Retail Leader: Industry Insights Webinar

Food Shift: Winning the Share of Stomach Battle

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Mike Troy: Hello. Welcome to today's webinar, "Food Shift: Winning the Share of Stomach Battle." My name is Mike Troy. I'm editor of Retail Leader and I'll be your host for our event today. We came up with the title "Food Shift" because everything about food retailing and the way Americans eat is being disrupted and there are huge implications for retailers of all types, but for traditional grocers in particular. If you think about it, from the discovery of new recipes and ingredients to shopping behaviors, new distribution models, product preferences, where food is consumed and how it's delivered, there is a tremendous amount of change all around us.

Even if you look at the traditional demarcation that would exist between food at home and food away from home, which is how most food retailers would have traditionally looked at their addressable market, it's all become extremely blurry. These shifts have really been unfolding over the past few years, causing traditional food retailers to lose share in what has been an otherwise growing market. Many of the factors that are impacting the market are expected to intensify in the coming years, which makes this topic of Food Shift and the notion of share of stomach particularly relevant as we go forward.

With us today to shed light on this unfolding situation are two very knowledgeable executives, both of whom have a very unique perspective on the changes that we're going through and experiencing, and some solid research to share about what's next and how to capitalize on the trends that are going to take place.

First, we have Greg Girard, program director, worldwide omnichannel retail analytics strategies at IDC Retail Insights. Greg's name is likely familiar to many of you listening today because he's a longtime retail analyst who's really earned a reputation for having a keen eye regarding where things are heading. Greg's a trusted advisor to domestic and international retailers, so we're fortunate that he's able to join us today.

Also with us is Brian Crain, vice-president of business development for Precima, who has a big responsibility for Europe, the Middle East, Asia, New Zealand, and Australia, or what's commonly known as EMEA. What's interesting about Brian's area of responsibility is he's got Europe and the UK and those areas are much further along the disruption curve than we are here in the U.S., E-commerce is a lot deeper penetrated in Europe and then he's got Asia. Lots of innovation coming out of Asia as well. In addition to his global perspective, Brian's got a unique background. Prior to Precima, he spent time with IBM and DemandTec before it was acquired by IBM. Then he's also got a retailer perspective because he spent more than seven years at H-E-B in technology and the marketing area.

During our time together we are first going to hear from Greg. Greg's going to share some insights regarding a Precima commissioned survey of 3,000 shoppers and 200 retailers regarding their perceptions of loyalty. The results are pretty interesting because they dispel misperceptions about shopping behavior and the marketplace dynamics, and then uncover overlooked but effective growth strategies. After Greg, then Brian's going to share a case study, and then his views on some of the new marketplace dynamics.

Four main areas we're going to cover include causes of disruption. How grocers can turn the tide to regain share. What consumers really think about food retailers and why. How retailers can win with innovation. Then lastly, a forward-looking kind of topic, the recipe for shopper loyalty in the digital era.
I'll be back at the end to moderate the Q&A. If you have any questions as we go through the material, please enter those in the queue. With that, I'm going to turn things over to Greg. Take it away, Greg.

Greg Girard: My pleasure to be here. I'm fortunate to be able to join you and Brian and all of our guests today to talk about what we understand to be a really dynamic marketplace, as you've outlined. Mike, thanks for that setup, it was very insightful. The future of grocery shopping is radically and quickly unfolding before all of us. With Precima, we've done some really interesting research and I'm very pleased to have a chance to share it with you today.

It's a big, big market. The market that grocery retailers are involved in is broader, much broader, than what they sell and what their competitors sell directly. It's part of a much broader business, which is gaining share of stomach, as Mike alluded to. It's amazing to look at the compound annual growth rate of 3.7 percent while the food retail business is itself, through typical stores, is only growing at 2.2 percent. You compound that over years and it's a significant erosion of share.

I'm not sure if we all remember, but I certainly do, the Beef Council's advertisement of "What's for dinner?" That campaign, was really terrific. It spoke to a key question that in the US, between 130 million or 170 million households every day face. If you do a little math, and you take the $1.5 trillion and you divide it by 365, then you say maybe 25% of that is at risk, or in play, when that question, "What's for dinner?" is asked. Do that little simple math. It turns out to be a billion dollars. A billion dollars every day. At 4:00, or whatever it might be. That's at play as people decide what to do for dinner.

