

A woman with long dark hair, wearing a white top and purple skirt, is looking down at her smartphone in a grocery store aisle. She is holding a bottle of orange juice. The background shows shelves stocked with various products.

I.ME.MINE WHITE PAPER:

PERSONALIZATION THAT WORKS:

5 Keys to Grocery Shopper Engagement



I.Me.Mine



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FOR GROCERY RETAILERS, personalization has emerged as a “must-have” core business practice. Influenced by their shopping experiences across the spectrum of retail channels, shoppers expect their supermarket to deliver a curated set of offers based on an informed analysis of their individual purchase history and preferences.

Shoppers also expect grocers to understand that they are increasingly price-conscious and continuously seeking alternative and more economical solutions to keep their home pantries stocked.

To grow market share and shopper engagement, grocers must give shoppers what they want: “I want the best offers and discounts on my favorite brands and categories; and I want to be able to access my personalized offers as easily as possible; and I want to receive my personalized offers each-and-every-week.”

Challenging Competitive Environment

In addition to rising demands from shoppers, today’s regional grocers face an enormously challenging competitive environment. The competition is coming from all angles. National chains like Kroger and Albertson’s/Safeway continue to be aggressive. Walmart, Sam’s Club and Costco have significantly increased their share of the grocery business. And, new competitors like Lidl and Aldi, coupled with Amazon, and its acquisition of Whole Foods are creating more market intensity.

Shopper expectations are driven by their experiences in the online marketplace too. Price transparency is at a peak, and shoppers often divide their spending among several physical and digital retailers to meet their household needs.

How can traditional regional grocers compete successfully in such an intense environment? Implementing Advanced Personalization using data analytics and machine-learning can be a tremendous difference-maker.

Drive Greater Share-of-Shopper, Engagement and Loyalty

Advanced Personalization helps grocers drive greater “share-of-shopper” by encouraging increased shopper engagement and rewarding shopper loyalty. This is important because the level of personalization now being achieved is considerably more sophisticated than just a couple of years ago.

Differentiated offers have evolved from simple segmentation based on shopper demographic traits or lifetime value. Among retailers that collect frequent shopper data, they have even advanced far beyond “if you buy this, you will like that” and other forms of targeting based on algorithms.

To achieve “Advanced Personalization” in grocery, there are several specific requirements to enable retailers to Know, Understand, and Engage with shoppers at a high level:

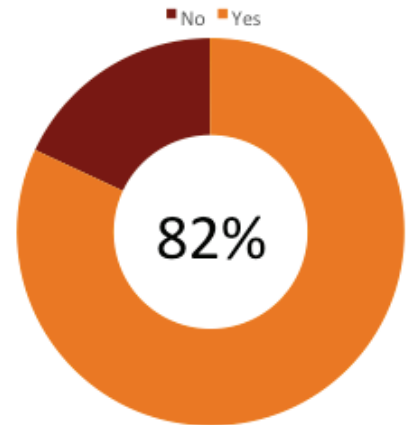
- Derive shopper insights and personalization based on big data analytics
- Generate individually-relevant offers to specific shoppers
- Leverage a full universe of offer sources, including Personal Deals, Ads/Flyers, TPRs, Markdowns and Digital Coupons
- Deliver personalized offers through a variety of omni-channel options
- Maximize retailer access to and use of trade funds, including Allowances, Rebates, Coupons and other Digital Development Funds



When the key elements of Advanced Personalization in place, the retailer gains the ability to craft personalized offers and messages to each individual shopper that will move that shopper to purchase more of their needs from that retailer. The end result: achieving greater “Share-Of-Shopper”.

