



Priority Shoppers: Ready for their Close-up

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Precima is a consulting & analytical services firm that uses shopper insights to enable more profitable merchandising and marketing decisions.

www.precima.com



a LoyaltyOne
company

Introduction

Turn the Spotlight on Your Key Shoppers - for Short-Term and Long-Term Retail Success



If you're looking to gain in-depth understanding of your shoppers in order to win the bigger basket and long-term loyalty, you're in luck: A new era of retail data insight has arrived and is gaining steam.

You may have already gained a great deal of knowledge through category research and analyzing shopper purchasing data. Now, you can take that knowledge to the next level by honing in on your most profitable, priority shoppers. Being able to use those insights effectively, in ways that can help you in your short-term as well as long-term decision making, will enhance the efforts you've already put into place and help you stand out from the competition.

At Precima, we understand that while a plethora of data has existed for some time, today's retailers are now using the power of analytics to connect all of these dots together by identifying your most profitable shoppers, learning what motivates them and then getting them to buy products they hadn't even considered. We know how to take those deep shopper insights – those that dive into key shopper data – and help retailers leverage them to execute the most relevant marketing and merchandising tactics for the entire store, increasing sales, profits and retail loyalty both through short-term and long-term strategies.

The following is a guide to five proven strategies to winning shoppers by capturing the right trips and the right categories, based on actual case studies of our work that demonstrate the true value of a shopper-centric strategy. These case studies, while focusing on different retailer goals, all have something in common: they identify high-priority shoppers and analyze relevant transaction data associated with those key shoppers. We believe that by shifting your focus to the shoppers you most want to reach – as opposed to just category-specific tactics – you are far more likely to succeed in today's competitive retail environment.

In this whitepaper, you will learn

- How to win the big planned trip: Learn about a grocer that grew its share of big planned shopping trips by understanding which items drove which type of trip.
- How to use data to listen to your shoppers: Find out how one retailer drove incremental sales by customizing its assortment to local shopper needs.
- How to get the price right: Discover how a retailer quickly and significantly increased profits while maintaining or growing volume through a shopper-centric pricing strategy.
- How to understand brand preferences: Read about a grocer who was able to use an understanding of brand preference to drive private label sales.
- How shoppers are what they buy: Learn how a retailer grew a key segment by analyzing which categories were important to those priority shoppers – creating more effective promotions that focused on these key categories.

All retailers want to grow the shopping cart. But many of today's retailers are missing out on the biggest basket booster: Your shoppers, who are your greatest asset and competitive advantage. At Precima, we believe you can leverage knowledge about key shoppers to not only generate results in this fiscal year but also generate sustainable year-over-year incremental sales. Keep reading to learn more about how to take the right steps towards shopper-centricity.

Conclusion

The five case studies we presented here are all real-world examples of how Precima has worked with its retail partners to help them grow the shopping cart among their best shoppers in a long-lasting way. The goal was not to use insights to just gain one new shopping excursion or a few extra items in a shopper's basket. Instead, the findings related to priority shoppers were used to help retailers optimize their merchandising and marketing strategies over time and across brands and categories. The results proved that shoppers responded with behavior shifts that translated to more consistently profitable trips.

We believe the tough challenges of today's retail realities require stores to hone in on profitable shoppers. As a retailer, you already have the advantage of a wealth of transactional data to help you target shoppers effectively through the right insights and shopping behavior shifts. The key is to understand both what to do with that transactional data and how to focus on the shoppers that matter – the ones that are most profitable and the highest priority. With over 15 years of experience helping retailers thrive in this new retail reality, we believe the future lies in shopper-centric analysis, merchandising and marketing. The retailers we have worked with have proven the long-term success of this strategy – and so can you.

Precima insights help drive sales and profits of Big Planned Trips

Precima insights enable grocery client to determine what items will drive shoppers to their stores more frequently for Big Planned Trips

Business Challenge:

A leading grocery chain was facing fierce competition in a highly developed market. It was looking for new ways to increase its share of shoppers' wallets. Analysis previously conducted by Precima, identified that winning the Big Planned Trip was the key to winning the shopper overall. Now, the grocer wanted to understand what items would motivate shoppers to make more of these trips to its stores.

Precima's Solution:

- Identified the contents of the shoppers' baskets that were most influential in driving Big Planned Trips.
- Provided promotional recommendations to encourage Big Planned Trips.

Proven Results

- Precima's analysis dispelled the commonly held belief that trip types can be defined by a specific dollar value. Rather, Precima demonstrated that trip types for couples were significantly different than those for larger families, with respect to value and basket content.
- Precima discovered that for singles and couples, Big Planned Trips were more likely to include wine, canned vegetables and soup, while for large families, trip contents were skewed toward larger cuts of meat and milk.
- To drive incremental sales, Precima recommended that the grocer customize in-store promotions and displays to feature the items associated with Big Planned Trips for priority segments per store. In addition, Precima executed 1-to-1 targeted offers to shoppers designed to drive the most relevant big planned trip items.
- The targeted promotions and offers resulted in an increase of Big Planned Trips by 63% – resulting in significant incremental sales and profits.

