

# Making it Automatic

Earth Fare goes into the future of promotion optimization



by LEN LEWIS

For years, promotional activity in supermarkets was a time-consuming process — at best, producing a limited sales kick; at worst, creating little more than loss leaders.

North Carolina-based organic grocery chain Earth Fare is bringing promotion optimization into the 21st century with artificial intelligence software that enables merchandisers to spend less time choosing which items to promote, plan promotions eight weeks out and allow more time for creative endeavors.

At the same time, AI is giving the company a meaningful lift in basket size, protecting profits and increasing total sales upwards of 3 percent.

“The addition of artificial intelligence from Daisy Intelligence Corp. has been able to do all the drilling and cutting of the data in various ways and turn it into more usable information,” says Earth Fare CEO Frank Scorpiniti. “We have a good-sized merchandising team but we really needed to free them up and let the machine do the heavy lifting.”

“Most of our team is finding that they are spending less time trying to find the right data and understand it,” says Scott Little, Earth Fare’s chief financial officer, “and more time addressing the more critical elements of their jobs.”

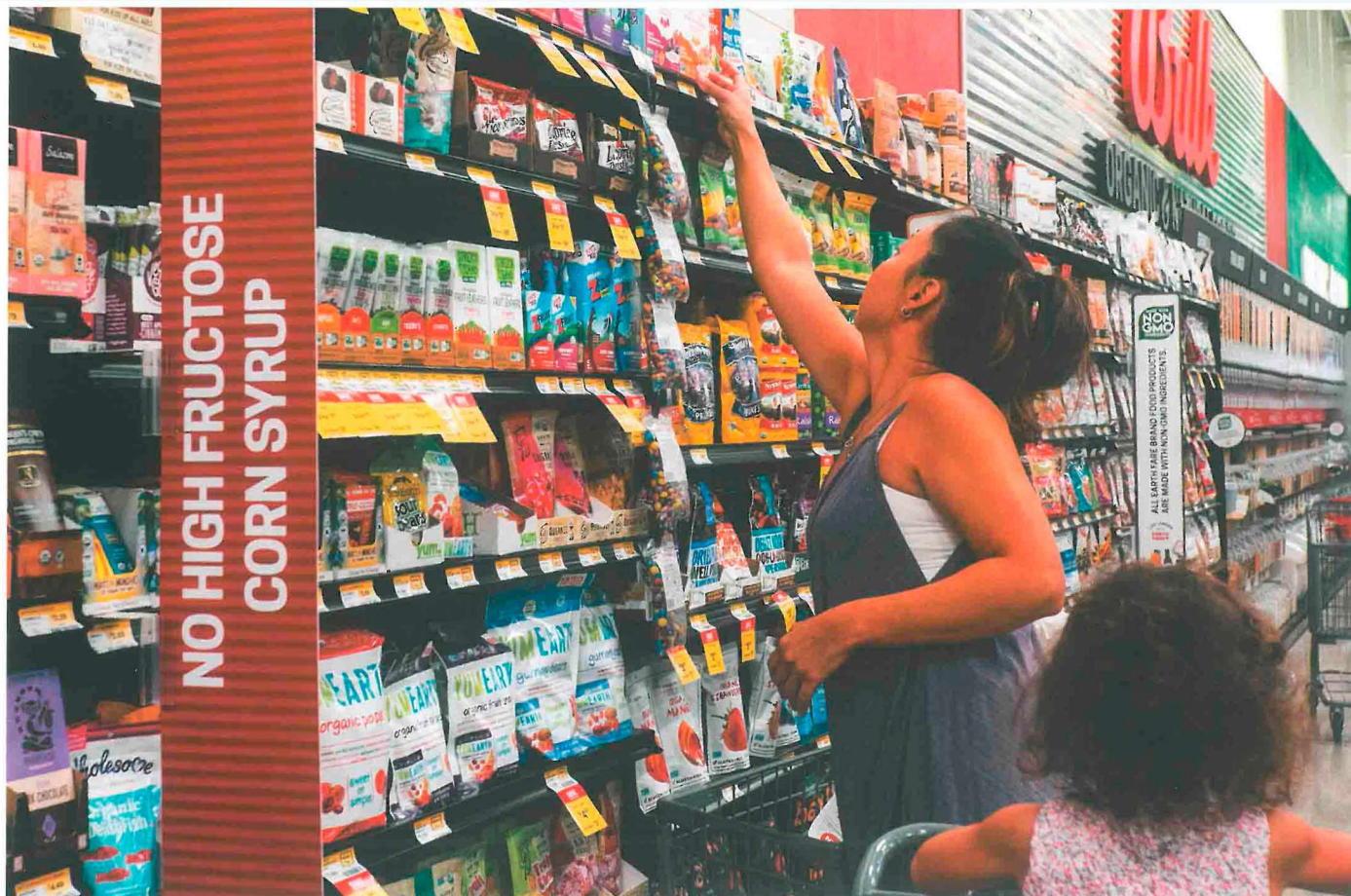
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## AGGRESSIVE EXPANSION

The weight that AI carries will increase as Earth Fare continues its aggressive expansion program. “We recently opened our second store in Jacksonville, Fla., and we have another eight to go in the next 12 months and another 10 stores the year after that,” Scorpiniti says. “We’re trying to stay on a 25-percent-a-year store growth curve.”