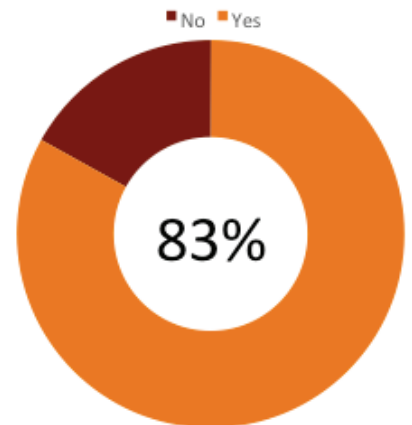
Figure 1. Vast Majority of Shoppers Seek Traditional Environment with Personalized Services

Want Personal Offers



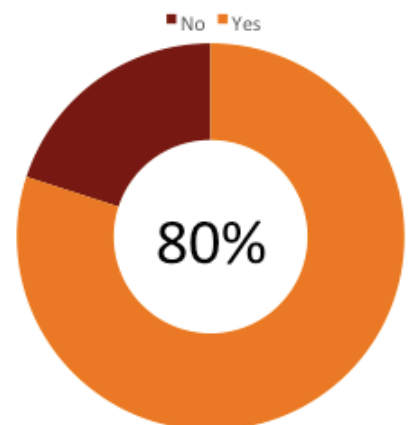
Source: Precima, 2016

Prefer Traditional Grocers



Source: GMA 2016

Are Price Sensitive



Source: IRI 2017

Blend Big Data and Machine Learning to Reward and Recruit Shoppers

Figure 2 below details at a high level the components required for Advanced Personalization.

The dual starting points (Inputs) are Shopper History and Shopper Preferences along with a large universe of promotional offers. Then, each-and-every week, these Inputs are Analyzed through an Advanced Personalization Engine that utilizes machine-learning as a key component to continuously improve the yielding of individually relevant offers.

The next step is Engagement. The individually relevant offers yielded from the Advanced Personalization Engine are then showcased across multiple digital channels in accord with shopper preferences. The net results are greater shopper engagement; enhanced shopper loyalty; and the feeling among shoppers that the retailer really understands them.

Figure 2. How does advanced personalization work?



Chart: I.Me.Mine Digital, 2017

An added important feature of this Advanced Personalization System is that it also supports the most common shopper-focused industry best practices in terms of driving greater shopper loyalty. Data Analytics is at the center of all of these best practices initiatives. For instance, the Advanced Personalization system can recognize shoppers who are only purchasing a part of the store (e.g. meat & produce). The Advanced Personalization System can then deliver personalized offers on items that this shopper is likely purchasing somewhere else (e.g. paper products, laundry detergent, trash bags, etc.).

Can Advanced Personalization Work Without a Loyalty Card?

The answer to this is YES! There are many grocers who do not have a formal loyalty card, but still are able to cultivate an enormous amount of meaningful shopper data. All that is required is a unique shopper ID (most often corresponding to the shopper's mobile telephone number) that the shopper presents at checkout. Many grocers without a formal loyalty card already employ this sort of unique ID acquisition for marketing programs like fuel rewards and digital coupons. An app-based approach to identifying shoppers and tracking purchase history can also work with custom interface software with the grocer's point-of-sale system.

The Five Keys to Grocery Shopper Engagement Through Advanced Personalization

The previous section detailed how the Advanced Personalization System works. Now let's outline the keys to "why" Advanced Personalization works.

Through our in-market experience with Bashas' over the last three years, we have defined five action areas that drive the success of Advanced Personalization and lead to greater Shopper Engagement.

Figure 3. The Five Keys to Advanced Personalization



Chart: I.Me.Mine Digital, 2017

1. Unleash your shopper data with analytics.

The vast majority of grocers are sitting on an enormous amount of unused or under-utilized shopper data. In fact, this data represents one of grocers' most important assets: the "raw material" to help make shopper experiences more fulfilling; and generate more sales and loyalty. An Advanced Personalization System turns this data into action.

2. Optimize a large universe of offers from multiple sources.

This is a critical element that most personalization programs do not comprehensively address. To execute effective, high-shopper-engagement personalization, one of the key starting points is a universe of offers that preferably covers 5,000 UPCs or more each week. Why should this number be so large? In its 2014 study, "Engaging the Selective Shopper," Catalina reported that on average, during an entire year, consumers buy just 0.7 percent of available UPCs. Even top shoppers, who account for 80 percent of all store purchases, buy just 1 percent of UPCs. This means that for a grocery store that carries 30,000 UPCs, the average shopper is only purchasing 210 of those UPCs in a single year.