Today, we've got many different options that extend well beyond what typical grocery retailers offer. A couple key demographics and behavioral activities are changing. Simply stated, cooking at home is decreasing, due to the availability of attractive economic options. Importantly, innovation that restaurateurs are undertaking as they eat up more market share. Shoppers are responding to the way that not just restaurant formats are changing, but how restaurants are starting to engage their shoppers. Some of them are making great uses of technology. Consumers and guests say that technology improves their experience. People want to eat out at restaurants more often.

This trend is especially relevant to the evolving and expanding financial impact millennials are having as a share of the market. If we look at the way that grocery retailers may compete in the food, in the restaurant type of business, the eating out rather than cooking at home option, generally speaking, grocery retailers have come forward with prepared meals, meal kits, and in-store eating experiences. These opportunities, or offers, are relevant to more than half of all millennials as they decide where they want to shop for groceries. If you look overall, beyond just millennials, but all shopper segments that we surveyed, more or less it's a third of shoppers are interested in these options as key ways to decided where they're going to shop.

I'm sure a lot of retailers go in detailed fashion how time of day shopping changes. How day of week shopping changes. How the traffic, the composition of the baskets, and so for forth. It's all reflecting shopping styles that are really pivoting around not just the pantry loading shopping mission, but also the stock-up and the buy baskets to make the dinner. That kind of pattern. So growing evolution of these options, in addition to traditional grocery categories. That brings me to this chart. It takes a little explaining, but I can do it quite simply. If you're above the line you're at risk. If you're below the line you've got an opportunity. That is these three things. If we look at the vertical axis, it's defining the importance of something to the consumers in deciding where to shop. The horizontal axis is consumer's perception of how retailers perform against their expectations.

Those prepared meals, meal kits, and in-store eating, retailers are in fact over-performing against shoppers expectations there. There'd be an opportunity to elevate those aspects of the offer through marketing and advertising. Perhaps through store innovation, store design. To elevate where grocery retailers are over performing. To make them more important, more relevant to shoppers as they decide where to eat. If you're above the line, fresh produce, the core staples of where retailers are making a lot of money, where there's margin in play, retailers tend to be under-performing in those areas that are of greater importance to consumers as they decide where to shop. It's really a balancing act. You need to keep the basics in place to support your value proposition as the purveyors of ingredients and foods and all the ancillary things that grocery retailers stock, as well as reposition these new restaurant alternative options.

Let's flip that around and now put it in the broader context of loyalty. Grocery retailers, all retailers actually, compete on different basis, but they all depend on achieving and maintaining and improving customer loyalty. You can compete on low prices, differentiated own brand products. You can compete on any combination of these. If we parse them out we have seven of these. You can create eclectic assortments and the treasure hunt experience. Differentiated premium priced products that are own products, that you can develop and position based on real detailed insights that that you have of your shoppers' preferences. Vertically integrate the capabilities that you may have for food manufacturing, either under your own business or through contract manufacturers. Informed and motivated associates who are committed to customer satisfaction or convenience. Some combination of all of those. Again, those only work if you're earning your customers' loyalty. That's really the proof of the pudding, to use a food metaphor.

That leads us to the question of what really is loyalty? It's more highly prized than ever. Three fourths of retailers say that the importance of loyalty has increased over the past three years. "What is loyalty?" I think is the question we have to ask. It's really behavior and it's behavior that rewards itself. It's based on trust, and it's based on the delivery of outcomes consistently to a customer's expectations. Those outcomes include the mechanics of shopping, the characteristics of the store, quality and diversity of product and price. But those things all need to be put into the context of the outcomes that a shopper is seeking through the selection of where to shop or what to buy in those grocers. Those may range from pragmatism to aspirations, but it really changes within shopping trip to shopping trip, even across pragmatist to aspirational shoppers.

Loyalty is behavior. Not what consumers say or what they think. It's how they shop and they vote with their dollars. About 80 percent of shoppers say they're loyal, but only 7 percent spend more than 90 percent of their weekly food budget at a single store. There are lots of reasons for that. You couldn't expect to get all the 93% of the shoppers to spend up to 90% at a single store for a variety practicalities and so forth. It's just not realistic, but the opportunity to grow the share of stomach by increasing that number, even incrementally, of folks who spend more than 90% of their weekly budget at a single store is huge.

