

# Crossing the Chasm: Shopper Intelligence

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*Retail Mindsteps (def): Key developments that have caused dramatic and irreversible changes to paradigms and world views in the fast moving consumer goods retail industry.*

## Retail Mindsteps INNOVATION BRIEF



**Gary Hawkins** has lived his career ahead of the curve, putting him in the right place at the right time to lead the fast moving consumer goods retail industry into the future during a time of exponential technology growth using never-before-available capabilities to innovate the future of shopping.

His expansive industry view and early insight into disruptive technology makes him a sought-after keynote speaker at conferences in the U.S. and around the world. Hawkins is the author of *Building the Customer Specific Retail Enterprise*; *Customer Intelligence*; *Retail in the Age of I*, and *Bionic Retail*, along with the *Retail Mindsteps Innovation Briefs* and *White Papers*. Hawkins lives in Colorado with his wife Heather, and Remington, their Bernese Mountain Dog..

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## **Crossing the Chasm: Shopper Intelligence**

Some years ago I began speaking and writing about the growing innovation gap; resource rich companies like Amazon and Walmart testing and implementing new capabilities at an ever-faster pace while other retailers, lacking resources, skill sets, and bandwidth, began to fall behind.

More recently we've observed how certain new innovation, particularly AI powered capabilities, create disruptive financial performance. First movers are creating an innovation-fueled flywheel of growing performance as they move up and out the exponential growth curve of computer processing power, leaving slower moving competitors at a growing disadvantage.

Today there's another gap appearing, the shopper intelligence chasm. A handful of companies collecting massive stores of shopper-identified data and using AI expert systems to power insights and action. These companies are shopper data savants.

*The value of shopper intelligence is growing exponentially, but we're still in the deceptive phase (of exponential growth) which is why many retailers remain oblivious to what's happening. As the digitalization of retail continues and converges with other areas like automated strategic personalization, healthcare, and augmented reality, the value of shopper intelligence is poised to explode.*

And companies like Amazon and Kroger are positioned to leverage their data into accelerating performance, growing the gap and leaving slower moving competitors ever further behind.

### **Amazon: A Shopper Intelligence Juggernaut**

Look no further than Amazon. Amazon sells more than 12 million products, and over 350 million products if counting Amazon Marketplace sellers. Nine out of ten consumers price check a product on Amazon. And don't forget about Whole Foods where Prime members are identified to their transactions in return for deals. The company's knowledge of product purchases and purchase intent across countless categories is itself a massive trove of incredibly valuable data.

But add to that Amazon's world-class supply chain extending to a home delivery network soon to rival UPS and FedEx. There are an estimated 40 million Alexa users in the US; imagine the data and insights Amazon gathers as users interact with the system. There are over 150 million Prime members in the U.S.; consider the information gained as those millions of people use Prime Video and Prime Music. And as Amazon scales deployments of its Just Walk

Out computer vision tech in a growing number of stores, the company gains knowledge of each individual's behavior inside the store.

Amazon is able to increasingly connect all those disparate data points to an individual shopper and household, and in doing so the company is able to build out a 360 degree view of the shopper, perhaps the most comprehensive ever in history. Now put AI expert systems and machine learning on top of all that data and you have a juggernaut.

### **Shopper Intelligence powers Shopper Experience**

*“Personalized' and 'experiences' are both important. Our consumers will expect us to understand their taste, preferences, history, and inspiration. Within that same breath, they will expect us to engage them earlier. To tug on their heart strings and capture their attention. As we think to the future of digital shopping, leaning into these personalized experiences will be paramount.” - Allyn Thygesen, President, Americas & Global Partners at Google (speaking at Shoptalk 2022)*

A [BCG](#) study found that a highly personalized shopping experience led to customers indicating they were 110% more likely to add additional items to their basket and 40% more likely to spend more than planned. Nearly 35% of Amazon's sales come from personalized recommendations. And a recent [Coresight Research](#) report stated that 92% of Alibaba's online experience is personalized.

That shoppers expect personalization and relevancy in the online world is a given. But now think about how the digital and physical worlds of shopping are blending together. Nine in 10 U.S. grocery shoppers use their smartphone in the store according to an [Acosta](#) study. Nearly all shoppers are using their smartphone in the aisle to research products, look for savings, and decide what's for dinner.

Amazon gets this. The company is now putting Alexa in their stores to answer shopper questions. Digital screens on Amazon's Dash smart carts personalizing the shopping trip. And think about what happens when augmented reality explodes in the next year or two as Apple, Samsung, and others bring next generation smart glasses to market, enabling a digital overlay to your physical surroundings. The more you know about the shopper the more powerful these capabilities become.

