Personalized Disruption

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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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Personalized Disruption

Transform. Disrupt. Change. Words like these are bandied about quite frequently, especially in regard to technology. And usually accompanied by an urgency, like ‘this technology is going to disrupt in-store shopping’ or ‘this tech transforms distribution’. Sometimes its true, more often its not. And nothing seems to happen nearly as quickly as we’re led to believe.

But then there’s the exception. The capability or technology that does indeed transform and disrupt. In the fast moving consumer goods retail industry the development of the UPC barcode is a good example. That technology revolutionized the checkout process and, for the first time, provided item-level movement data. Item-level data powered improved inventory management, forecasting, more sophisticated financial reporting, and laid the foundation for category management. In short, that technology revolutionized retail.

Technological capability is an enabler. It must be combined with changing business processes to be transformative. Like the barcode and category management. More, it must enable the creation of new business models to be truly disruptive. This type of tech innovation has historically been relatively rare, as the industry has slowly evolved over time. But there is a capability now in the market that is changing established practices, transforming business models, and disrupting how retailers go to market. Most importantly: It is changing shopper expectations in a way that nearly every retailer will need to react to.

Consider how FMCG retail goes to market today. CPG brands providing bill backs and off-invoice allowances to the retailer who, in turn, passes some amount of those savings along to shoppers in the form of weekly ad items or TPRs (temporary price reduction). Trade promotion monies provided to the retailer to fund a hot deal; more money to secure front page ad placement. Shopper marketing funds provided to the retailer to help pay for a campaign leveraging some new shopper insight. And, increasingly for large retailers, access to a brand’s retail media budgets to promote a brand to shoppers across a growing number of digital touchpoints inside and outside the store.

Retailers long ago became addicted to brand marketing dollars, and many retailers would not be profitable today if not for those monies. A recent Wall Street Journal article (Supermarkets Are Losing This Food Fight, July 21, 2023) calls out that traditional grocery retailers are losing market share to warehouse clubs, supercenters, and discounters in good part because those competitors sell center aisle products at lower prices, not as dependent on center store category profits due to other revenue streams (like memberships or apparel), or lower-cost models (discounters).

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Yet supermarkets have resisted reinventing their center aisle because they rely heavily on the money that national brands such as General Mills and J.M. Smucker pay them to promote their products, whether through in-store displays or coupons. So-called trade funding can account for more than a half of supermarkets' operating profits, according to Matthew Hamory, partner at consulting firm AlixPartners. Relying on that source of profit could start to work against them. Manufacturers will naturally want to allocate more of those dollars to retailers growing the most sales volume, which recently have been big-box mass merchants like Walmart and warehouse clubs like Costco, according to Scott Mushkin, chief executive of industry research firm at R5 Capital."

After massive growth in the 1950s - supermarkets "went from accounting for 35% of retail food sales in 1950 to 70% by 1960, according to trade publication Progressive Grocer" - grocery retailers have increasingly fallen victim to alternative formats. "Supermarkets and smaller-format grocers accounted for about 37% of Americans' total food spending in 1997. As of 2022 that was down to about a quarter (25%) of the total, according to the U.S. Department of Agriculture." (WSJ, July 21, 2023).

But I suggest that the reliance on trade funding creates an even more fundamental problem.

When a retailer advertises a handful of brand products, only a certain number of shoppers respond, those loyal to those particular brands. And when several retailers in a market promote different brands, shoppers go store to store to find savings on the products they like to buy. That promotional practice works for brands. Not so much for retailers. It promotes shopper promiscuity for the retailers promoting those brands.

The challenge is that CPG marketing funds have become so embedded in retailers' business models that retailers cannot envision doing business any other way. And until recently there really were not any cost efficient, viable alternatives to mass promotion. But no longer.