How do you achieve that opportunity? It's important to consider that you build a loyalty program based on what customers say and how they behave to create value in their lives. Line that up with how you define your loyalty strategies. I carefully selected the world loyalty strategies because that's more than just a loyalty program. Loyalty programs exist within a strategy. We can look at what aspect of a loyalty strategy exist within the loyalty program itself, as we do in this slide, versus those things that are driving loyalty that surround a program, or maybe even replace a program if you don't go to market with a loyalty program.

Inside of a loyalty program, we ask shoppers what they think is important. They like points, obviously, that can be redeemed at the store. They also like access to personalized in-store discounts, those things that are there at the moment of truth, the moment of truth in purchasing. They like to have options, to be able to select rewards. This gets to the point that shoppers today are empowered. They like to have control over their experiences with a brand. I'm now thinking about the fact that, when we shop, when we engage, it's the consumer that's creating the brand experience. It's not the brand that's creating the experience.

In the past, shoppers would just consume a brand experience created by the retailer. Today, shoppers are actively developing that brand experience themselves. They're less interested in access to special events. We found that a little surprising, although it's still almost half of all shoppers. Loyalty tiers, again, only appeals to less than half shoppers. Syndicated points systems that can be redeemed with other shoppers is important to about half. Sizeable members of retailers understand that these are important. Retailers are really driving to the importance of understanding how they can address specific segments of their market who respond to these different types of programs.

It's important also, as I alluded to a minute ago, to surround a loyalty program with aspects of a loyalty strategy. Here, the next step is to look at the attributes that may be more important or less important than a loyalty program. We've looked at several here. The orange percentages are the percentage of shoppers who believe that the capabilities there are more important than a loyalty program itself. One of the things that pops up, the second one there, 32 percent, is that a good smartphone app is important to about one third of shoppers. If you take that and you break it by demographics and by age, the millennial cohort, that's much more important. We also found that it's really important to families with kids. Moms and dads need smartphone apps to manage their lives. That's how we manage the busy lives that we have. Moving onto prepared meal options. That's important to 40%. And the meal kits, and a good e-commerce offering. Good in-store eating options and the in-store shopping experiences are relevant to a good number of retailers. As you see, a good number of retailers understand that. Around two thirds to three fourths understand that. So it's aligning pretty well.

We parse it beyond just the loyalty program to the strategy that creates customer value and value for customers. This is a radar chart. Some people love them. Some people hate them. I chose to use one here. I think, for the data that we're looking at, we can visualize our key insight here. The items where the orange line is outside of the blue line, those are things that are important. The distance of the orange line from the center is important. The distances of the blue line from the center is performance. If we look at the left-hand side, retailers tend to be underperforming on critical table stakes, the must-haves. It's really important to keep those checkout lines short. Provide good customer service. Maintain quality products. In-store promotions and in-store prices. Those are all key table stakes.

On the right-hand side, we're looking at emerging differentiators. Those things are going to grow in importance. Some people may be skeptical about how fast they're going to grow. Think about your own experience, or, depending on your generation, your parents' experience, and how quickly people have adopted e-commerce shopping for the holidays and what's happened with Black Friday and Cyber Monday, how rapidly that's expanded.

The capabilities that we see on the right-hand side of the chart, where the blue line is not as far away from the center as it is on traditional table stake things on the left-hand side, those are going to expand. Take it as a planning assumption for your investments and your strategies and your technologies and your processes that those things will become more important. I've got plenty of evidence beyond this survey here that demonstrates the importance to base your planning and your programs on an assumption that these things will grow in importance. Therefore, you've got to continue to up your game and perform greatly on those things. As these things grow in importance, expectations of what's good will elevate.

I like to say that a shopper's best experience anywhere becomes their minimum expectation everywhere. If a bank has a better mobile phone app than you do, that's what your customers expect. Their favorite airline has a great mobile phone app. That's what your customers expect as they shop. So look at the attributes of those best in class applications as an example for where you need to set your North Star.

Let's look at the dissatisfieds here. That's what we're trying to present, what turns shoppers off from loyalty programs. Basically, it's offering too little too late, a day late and a dollar short kind of things. We've identified on the left-hand side those things that stand out as turnoffs. We all live in a world of immediate rewards. Taking too long to get a reward that's actionable and redeemable, that's the biggest turnoff of all. We looked over here on the right-hand side. We've parsed it out by different demographics. They're pretty consistent. Millennials stand out there. They basically say there's no value. If the loyalty program is not giving me value, and their determination of what value is varies, you need to have good market research in order to identify value that millennials will want.