### **Shopper Intelligence: Driving Value Creation**

Retail media networks are the current industry darling as big retailers create digital walled gardens and sell access to CPG brand manufacturers. The appeal to advertisers is not just getting in front of millions of eyeballs; these retailers are increasingly able to drive online to offline attribution, connecting the dots of ad views and actual product purchases. As Amazon, Kroger, and Walmart show, shopper intelligence turbocharges the value creation possible.

But Shopper Intelligence is about far more than digital advertising.

I recently had opportunity to review data showing the percentage of total shoppers purchasing in a given category for Kroger and a well known regional chain. Kroger has collected detailed shopper purchase data for two decades and is one of the pioneers in strategic personalization. Kroger has long employed legions of data analysts, crunching through its treasure trove of data to target shoppers with promotions to win that week's shopping trip and to stretch shoppers into new categories.

Kroger's efforts were readily apparent in the data. Across the five key categories I analyzed, Kroger had significantly more shoppers purchasing in each category vs the regional chain. And not only that, of those category buyers, Kroger was realizing a much higher share of wallet. All told, the competing retailer was leaving hundreds of millions of dollars on the table each year by not having and using shopper intelligence.

But there's more. Industry participants are closely watching Kroger's move into the Florida market; the company basing its strategy not on new stores (Kroger has no stores in FL) but rather entering the market through eCommerce, delivering orders placed online that are fulfilled from an automated distribution center. I'm willing to bet Kroger knows precisely how many of their shoppers in colder climes spend winters in Florida, giving the company a base to build from.

And Kroger is not the only retailer strategically using shopper data. Two well known regional chains conduct monthly campaigns using precision targeted personalized promotions drawn from their entire product catalogs. Note that they are using their entire product catalog, not just a small library of vendor-funded offers, a tactic that dramatically reduces efficacy. These retailers are seeing double-digit gains to basket size, shopping frequency and engagement, the shopper buying from more categories across the store. Those increases are coming out of their competitors' pockets.

### **Shopper data as a Management tool**

Leading shopper data practitioners live and die by measuring customer behavior and approach it with the same rigor that retailers manage their product scan rates. What retailer today could operate their business if they were capturing accurate data on only 50% of the products going out the door?

That rigor supports perhaps the most fundamental difference between the leaders and others: The use of shopper intelligence as a management tool. These retailers incorporate shopper-based metrics into their weekly management and financial reporting. Not only do they constantly monitor their shopper identification rates, but they are tracking the number of unique shoppers and shopper households in their stores and online each week. These

retailers track their shopper retention rates, by company, by banner, by group, by store, and even by department; decreases in retention are often an early-warning indicator of issues.

Practitioners leverage their shopper intel into pricing and product assortment decisions, working to ensure each store's merchandising aligns with the store's shoppers. Shopper intelligence is woven into operations, helping ensure alignment between labor resources and the days and times the most valuable shoppers are active. That same intel feeds production forecasts of fresh and prepared foods. You get the idea; shopper intelligence pervades the entire retail enterprise.

### **How much is enough?**

A litmus test of any retailer's shopper information initiative is measuring the percentage of total sales and transactions accurately identified back to the shopper or shopper household - regardless of how that is accomplished. Leading practitioners routinely identify upwards of 90%, even 95%, of their total sales to shoppers. But most retailers are not anywhere near that, identifying only 20%, 30%, maybe up to 60%, of their total sales.

Retailers would do well to prioritize initiatives focused on growing shopper data and turning it into actionable insights. And in this case, more is better. No longer is one dimensional data - like shopper identified purchase data - enough. Retailers need to focus on three things:

Depth of shopper data: How many shoppers are being identified? The easiest way to measure this is tracking the percentage of total sales and transactions being identified to unique shoppers or shopper households.

Breadth of data: How much do you know about each shopper? Purchase data is made more powerful if you're able to append health related data to the shopper's profile. The more data from the more sources the better.

Freshness of data: The value of data begins to decay the moment you capture it. The shopper who has purchased dog food regularly for years suddenly stops because his dog was hit by a car. The older couple who dramatically increase their purchases because their grandchildren moved nearby. You get the idea.

### **Get started**

The easiest place to start is to build on what you're already doing. And keep in mind that any customer 'touch' is an opportunity to capture more data and information.

Email and text: Many retailers maintain an email list for their weekly ad or special events. Consider how you can continue building your email list by capturing more of your shoppers coming to your website or app; promote joining your email list at your checkout area.

