

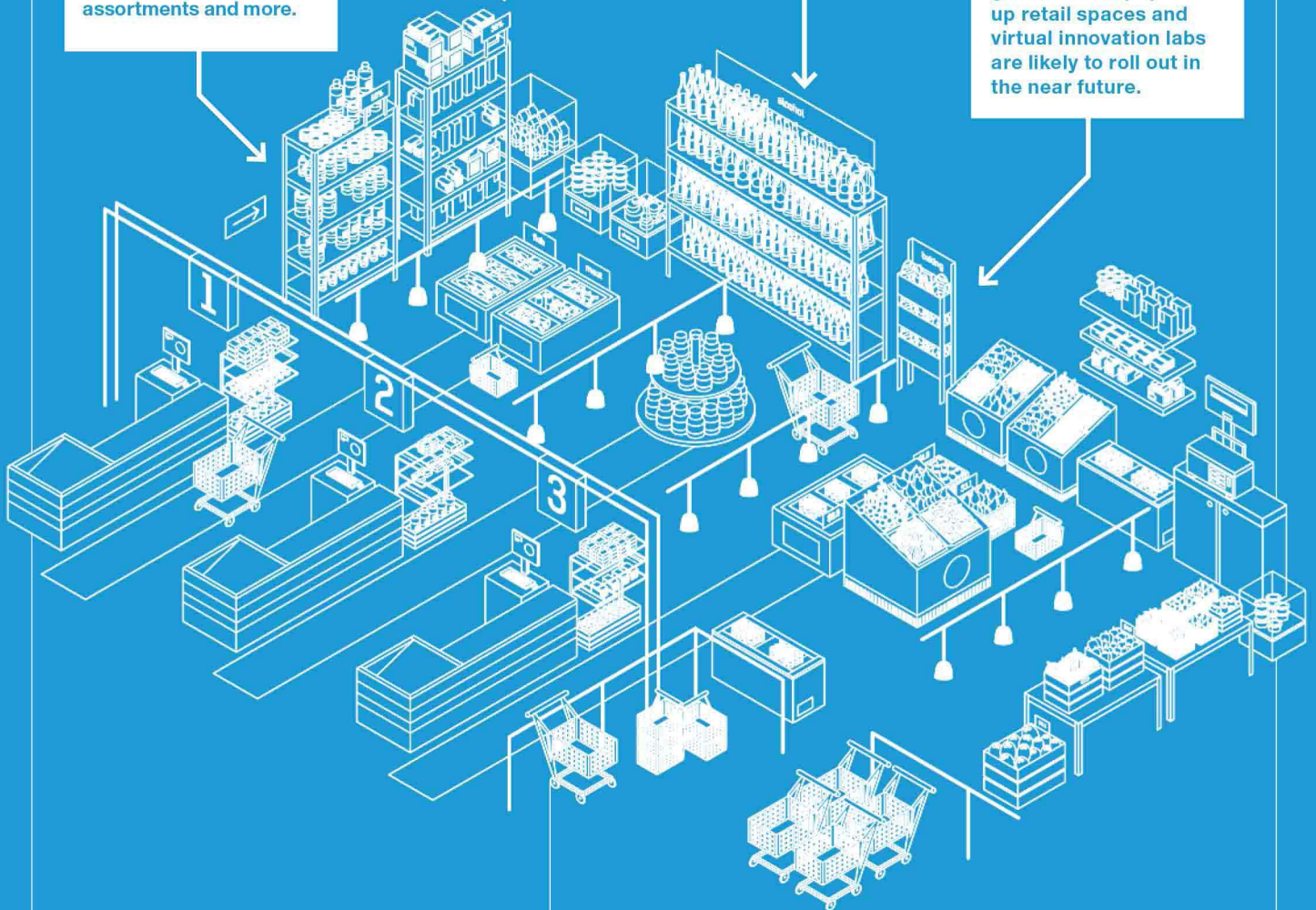
Key Takeaways

It's critical for grocers to use shopper insights to better organize their stores, displays, assortments and more.

Correlating different types of data and heading behavior indicating product or store performance can lead to learnings on such issues as simplifying store layout.

Make sure to tap into real-time feeds on the state of in-store displays, inventory and merchandising, as well as sales, demographics and other metrics.

Co-creation-enabling concepts like online gamification, pop-up retail spaces and virtual innovation labs are likely to roll out in the near future.



Doubling Down on Data

GROCCERS' ABILITY TO GATHER, ANALYZE QUALITY DATA IS CRITICAL IN DEVELOPING THE MOST EFFECTIVE STORE LAYOUT POSSIBLE.

By Randy Hofbauer



In today's world of grocery, retailers are no longer the ones calling the shots — consumers are. And more than ever before, they want a closer relationship with the stores they shop.