It is important to note that CPG "digital coupon galleries" are not nearly enough alone to deliver the level of personalization that shoppers are demanding. These "digital coupon galleries" are typically limited to about 100-300 offers. This is compounded by the fact that roughly 70% of the coupon gallery items are lower engagement non-food items. Given the enormity of offers available, it is unlikely to find even five of these offers that would be relevant to an individual shopper.

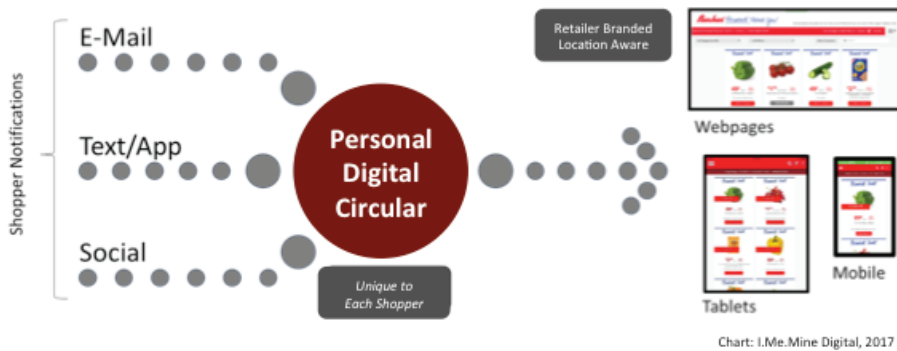
3. Empower your personalization engine with machine learning.

This is the area where Advanced Personalization has really made strides. Machine learning is a type of artificial intelligence that can learn from data and make accurate assessments and predictions. For the grocery industry, the key advantage to machine learning is the fact that minimal human intervention is required. This permits next-generation Advanced Personalization to be provided to grocers at a fraction of the previous cost. With machine learning, the level of personalization is heightened through (a) continuous learning, and (b) the ability to yield individually personalized offers each-and-every-week.

4. Deliver digital offers across Omnichannel touchpoints.

The world is changing. Until recently, the majority of personalized offers were still being delivered to shoppers via print mailers and in-store kiosks. While these channels have been effective, they are costly, and not conducive toward delivering personalized offers each-and-every week. The more advantageous way to deliver personalized offers is via digital channels. And, since each individual shopper interacts with various digital channels with different levels of engagement, it is important to reach shoppers across multiple digital channels. The digital channels that need to be deployed are grocer webpage, email, text message, mobile app, push notification and social media. The delivery of personalized offers needs to be a "three-screen solution" (e.g. PC, smartphone & tablet). And, the campaigns need to reach shoppers all along the Paths-To-Purchase: At Home, At Work, On-The-Go and In-Store.

Figure 4. Unique Offer Sets in Preferred Formats



5. Sustain continuous shopper engagement.

Shoppers want to be loved, and need a lot of care and feeding. The machine learning aspect of the Advanced Personalization technology is instrumental in delivering a continuously improved, personalized product. Sustained shopper engagement is also enhanced by the frequency in which shoppers receive offers (e.g. new individually personalized offers each-and-every week). But, it is also imperative to continuously monitor results with an Advanced Data Analytics Dashboard to track levels of shopper engagement and shopper loyalty.

With these five principles in place, Advanced Personalization enables grocers to know, understand and engage shoppers to gain greater loyalty and share of their overall spending.

Conclusion

We are at the dawn of a new era in Personalization in the grocery industry. Advanced Personalization is not only a “must-have” core business practice, it holds promise for traditional and regional grocery chains to hold shoppers closer and earn a greater share of their overall spending.