Some retailers have a text program and the shopper's mobile number can be used to obtain additional information about the shopper. If you have a text program in place then build on it by inviting other shoppers to join and get current participants to volunteer additional information.

Loyalty: A good number of retailers have some sort of loyalty program and retail loyalty programs remain the gold standard for capturing shopper data, provided they result in accurate and consistent data capture. Kroger, Weis Markets, and KVAT Food City are a few members of the 'greatest generation' of retailers with loyalty programs. These early converts required program membership to receive any sale item discounts, providing a strong incentive to shoppers and giving these retailers significant transaction capture rates. Other retailers since those early days often shy away from the 'all in' approach and instead rely on points, fuel discounts, and other incentives to try and 'buy' loyalty participation. These efforts typically fall far short, the retailer incurring expense to fund the incentives and yet failing to gain enough data to provide value.

One of the goals of a loyalty program is to gain as much shopper information (identified transactions) as possible for the least cost. Consider how you can add value to your program; think about tying donations to program membership or services just for members.

eCommerce: The growth of eCommerce is giving all retailers the ability to collect, or collect more, data on their shoppers. Online buyers providing name, address, payment, and detailed product purchases by default. eCommerce platforms like Stor.ai provide powerful marketing and personalization capabilities.

Product attributes: There are a growing number of product attributes available to retailers through companies like Syndigo, Label Insight, and SPINS; things like sugar-free, nut-free, heart healthy, etc. Those attributes can provide a view to what is important to the shopper purchasing those products (identified transaction data).

Health & wellness: Niemann Foods recently launched LiveWell, an app providing scores on food products based on a shopper's self-created profile including health condition, food allergies, lifestyle interests, and more. Powered by ScriptSave's Personalized Wellness program, this personalized food guidance is based upon the profile the shopper creates, which in turn provides growing insight to the shopper's interests and needs.

Digital customer acquisition: Companies like DesignHouse help create and distribute the retailer's digital weekly ad through appropriate media buys. DesignHouse is able to help drive customer acquisition - think about acquiring new shoppers into your loyalty program or online shopping service where you can identify them - and comprehensive analytics helping you understand the impact of your digital ad.

Digital data: Digital intelligence is mission-critical in today's world. Refinition can help retailers build customer journey maps, understanding what other competing stores your shoppers visit. Refinition can add significant intelligence to a known shopper profile and can even help you identify shoppers coming to your store. The best part: This is all first-party data that is owned by the retailer.

## **Bringing it all together**

Gathering all this data, often from multiple and disparate sources, is only the first step; the data needs to be brought together in a way that it can provide you as the retailer insights and be made actionable. A growing number of retailers are putting in place some type of Customer Data Platform (CDP) from companies like Salesforce or Riversand (now owned by Syndigo). An alternative approach is provided by Hightouch, a solution that can sync your data from a datawarehouse to the various marketing capabilities you may use

## **From Data to Intelligence**

Bringing all your shopper data together is one challenge; the next is making it actionable.

A growing number of retailers desire to pursue a 'customer-first' strategy, using shopper data across their organizations to make more effective decisions, employ marketing personalization, and more. A common challenge is different departments use different shopper segmentations to apply the data across the enterprise. This is like each department speaking a different language and creates a number of obvious challenges.

An approach some leading retailers are taking is to deploy a Customer Intelligence Platform. Birdzi brings together disparate shopper data into a sophisticated profile and then synthesizes a score for each shopper representing both the financial and qualitative value of the customer. Birdzi's KIC score - comparable to a FICO score - can be used across the retail organization to evaluate marketing campaigns, merchandising decisions, and more. The KIC score also powers Birdzi's automated marketing personalization capabilities that create a unique strategy to grow the value of each shopper.

## **Close**

For traditional retailers, the threats are growing and accelerating. Broad-based innovation across the organization is changing shopper expectations, improving operations, and lowering costs. New capabilities like computer vision and AI powered strategic personalization are powering growing performance gains at the retailers using them.

Shopper intelligence is the latest threat, one that is poised to disrupt how retail operates, goes to market, and creates value. The danger to many retailers though is not obvious; the use of shopper intelligence is insidious, its impact growing quietly while the data savants

transform their marketing into strategic personalization, align their product offerings to the needs and wants of their shoppers, and use the knowledge to grow ever strong relationships with their customers.

As I wrote in a previous Retail Mindsteps newsletter article, [Retail's Wheels Are Coming Off](#), a growing number of retailers are failing to keep pace with new innovation and new tech-fueled capabilities. Shopper intelligence is the latest.