This reality is especially true in the grocery business. According to the "2018 Private Brand Intelligence Report," from Stamford, Conn.-based branding and consulting firm Daymon, seven in 10 engaged U.S. shoppers want to give feedback to grocers to help improve the shopping experience.

"Consumers have moved from passive buyers to active co-creators who want to articulate their opinions and help retailers and brand owners solve for their unique needs," says Ryan Dee, creative director at San Diego-based experiential retail marketing firm Interactions, a division of Daymon. "We at Daymon see co-creation as a white-space data stream to fuel store optimization."

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Space Optimization

But it's hard to argue that because three in 10 don't want to give feedback, they also don't want stores to be better suited to their shopping needs. This is why it's critical for grocers to use any insights that can be obtained from shoppers to better organize their stores, displays, assortments and more to best cater to the customers they serve.

A New Reality

Years ago, grocers faced challenges accessing software to integrate store-specific space-planning data — on both macro and micro levels — with item-level performance data, for the purpose of optimizing space allocated to every category inside a store. This reality has changed.

Today, most are able to obtain and use the majority of data necessary to effectively optimize every category within stores. They also have what they need to align the products they sell to the demographics they serve and each one's shopping preferences, according to Mike Letchford, SVP of category management solutions with Symphony RetailAI, a Dallas-based global provider of artificial intelligence (AI)-enabled decision platforms, solutions and customer-centric insights.

Grocers and brands can both tap into data on inventory, foot traffic, POS and more, as well as information from devices such as beacons and the like, notes Gina Ashe, CEO of ThirdChannel, a

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Cambridge, Mass.-based cloud-based retail intelligence platform. Take this even further to include CCTV data, and even MAC addresses from mobile phones or car keys, adds Guy Yehiav, CEO and chairman of Profitect, a cloud-based prescriptive analytics company in Waltham, Mass.

“Tying these together and correlating with traditional data sets such as sales, pricing, queue time, basket analysis, shelf capacity, replenishment order

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Space Optimization

quantities, etc.,” and then analyzing the relationship between these data sets, will tell a grocer the full story on how it can best optimize layouts, drive traffic and increase sales, he says.

From his perspective, Yehiav sees three major ways that grocers can use the data science at their disposal today to optimize a store’s layout:

- ▶ **Clustering analysis:** By clustering data, its value is improved, Yehiav explains, as it can then identify stores, products, associates and more that act similarly.
- ▶ **Machine learning:** Using artificial intelligence, systems can leverage the clusters to detect a number of opportunities; one example he gives is that increased shelf space of specific product categories could drive sales.
- ▶ **Prescriptive analytics:** While descriptive analytics try to discover what has happened and predictive analytics try to forecast what could happen, prescriptive analytics help determine the best solution among options that a grocer can take. The process brings both clustering analysis and machine learning together in a way that can be easily understood and acted upon. For instance, Yehiav notes, a store

with multiple entrances can realize improved sales when its owner adds a value-focused aisle near the front of the store.

Another spot where prescriptive analytics can help optimize layout involves using Internet of Things (IoT) cooler data to help reduce energy consumption while maximizing product placement.

“The ability to identify optimal product placement by using IoT and/or mobile phone data to see where store customers linger the longest has been a long-term goal for grocery,” Yehiav asserts.

Correlating all of the different types of data and looking for behavior that indicates how a product or store is performing can lead to many remarkable discoveries, he observes. These can include such learnings as whether the store’s layout is confusing or too complicated.

“The key thing to remember is data can be found everywhere in retail,” Yehiav says. “It is the ability to act on that data in a meaningful way that makes a difference in a retail organization’s bottom line.”

And it’s always important to note, Symphony Re-

tailAI's Letchford points out, that the effectiveness of an initiative is tied to the quality of the data.

"The more accurate the information about store layout and space allocation is, the more accurately new initiatives can be planned and executed in-store with high levels of compliance — giving the retailer more control over driving store performance," he says.