Again, for them it's taking too long to get rewards. Inconvenient and irrelevant and ill-timed communications is really important to them, and it's increasingly important to all shoppers. We like to think about what we call hyper-personalization, being able to have addressable segments of one real core personalization. An aspect of personalization is content and context, when and where and how the shopper wants it delivered to them. For some it might be the traditional flyer. For others it might be on a telephone or a mobile app. It might be in store. It's age old wisdom to bring it close to the point of decision, wherever that might be on the path to purchase. The decision point may be at the shelf, or well before it, in the context of how the shopper plans to use the contents of the shopping basket over the next days or weeks.

I want to summarize my findings before I move on to a final set of recommendations. As Mike said at the beginning it's really about share of stomach. Share of wallet is a derivative of share of stomach. The share of stomach is more than just what you and your competitors sell. Retailers have an opportunity to expand offerings to satisfy these emerging food and eating preferences. Meal kits are a great example. That's a business model that's replete with opportunity and with perils, but it is an opportunity.

I went to the Amazon Go store that just opened two weeks ago, on California Street in San Francisco. Amazon Go is an amazing concept. But just on ready to eat meal kits, they had meal kits ready to go. Pick them up right there. At a price point that's unbeatable. Two meals for $19, which is a great price point. So opportunities to adapt your business model and adapt what you offer to meet these new, evolving eating and food prep habits. You can increase you basket size and shopping frequency among the 79 percent of shoppers who say their loyal, but who don't spend much of their basket with their favorite shopper. Great opportunity to expand there.

Core merchandising areas. The basics, the blocking and tackling, of good, solid food retailing remain core. Core shopper experience. Elements of clean stores and good customer service and the like remain critical. It's not an either/or. It's a both/and strategy here.
Personalized offers, e-commerce, and digital engagement are becoming more important, especially to millennials, and to everyone that is growing more and more comfortable with digital engagements and digital devices, mobility of the like. Loyalty programs you have to understand are just part of an overall loyalty strategy. Loyalty, again, I said it's about behavior that rewards itself and behavior that rewards itself varies from mission to mission, shopping basket to shopping basket. Even by day of week and week of year, as seasons unfold. That overall loyalty strategy needs to be attuned to the pulse of the shoppers' lifestyle and context and situation as it evolves week to week. Day by day. Hour by hour.

Let's wrap this up into a set of high level recommendations before I turn it over to Brian. The size of the price is significant. It's a billion dollar a day question of "What's for dinner?" as I alluded to at the beginning. There are three dimensions to a solid loyalty strategy. It's a strategy, a set of daily decisions, and a set of program tactics that retailers and orchestrate in order to create those loyal behaviors. Again, the strategy is about identifying customer driven growth opportunities, and then allocating your resources via those people acknowledging your space at your stores, your buying and your assortments. Those things are going to attract customers and create better category performance and opportunities in your store to engage. And not just in the store, but all the way on the path to purchase, to engage shoppers.

Engage the shopper in the decisions you make around assortments and space, price and promotion and the like. Your program tactics need to be of your individual loyalty programs, alluding to what the turnoffs are. You want to create early, frequent, and relevant rewards that are life context. Your communications need to be in context, timely, on the right device, with the right content. That leads to good personalization of offers to the shoppers who are empowered and who have lots of opportunities beyond you and your direct grocery competitors.

With that, what I'd like to do is to turn it over to Brian and take this forward. Thanks so much everybody for listening to me.

Brian Crain: Thanks, Greg. Great information. Highly relevant in today's shifting of consumer behavior, and a perfect segue into what we're going to talk about now. As Greg alluded to, a loyalty strategy is not just a loyalty program. We're going to go into some case studies and some information here, as to what Precima is doing and what we're also seeing in the marketplace, in terms of loyalty strategy, with specifics around how to gain loyalty from merchandising and marketing capabilities. Our approach, and what we're seeing at quite a few retailers now more and more, is really understanding the true needs of the customer. How do we do that? The approach really is understanding the customer needs. There's obviously different ways to do this. At a very granular level. At a segment level.

But this is not just segmenting your customers. It's also saying who are your best customers within the different segments so you can really build loyalty there. Also, the second tier under the best customers, how do you engage them to become even better customers and more loyal customers? Then consistently executing actions. You have your loyalty program, or maybe you don't have a loyalty program, but how do you consistently execute actions to increase that loyalty at the customer level?