The five keys offer a practical framework for regional grocers to put Advanced Personalization to work – whether you have a current frequent shopper program in place or not. Shoppers expect nothing less and their loyalty depends on it.

Figure 5. Advanced Personalization Action Steps

Know Your Shopper

- Leverage loyalty, merchandising & POS.
- Preferred communication channels
- Monitor digital interactions like emails, clicks, activations, shopping lists, preferences
- Monitor store and competitor store visits

Understand Your Shopper

- Machine learning should interpret shopper insights.
- Measure shopper’s loyalty, emotional engagement
- Pattern analysis - pantry-loading, depletion rates
- Anticipate shopper wants and needs
- Detect product associations & cross-effects
- Basket and visit change detection

Engage Your Shopper

- Leverage universe of offers.
- Highly customizable, retailer branded.
- Omni-channel, location-aware delivery.
- Shoppers will feel more understood.

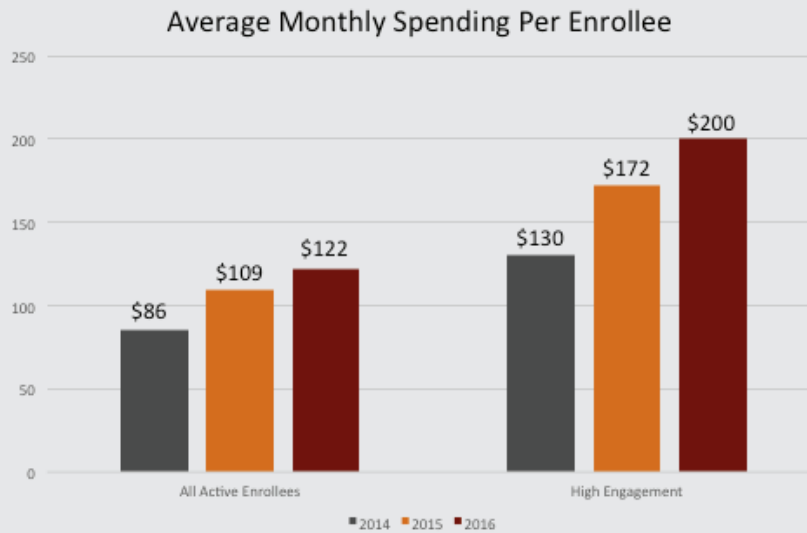
Chart: I.Me.Mine Digital 2017

Advanced Personalization: In-Market Results

Bashas' is a traditional regional grocer based in Chandler, AZ. Bashas' has 57 stores across all of Arizona. Bashas' also faces one of the most challenging competitive environments in the country. Fry's (owned by Kroger) is a major player in the region, along with Albertson's/Safeway. Walmart, Sam's Club and Costco all have a major presence in the state. The Sprouts Farmers Market chain is headquartered in Phoenix. And, WinCo Foods has become a new important player in the region, with its expansion into the Phoenix market a few years ago.

Despite the intensity of competition, the Advanced Personalization System being deployed at Bashas' is performing extremely well. Digital personalization was launched in January of 2015, in conjunction with Bashas' Thank You Card program.

Figure 6. Advanced Personalization At Bashas'



With 2014 serving as the “base” year, average monthly spend among active enrollees increased from \$86 in 2014, to \$109 in 2015, and to \$122 in 2016.

The spending increases among “High Engagement” enrollees has been even more pronounced, with average monthly spending increasing from \$130 in the “base” year of 2014, to \$172 in 2015, and to \$200 in 2016.

All of this represents a “greater-share-of-shopper” for Bashas'.

About I.Me.Mine Digital

I.Me.Mine Digital provides technology that helps retailers improve revenue and profitability by combining cognitive customer insights with a proprietary big data personalization engine, and an omni-channel delivery approach of individually relevant offers for shoppers. With automated machine learning, our affordable SaaS platform is built to deliver true competitive advantage. For more information regarding how Advanced Personalization can help drive greater shopper engagement, increased shopper loyalty, and accelerated revenue, please contact Alan Alexander:

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