Sales Lift For Big Planned Trips

By deploying Precima's findings and recommendations, Big Planned Trips increased by 63%.

+63%

Big Planned Trips*

*Planned shopping trips that are at least 50% larger than a shopper's average basket

Key Insight

There is no universal notion of what a Big Planned Trip is. Rather, Big Planned Trips vary by market and by shopper segment. The implication for retailers and manufacturers is that they need to identify their most important shoppers and which items drive which trips. This will enable them to deliver targeted promotions that will increase sales and profits.

Precima uses shopper insights to determine optimal pricing strategy

Precima's analysis demonstrates how a grocery retailer can develop the right pricing strategy for the cereal category to increase profits.

Business Challenge:

A packaged goods company was given the task of reviewing the cereal category plan for a leading grocery retailer. In turn, the company asked Precima to determine which items were most important to the retailer's priority shoppers as well as these shoppers' price sensitivity to these items. The ultimate goal was to develop a category pricing strategy that maximized both category and shopper profitability.

Precima's Solution:

- Precima utilized the grocery retailer's shopper transactional purchase data to score every cereal item on two dimensions: its relative importance to the retailer's most important shoppers and their price sensitivity to that item.
- Using these metrics – and taking into account the retailer's desired price position – Precima was able to determine the optimal pricing strategy for each item.

Proven Results

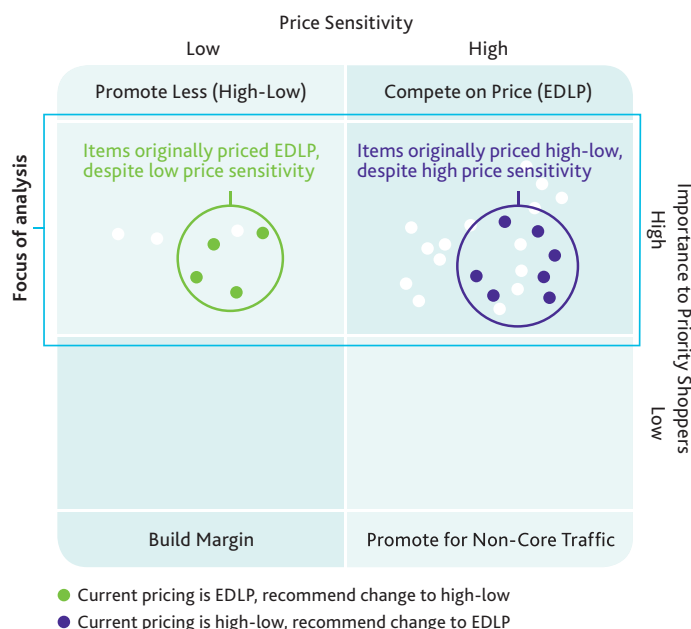
- Precima discovered that many of the cereal products were not priced at the optimal level.
- Many highly price sensitive, important items for the retailer's best shoppers were priced at a premium relative to the competition. Precima recommended changing the pricing strategy for these items to Every Day Low Pricing (EDLP), to improve price perception and increase loyalty.
- Conversely, it was determined that an EDLP approach was being used for many items that the retailer's best shoppers were not price sensitive to. This represented a key opportunity to boost category margins through more effective pricing. To that end, Precima recommended that these items be priced higher and be promoted at discounted levels only when attempting to drive traffic in key periods.

Key Insight

By using shopper purchase data, retailers can identify which items are most important to priority shoppers as well as their price sensitivity to those items. This information is critical to the development of a truly shopper-centric pricing strategy.

Reallocation of Price Investment

Precima identified which cereals should be priced EDLP and which should be High-Low.



Precima helps retailer tailor assortment to store type

Precima analyses shopper purchase data and provides insights to optimize the selection of products that are carried at Express/Urban stores.

Business Challenge:

A leading retailer wanted to ensure that it was providing the right product selection at each of its store formats. Their goal was to match on-shelf assortment with the needs and wants of the priority shoppers of each format.

Precima's Solution:

- Precima leveraged shopper purchase data garnered from the grocer's loyalty card program to determine how important items within key categories were to priority shoppers at various store formats.

Proven Results

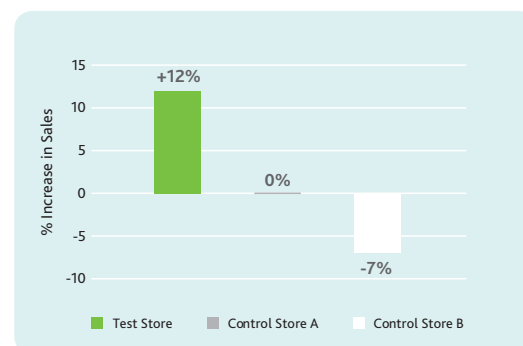
- Precima identified that the priority shoppers of the Express/Urban format stores were generally young singles and couples who were lower income. In addition, they were most often university students or those just out of school.
- Category analysis revealed that priority shoppers' purchases from Express/Urban format stores were overdeveloped in high frequency convenience-oriented items such as beer and ice cream. Conversely, everyday regular meal items such as meat, especially beef, were underdeveloped in this format.
- Based on these insights, Precima recommended that the beef assortment be expanded to contain more single serve, convenient, lower priced cuts of meat to drive trips and increase share with priority shoppers. As a result, the grocer extended the beef section in the Express Format by three feet to accommodate these items.
- To communicate the revised assortment, a promotional campaign was also launched featuring the aforementioned meat items, resulting in a sustained 12% increase in beef sales without any cannibalization effects. This was a significant result when compared to zero growth at one control store and a 7% decline at another control store faced with strong competition.