We are firm believers that retailers pulling this all together are the retailers that are going to win going forward. This is a case study from a retailer and in this particular example we're going to look at customer driven growth opportunities. How do we do that? At the bottom you can see the current spend. This is at a category level, but looking at all categories across all stores or online, whatever you channel you want to look at, you're going to see current spend. Then on the left-hand side you're going to see opportunity lift. In the upper quadrants, you're starting to see where the opportunities are. The approach here, and we can see seafood and personal care and deli meats, is we've got these different customers that are acting pretty similar. Maybe we can call them the best customers.

For example, Greg, he spends a lot on seafood. Brian doesn't spend a lot of seafood. There are a lot of opportunities to go after customers like Brian that should be spending more on seafood. The opportunity is very large in that category, for example. That's kind of your strategic imperative. You can start coming up with some tactical actions, as to how to engage those customers to increase their share of wallet, share of stomach, in those particular categories. We're going to talk about some case studies now, as to how to do that.

Again, doing this now, on the top left is probably where you'd start seeing more millennial type categories that we're getting more and more used to, to try to keep some of those shops away from Deliveroo and Uber Eats and increase spend of millennials in the typical retailer that we all know and love. Moving onto assortments, how do we build loyalty with our customer base around assortments? This is a look at, on the bottom there, on the X axis, best customer item importance. Again, we are knowing who our best customers are. We are knowing the importance of the items that are critical to those customers.

Then on the left-hand side you see true item value percent. Of course, there is a measure of transferability of demand here when analyzing something like this. That is essentially, if we do take one item out of the category, how much of that, shopping and demand, goes to another item. That transferability is key to understanding, if you do delist the wrong items, those customers are going to go out of your store and go to another store. It is critical, critical that you understand the true item importance individually in a category, and then across your stores.

At the top right, you can see these are my core items that appeal to my best customers. They have few substitutes. You delist one of those and you are going to lose your customer to another retailer. You got to make sure you are hard and fast those core items. On the bottom left, these are your delist opportunities that are safe for delisting where there is high transferability from one item to the next. Those are safe. This becomes a very interesting conversation when you talk to your suppliers about which items are actually the most important in your store for your customers.

This type of capability we're seeing is very, very good to also come up with floor space optimization. We can see which categories can be decreased a certain amount of size to make room for these new categories that are coming in. That's been a very new and valuable deployment that we're seeing at a lot more retailers too. How much space should we actually allocate to these new categories coming in so we stay relevant to the new customer's shifting behavior?

We can see this case study right here. In terms of right products, you can see that high level segments across the top, seniors, empty-nesters, household with teens, household with children, what item is the most important for those different segments. The seniors, you've got a different type of lasagna. This is very relevant in terms of ready to eat. That ready to eat lasagna is very different from the seniors compared to the household with children, household with baby lasagna. It's highly critical that you get the right products for the right segments for all of your categories, not to mention these new categories that are coming in.

Moving onto pricing, how do we gain loyalty by correctly pricing? Initially, for 90 percent of your customers, that price needs to be correct. You need to understand what the competition is pricing that product at. You need to understand the elasticity of demand for that product against other products in the category. You also need to understand how your pricing changes can impact the total store. That is very unique. Some retailers are starting to do this. Most do not have those capabilities yet, but understanding total store pricing. You understand, as you change prices, what is the financial impact across the total store. Not just a single category or a single set of items. That is starting to become critical to more and more retailers that we're seeing.

From a purely granular perspective, we are now seeing a little more of this. You can actually price the same item for different customers. Philosophically, you might not be there, but we are seeing more prices change at the individual customer level.

Understanding a customer and their responsiveness to price, their responsiveness to promotion, their responsiveness to different vehicles, we can now see that tweaking prices online versus paper versus app versus leaflet, et cetera. I know this gets into a little bit of promotion territory, but we can start shifting prices individually for customers with the onset of online, et cetera. Again, I know that some retailers don't want to do that for fear of customers finding out, but we are seeing a little bit more of individual pricing happen in the market.