Growth will focus primarily on areas in which Earth Fare already operates — it currently has more than 40 stores in Alabama, Florida, Georgia, Indiana, Michigan, North and South Carolina, Tennessee, Ohio and Virginia.

“We’re excited about the growth pipeline,” says Scorpiniti, formerly CEO of Canadian drug store company Katz Group Canada/Rexall/Rexall Pharma Plus. “Since Earth Fare was founded in 1975, its mission has been to improve people’s lives by getting them to live a healthier lifestyle and giving them the ability to eat ‘clean’ every day. We’ve been able to do this with 25,000-square-foot stores that are easy to shop and contain a very curated assortment of products.”

Scorpiniti emphasizes that Earth Fare is a complete assortment supermarket — not a fill-in shop — with a heavy selection of fresh prepared foods with a compelling value proposition, produce that’s 70 percent organic, humanely raised, antibiotic-free and hormone-free poultry, grass-fed meats and sustainably sourced seafood.

“We make all our breads from organic non-bleached non-bromated flour,” Scorpiniti says. “With all this, we can still promote an organic baguette for 99

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cents. If you add everything up, we’re in a unique place among competitors. Earth Fare is so clean you can shop our stores blindfolded and never take home anything bad for your family.”

This extends to products offered by local vendors: Earth Fare category teams meet with local producers and farmers when entering new markets. “This allows us to understand what the community is making locally and how it fits into our retail location,” Scorpiniti says. “Our team learns a lot from local purveyors.”

#### INSIGHTS AND IMPLEMENTATION

Earth Fare’s local marketing strategy leads directly into its promotional activity — where the AI platform comes into play.

“We’re all aware of the talk around AI. What impressed us most were the

overwhelmingly positive results with limited required changes to the end user’s business,” says Sterling Hawkins, co-founder of The Center for Advancing Retailing and Technology, which recently completed a case study on how Earth Fare used the AI-powered promotion optimization tool.

“The ROI tells us that Daisy and AI companies like it provide solutions to address the issues that many retailers are struggling with in this highly competitive marketplace,” Hawkins says.

Scorpiniti says Earth Fare previously had access to large amounts of data and data history, but it took several promotional cycles to turn that into actionable information.

“A lot of analytics hours went into gleaning information from that data,” he says, “and that took away from our innovation and creativity time. That’s beginning to take form.”

The company’s other challenge related to the frequency of running certain items on promotion without cannibalizing sales. “The AI piece helped us look longitudinally — not only what happens with promotion at a specific point in time but what happens





work on an SAS model, so a lot of the grinding gets done outside our building. Our involvement consisted of transmitting transaction-level data to them. We handed over sales history for a

number of years and they went to work,” he says.

“Since then, work has centered on getting to a user interface that our team finds efficient. We’re developing the dashboards needed to move the business ahead and it’s been a very collaborative effort.”

### PREDICTABLE PLANNING

Strong results have already appeared, Scorpiniti says. “It’s created greater rigor in the promotional planning process because it’s wrapped around a data-driven, longitudinal sales planner. The second piece is that it gives us more predictability in promotional planning.

“We’re data-driven in understanding what sales will be during a certain

promotion. And that helps us plan around supply chain and staffing of stores to give customers the best service. Basically, it puts everything in one place so we can plan against it.”

This leads to an added benefit, in that the team spends less time in the planning process and more time thinking about product selection.

One of the key results for now is using the Daisy AI system to understand and suggest companion products to go with promoted items, giving the chain more insight into demand. “Often we’re focused only on what we’re promoting but not the broader basket. That’s the next frontier,” Scorpiniti says.

One of the questions yet to be answered is whether AI will aid in new product development, given the rapid changes that take place in consumer demand.

“We haven’t used it for that, but it’s an interesting concept to look into down the road,” Scorpiniti says. “The more we understand how the system works and learns, it may be able to help us get to that level of insight.” **STORES**

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if that point in time is surrounded by other dynamics,” Scorpiniti says.

“The system helps us look at cause and effect not only in the weeks we’re promoting an item but also in the weeks before and after to determine the longer-term implications of what item we’re promoting and when. This gave us greater insight into what we were doing without the need for additional analysts.”

Implementation took several months; the company is now more than a year into the project, which Scorpiniti calls “an efficient journey. We’re feeling very positive about where we’re going.”

As for the implementation process, he says one of the benefits of the Daisy platform was the reasonable amount of involvement by Earth Fare. “They