopper solutions managers, who would focus on driving sales, understanding shoppers, creating solutions and exceeding shopper expectations.

Within each solutions group team is a manager working with the solutions manager team on the promotional and solutions elements of the plan.

**Analytic Support is Strategic and Essential**

Analytic support for a retailer’s merchandising solutions function, in the future, should be viewed as a strategic imperative and an essential investment.

This takes into consideration that the solutions manager’s role will evolve from a specific category and product focus to a more strategic solutions-oriented role with a multidepartment, total-store shopping-experience perspective.

Solutions managers need the right information for making decisions in this environment. They can’t be expected to be experts in everything. They need to be supported by a number of specialists with deep expertise in specific areas.

This will require the consolidation of the consumer/shopper insights and category analytic functions into one group. Consolidation better positions the analytic function to identify opportunities through integrated analysis of disparate data/information, and is essential when considering the analytic complexity related to the digital revolution.

Consolidation has worked so well with one client that it’s planning to establish a solutions support team “center of excellence,” which, in addition to analytics consolidation, will include all merchandising support functions reporting to a centralized decision support team. This structure is designed to lead to standardization, simplification and continuous improvement.

**Vertical Alignment of Merchandising and Priorities**

Retailers should create a senior-level executive position within their store operations structure that’s responsible for executing merchandising plans; interfacing with the solutions team to ensure that plans are implementable; communicating with the stores on all merchandising activities; providing input on the need for locally relevant merchandising, including local brands or ethnically important items for the neighborhood; and acting as the feedback loop from the stores to the solutions team on what’s working and what’s not.

This position establishes vertical alignment of merchandising responsibilities and shopper-centric priorities. As the solutions teams are developing plans, they should be interacting with this function to ensure alignment and execution. Importantly, it creates an alignment that’s more conducive to collaboration between the two organizations.

**Shopper-centric Retailing**

Vision – Strategy – Commitment



Source: Winston Weber & Associates



## Addressing the Old Execution Problem

Out-of-stock conditions have remained in the 8 percent-to-10 percent range for years, with 72 percent of the problem directly related to store ordering/forecasting and “in-store, not-on-shelf” conditions. Add to this wide-ranging planogram, assortment, display and pricing compliance issues.

Apart from investing in new predictive technologies, improving execution and enhancing the shopping experience are directly related to the organizational structure and deployment of resources at the store level. A new management function, manager of merchandising solutions and execution, should be added to store management teams, to coordinate cross-merchandising activity, support execution of corporate initiatives, and serve as a conduit for local merchandising within tight guidelines.

This will improve a retailer’s capacity to tailor in-store merchandising to “touch” the local customer. This position is accountable for the execution of all cross-merchandising activities across the store. It should be understood that process and tools alone will likely not produce the desired results.

## Alignment and Transparency a Must

Most retailers and CPG manufacturers still need to establish the type of relationships required to support a shopper-centric retailing environment. Many joint- or collaborative-planning processes are too tactically focused on individual brand-building opportunities. The alignment of business strategies and capabilities in a solutions-oriented environment, with a focus on the shopper, presents a significant opportunity for both parties.

By seeking ways to rise above brand-centric biases, both sides can benefit from common goals: to grow the business, increase overall sales and forge valuable long-term shopper relationships. Sharing information is also an essential component of a successful strategic alliance. It’s foundational to establishing shopper-centric strategic alignment, and it needs to be improved.

Finally, this evolution will have implications regarding how CPG manufacturers conduct business with retailers in the future. The manufacturers that wish to develop strategic alliances, and actively participate in the shopper-centric solutions-planning process, will need to better align their capabilities with the retailer.

## A Case for Change: Tops Markets

“Becoming a shopper-centric retailer and incorporating shopper solutions planning is an evolution and a journey,” says Jeff Culhane, SVP of sales and merchandising at Williamsville, N.Y.-based Tops Markets LLC. “Shifting course to shopper solutions planning takes time, internally and externally. We’re still learning.”

The idea of creating business solutions at store level, learning how key categories play together, and how items within those categories respond to particular customer behavior versus looking at categories in silos has been a change, Culhane admits. “Shopper-centric retailing can be broken into three lenses: customer, supplier partner and retailer,” he continues. “The foundation is all about understanding the customer and what drives their behavior. For Tops, shopper solutions planning takes tightening the definition of ‘local marketing’ to a new level. Understanding at both a macro and a micro level the demographics around a store, the social economics of the marketing area, customer segmentations with that particular market and shopper cohorts, all have an impact on our plan.”

All of these factors define a category’s role and assortment, as well as impact a product’s role within a category. “A product or category location within a store no longer determines category business manager (CBM) ownership,” Culhane says. “It’s one store.” Additionally, he asserts, shopper solutions planning creates trust in vendor partners. “Sharing of data and insights with trusted vendor partners, as well as gaining access to resources that only a supplier partner

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—Jeff Culhane, Tops Markets LLC

can provide, is the foundation to building the plan,” he says. “The retailer holds the data around product and customer interaction, along with insights into your customer’s basket ... [and] shopper demographics. This is gold to vendor partners. Understanding how the customer behaves and responds to promotions, shelf placement and product adjacencies helps guide vendors’ decisions on growth and spend.”

The categories planned to date have seen results regardless of the category size, Culhane says. “For example, one category that had been seeing erosion executed the plan as outlined with a new set, consumer awareness and education, along with a shift in promotional strategy to improve the category’s profitability,” he recounts. “The team has exceeded its growth goals in units by one basis point, and profit goals by a whole point. It also improved its sales versus trend.”

To accommodate this planning-process change, as well as support of the CBMs, Tops created two key departments, Culhane explains: “First was decision support. Tops has a loyalty card, called Bonus Plus, as well as a warehouse full of data. We needed to sift through the data and compile it into something the teams could work with. We broke the department into two teams: product and customer. We bring them together to look at the basket. Their insight helps guide decision-making during the planning process. The second department is in-store merchandising and execution. This team works with both the CBMs and key vendors partners to ensure store execution of the plans.”

Becoming a shopper-centric retailer “is not a light switch for the customer, the vendors or the retailer,” Culhane cautions. “As you work towards building plans from the perspective of the customer, they will come. Customers will recognize retailers working hard to gain their business, and the vendors will jump on board, too.” **PG**

Read more about shopper-centricity at [progressivegrocer.com/CatMan2018centricity](http://progressivegrocer.com/CatMan2018centricity).

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