In terms of promotions, how do you build a loyalty strategy that includes promotions? As you see, we're kind of taking a tour down merchandising with assortment price and promotion. What we firmly believe is that you need it at every touchpoint of the customer journey. Not only the loyalty program with points and the card, but at every touchpoint of the customer, you are doing the right things. You have the right products. You have the right prices. The right assortment. We'll talk about the right marketing in a minute, but that total picture is going to build your loyalty for your customers.

From a promotion perspective, at the bottom there on the X axis, we see value to best customers. Again, you want to go for your best customers, which we all know probably carry most of the sales, most of the gross margin. On the left-hand side we see value to the category. If you're looking at all of your promotions across your different customers, and you are actually measuring incremental sales, then you can quickly come up with, the top right, my best customers. And adding the most to the category, for example, in this category of coffee, the promotions for Starbucks are giving us huge incremental sales, making our best customers very happy. We should maximize promotions like that.

On the flip side, looking at the bottom left, low value to our best customers. Low value to the overall category. We should stop promoting. There's no incremental sales here. There's no benefit to our best customers or the category. We're losing money. We should stop doing promotions on private label ground coffee, for example. You can start to see how you're building out an assortment plan, a pricing plan, and a promotion plan, all focused around building loyalty within your shoppers and your different customers.

From a personalized marketing perspective, having a card program here makes this a very valuable approach. Having a card with price assortments and promotion is not as necessarily, and of course you can go more granular if you have a card program.

Personalized marketing. This is not just labeling your emails out to your customers with "Hello, Brian." This is taking it to a very detailed level of using analytics and understanding Greg responds to this item at this offer in his vehicle. He loves the app or he loves email. Et cetera. I'm going to keep using Greg as an example. Giving Greg exactly what he wants and what he needs to change his behavior in the direction of the overall goals of the retailer. We are seeing high response rates. As you can imagine, going from mass marketing to personalized marketing, your response rates go up considerably. We're seeing very high response rates with a very narrow focus of customers with different offers and different levels, but we're seeing very high response rates.

A case study we did recently showed about a 25% response rate. In addition, when we are offering new items to those customers, that our offer optimization engine comes up with, new items are getting a very high repeat purchase. So we're seeing very, very good responses from personalized marketing when done correctly. In terms of supplier collaboration, we absolutely believe that building loyalty with your customers can extend from the retailer to your suppliers. We don't like to have this slide at the end because we think it's critical, but having the retailer and supplier talk the same language. How is my business performing? Let's look at the insights. The analytics. The customer information. Then agreeing on how to most effectively grow my business from a promotion, assortment, distribution, supply chain perspective. Sharing the same data. Analyzing it together. Retailer to supplier, we're seeing very, very good growth rate for a category when this occurs. We're going to talk about case studies around return on investment share in just a second.

Overall, we see from a return on investment perspective, with a typical loyalty program, 1.5x. Personalized marketing, 2 to 3x. Customer centric marketing, 4 to 6x. And shopper driven, supplier collaboration, 5 to 8x. So for those suppliers that are actually leveraging all of this information around loyal customers, we are seeing a very high ROI. In terms of the overall capabilities that Precima delivers on, we are seeing up to 5% return on sales and gross margins for our customers and for the retailers that are leveraging this type of loyalty strategy. That's extremely high. A little bit about Precima, we have customers all over the world, in terms of what you see here, in addition to a huge supplier community that leverages our insights and loyalty strategies, like we've just been talking about.

What we talked about today with Greg and Mike you can download from our website. We have additional thought leadership there that you are welcome to access and read. We will see you at NRF and FMI Midwinter. I'm sure IDC will be there as well. So you can find us there. If you have any questions, feel free to reach out to myself at inquires@precima.com. Happy to answer them. Back to you, Mike.

Mike Troy: All right. Thanks. I have some questions and a couple comments. One of the things that I really enjoy about doing these type of events is hearing ideas and thoughts. Greg, you asked the question "What is loyalty?" I really hadn't thought about it in the way that you phrased it. A provocative question there. And then the point about loyalty strategy versus a program. There are a lot of retailers that have programs, but you wonder about the larger strategy. A retailer could have a strategy based on consistent delivery of outcomes, which is in effect a program, even though it's not the traditional card based points and discounts type of program.

Brian, I liked your comment on personalized marketing when done correctly. I think there have been a number of companies that have kind of gotten in trouble with the personalization. The capabilities to personalize sometimes outstrip what people really want. That's kind of a fertile area that companies are trying to figure out, where they really need to be.

Greg Girard: Could I jump in on that last point, Mike?