Key Insight

Loyalty cards provide a wealth of information about a store's most important shoppers, including what items are most important to them. These insights may be leveraged to develop the optimal product assortment for this key segment.

Sales Lift From Customized Promotional Program

By pursuing Precima's recommendation on which items to feature, a store's promotional program increased sales by 12%.



Precima helps retailer capture greater share of Large Families' spending

Precima findings enable grocery retailer to capitalize on the key categories that are most important for Large Families.

Business Challenge:

Precima was called in to analyze a grocery retailer's shopping base. It identified that Large Families were a key segment of the retailer's shoppers, spending over 50% more than other shopper segments and representing the retailer's biggest opportunity for growth. Precima now was given the task of developing strategies that would attract and retain this critical shopping segment.

Precima's Solution:

- Precima analyzed the retailer's shopper transactional purchase data to determine which key merchandise categories were most important to Large Families and which represented the largest opportunity for growth.

Proven Results

- Precima determined that there were a few highly competitive core categories such as laundry detergent, soft drinks and bottled water that were important to Large Families. However, these categories were already an area of primary focus. They were extremely expensive to pursue with low opportunity for incremental margin because they were already being aggressively priced and heavily promoted by most retailers.
- Precima identified a number of categories where the retailer could win more easily and turn a greater profit. These categories included Yoghurt, Organic Vegetables, Vitamins and Scrapbooking materials – all more than twice as important to Large Families than to other shoppers in the store.
- Based on these findings, the retailer was able to deploy tactics like cross-store promotions and end-cap planning more effectively, focusing on key items of importance. This shopper-centric, cross-category approach increased sales of these core items by 19%, drove more Large Family traffic into the store and retained this critical shopping segment – all without relying on price as the sole motivator for purchase.

Increase in Sales Among Large Family Segment

By acting on Precima's analysis, the retailer saw a 19% increase in sales among the large family segment.



+19%
in Sales

Key Insight

By understanding what items matter to which shopping segment, a retailer can identify targeted, profitable new ways to engage shoppers and capture a greater share of their wallets.

Precima helps retailer identify ways to increase private label sales

Precima findings demonstrate how successful private label promotions can be when they are targeted to shoppers identified as having a high loyalty to the retailer's store brands.

Business Challenge:

A leading grocery retailer recognized that in-store promotions of private label products did not perform as well as those for national brands. They asked Precima to identify other methods they could deploy to profitably increase their private label sales and drive a higher return on their promotional investments.

Precima's Solution:

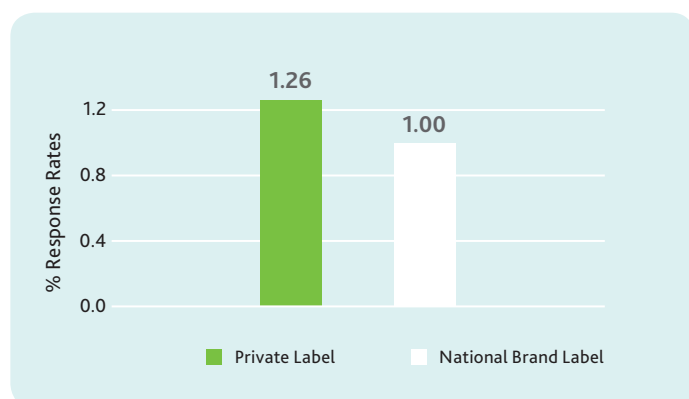
- Precima scored all the retailer's shoppers based on their propensity to purchase private label products across all categories that carried private label in the assortment. Those with high overall scores were deemed "Private Label Loyalists."
- Precima then scored all categories on how well their private label offerings performed with "Private Label Loyalists." As a result, they were able to identify which categories represented the greatest opportunity for focusing their private label promotional efforts.
- Precima recommended launching promotions in these high opportunity categories that included offers designed to encourage "Private Label Loyalists" to purchase more private label products.

Proven Results

- Precima discovered that delivering targeted private label promotions to "Private Label Loyalists" was more profitable and generated greater sales lifts than promoting national brands to those shoppers.

Increase in Private Label Offers

Precima discovered that a private label offer will outperform a national brand offer when delivered to a "Private Label Loyalist".



Key Insight

When developing private label promotions, brand preference (private label vs. national brand) is relevant and a key to profitability. It enables you to target your offers more effectively, resulting in increased sales and profits.



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