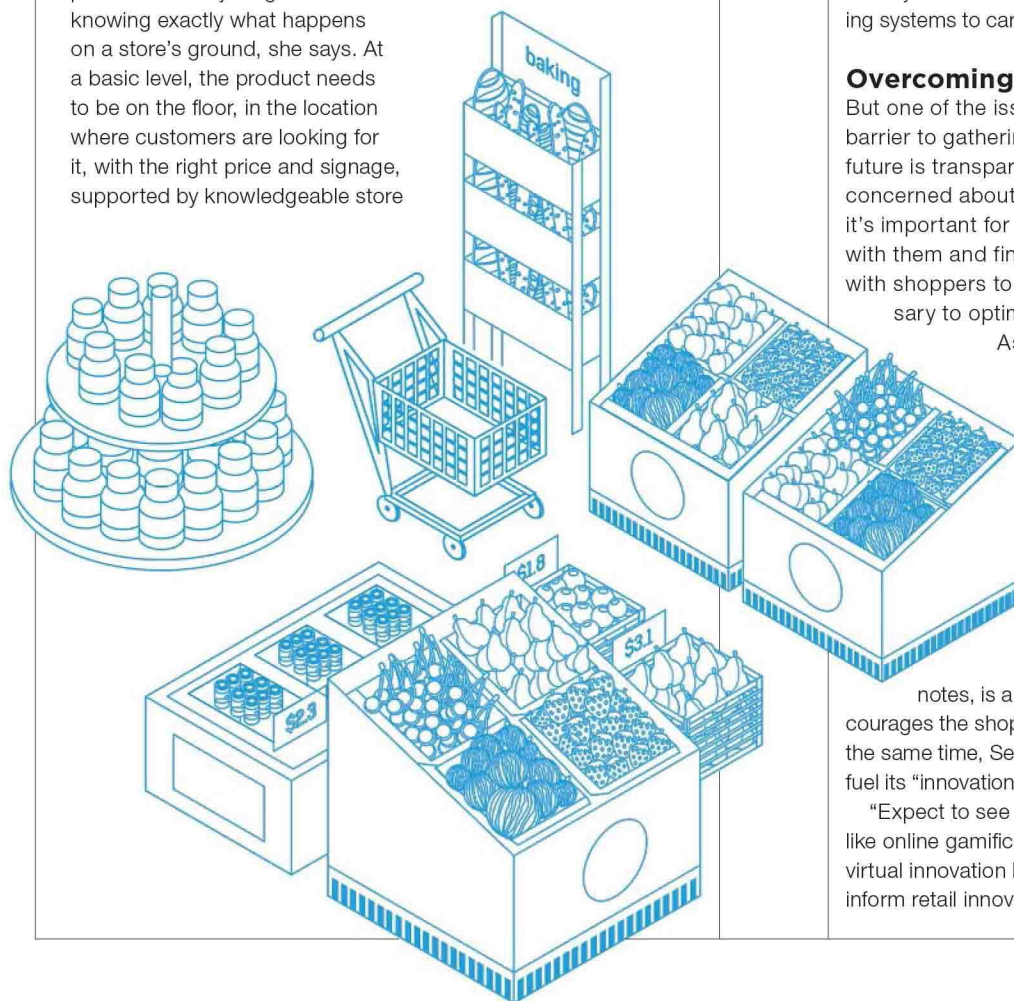
The Role of Displays

As discussed earlier, data can be gathered from many, many sources. But for her part, ThirdChannel's Ashe stresses the importance of tapping into real-time feeds on the state of in-store displays, inventory and merchandising, as well as sales, demographics and more. Solutions that leverage data science can make intelligent recommendations to grocers and brands about where the most potential for category and brand growth lies.

"Data on displays and merchandising is crucial in order to help grocers understand whether or not products are being displayed correctly in stores, and beyond that, whether or not the store layout or display is actually driving optimal sales," she notes.

Ashe adds that in the longer term, grocers can compare data from store locations across an entire physical footprint to determine which layouts, displays and merchandising strategies are performing best — and optimize other stores accordingly.

But what's perhaps more important than anything else is first knowing exactly what happens on a store's ground, she says. At a basic level, the product needs to be on the floor, in the location where customers are looking for it, with the right price and signage, supported by knowledgeable store



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associates. Then grocers and brands can identify any potential path-to-purchase roadblocks.

"Perhaps a brand's product isn't being restocked often enough, or there aren't enough associates available to answer specific questions, or maybe a new product was introduced, but the supporting elements of the launch haven't been executed upon by the retailer," she offers as examples. "It is essential for grocery brands to identify these issues using retail execution and monitoring systems to carry out corrective actions in real time."

Overcoming Transparency Issues

But one of the issues that could grow to be a major barrier to gathering necessary data in the near future is transparency. As consumers grow more concerned about the security of their information, it's important for grocers and brands to be open with them and find ways to more directly interact with shoppers to secure the levels of insight necessary to optimize their stores.

As a result, Interactions' Dee says that he's seeing growth in crowdsourcing technologies that allow shoppers to directly participate in innovation efforts. Using an example from the beauty channel, he points to Sephora, whose latest format concept, Beauty TIP (Teach, Inspire, Play), stems from its Innovation Lab.

The workshop-concept store, he notes, is a digitally integrated format that encourages the shopper to linger, discover and learn. At the same time, Sephora can gather shopper insights to fuel its "innovation roadmap," Dee observes.

"Expect to see other co-creation-enabling concepts like online gamification, pop-up retail spaces and virtual innovation labs surface in 2018 and beyond to inform retail innovation initiatives," he predicts. **PG**