For the first time, big data, artificial intelligence, machine learning, and ever-faster, ever-cheaper processing power, have converged to enable a retailer to go to market by individualizing offers and pricing to each unique shopper. And do it strategically and efficiently at massive scale. Rather than promoting a limited number of products to all the potential shoppers in the retailer's market area, a retailer can now provide strategic savings on the products that appeal to each customer, drawn from the tens of thousands of products on the store's shelves. No longer is the retailer held captive by vendors and their marketing funds.

I can hear the howling already. You can't do that. Not all my shoppers are digitally engaged, they want the good old printed ad. You can't provide different savings to different shoppers on the same product. There's no way you can do that cost-effectively. Thousands - millions - of unique offers are impossible to manage through the POS system. Who's going to pay for all those discounts!!!

All legitimate concerns. Until they aren't.

Birdzi has provided marketing personalization capabilities to retailers for some years now. But a year or so ago Birdzi released a new product called Visper, an AI powered capability that automates nearly the entire process of generating strategic, unique offers and discounts for each individual shopper, drawn from the retailer's entire product catalog - usually 30,000 to 40,000 or more SKUs. Those offers automatically flowing into unique emails sent to each shopper and available through an API call so the retailer can present the personalized savings through its website, app, and other channels. Lastly, Birdzi integrates to the retailer's POS to deliver those customized offers to the individual shopper in-store or online - and all at massive scale.

And Birdzi does all this at a fraction of the cost of assembling, printing, and distributing a mass promotion filled weekly ad.

Does it work? Just ask Birdzi's clients. Drawn from a recent white paper, Birdzi reports email open rates of over 60%, basket increases of 17%, shopping trip increases of 8%, and a 10% increase in the number of categories shopped. And here's the kicker: double-digit increase in the number of shoppers visiting the store and redeeming offers.

These retailers are finding a powerful ROI even though they are funding the discounts provided to shoppers. And, as these retailers are finding, there are many ways to creatively structure vendor relationships to maintain access to trade funds.

Results like that are gaining Birdzi a fast-growing client roster. The value proposition for the retailers is a no-brainer. This kind of technology is transformative, changing how retailers have gone to market for the past century and changing their business models.

Understand the fundamental change that is happening here. For the first time, technology is enabling retailers to truly be customer-focused in how they go to market, rather than product driven. This was not possible before artificial intelligence. Marketing personalization was limited to simply filtering a finite number of mass promotions (ex. ad items) or coupons to surface those most relevant to the shopper. This was all current technology was capable of.

Birdzi's tech blows away those limitations, able to generate n number of customized promotions for each individual shopper, drawn from the 30,000 or 40,000 or 80,000 SKUs the retailers has on its shelves. And do this at scale.

But most importantly - and most powerfully - Birdzi's technology is disruptive: It changes shoppers' expectations.

Imagine you live in a market served by several traditional retailers, one of whom is using Birdzi's capability to provide personalized savings each week on the products that you want and need to buy. Tide detergent and Crest toothpaste one week. Pampers diapers and Fresh

Step cat litter the next week, while your neighbor is receiving savings on their preferred haircare products and Kelloggs cereal. And so on. Where do you think you would shop? Would you go store to store to find the products you want to buy on sale… or would you go to the retailer that is providing you personalized savings on the products you want to buy, when you want to buy them?

What do you think happens as the shoppers getting the personalized savings begin telling their family and friends about a new way to shop? I can tell you from experience, those shoppers begin bringing their family members and friends to the store to enroll in the retailer's personalized savings program. They turn into vocal advocates for the retailer, sharing their excitement about saving on products they want or need to buy and not having to drive all over town looking for deals.

Over the past decade we've seen how retailers are increasingly forced to respond to fast-changing shopper expectations. Online shopping, mobile apps, healthier products, self-scanning, and other services now widespread because shoppers demanded them.

Are you ready for your shoppers demanding personalized savings driven by what each of them wants to buy, not what vendors want you to promote?

And AI technology is just beginning to transform retail. Buckle up.