Mike Troy: Sure.

Greg Girard: As consumers opt into data sharing programs, loyalty programs, their implicitly raising their expectation that they'll get something in return to the give of data to a retailer. Even if it's just data that's not explicitly given, just given casually or without any effort. The need for personalization and relevance increases every day, whether it's done on a one to one basis, which raises the stakes more directly or across the board, in terms of the right assortments and the right categories. Brian's chart there that shows the combination of price and vehicle is really important. It costs money to drive demand with pricing. You're giving something away. It doesn't cost anything if you do it really well, in terms of content and context and vehicle. That's easy money, and it's much more relevant and much more easy to consume for the shopper. That's what your comment brought to mind for me.

Mike Troy: Brian, have you got anymore thoughts on how personalization factors into loyalty and the importance of it? I know you touched on pricing. I don't know that people don't expect to pay a different price. We pay different prices for other things in our life. Yet, for some reason, we maybe expect that we should all pay the same if we're at a retail store.

Brian Crain: Right. That's a little bit more controversial, I would say, but we are seeing a little bit more of that. From a personalization perspective, I think that that is, again, a component of the loyalty strategy that combines a loyalty program with the ride pricing, the right assortment, the right promotions, and the right marketing. That personalization is really building that individual relationship with your customers and your brand. We contend that retailers will win when they not just send out the best marketing that is perfect for that customer, but also has the right prices, the right promotions, and the right assortment.

Mike Troy: Generally speaking on loyalty overall, shoppers seem to value loyalty programs differently. Some value them and some don't. Why do you think there's this spread of value? Some people want to belong to every program there is another other people shun them.

Greg Girard: Just opting into a program doesn't demonstrate that they're useful. Where that loyalty program is on your phone, speaking to that metaphor, is really indicative of how important the program is or where the card is in your wallet. Even if it is in your wallet and not in your dresser drawer at home because you don't use it. After opting in, how long do they use it and how frequently do they use it? Usage there is in a broader context that Brian alluded to, that full set of the offer that the retailer is bringing to there. I'll contend also that it's based on these life outcomes. I'm loyal to you because you make my life better, not just because I can buy groceries from you this way or that, through a variety of my decision criteria.

Brian Crain: I would contend that you need to make these loyalty programs highly relevant right out of the gate. This takes massive sophistication to be able to do that. We can actually look and see what frequency customers would like. It's not just the offer, the item, and the vehicle, but also the frequency. You kind of need to nail all of that out of the gate to be a relevant loyalty program for that customer going forward.

Mike Troy: Okay. We're coming up against our time limit here, but I got a couple more quickies I want to get in. There's a lot of interesting trends identified in your research. We went through it fairly quickly, but how do retailers get suppliers aligned with them on the trends that you all have identified in the research? Any thoughts on that?

Greg Girard: Show them the money. I think a lot of consumer goods companies, suppliers, they want to improve their stake in their valued customer segments as well. Flip it around from just category performance. Turn the terms of discussion and the evaluation of success from just performance of categories and products or promotions to performance on different customer segments. Because brands have customer life cycles as well and clusters of value that they want to maintain with those shoppers over time, and grow and increase over time.

Brian Crain: We're firstly an analytic and data company, in addition to software and consulting. I'm going to answer from a purely data perspective. Getting suppliers alignment is a lot simpler when you are looking at the same data and having very accurate, relevant, frequent data. You can show them the trends. Show them what's new, what's growing. Show them how their category is doing compared to the trends. I think the data speaks for everything.

Mike Troy: Let's end on this one. It's a good one here. Is it useful to consider loyalty in terms of share of meal occasions since competition is across multiple channels and meal experience?

Greg Girard: I think that's a great question. I use the term "mission" and "shopping mission, basket mission." Those are 20 year old terms. Meal occasions bring the relevant shopping to that life context that I alluded to earlier. It does speak to that competition across multiple channels, so that's a very important phrase.

Mike Troy: Let's end on this one then. There’s a lot of activity around meal kits and ready to eat meals. How should retailers be thinking about allocating space for both of these areas since they're emerging? If you just look purely at the performance of them, you might think that they're not worthy of the space.

Brian Crain: I'll take a stab at that one, and then I guess we're out of time. I would first figure out which categories are key to your shoppers and really understand your shoppers to make sure that your shoppers are actually going to be leveraging those. Across the board that's probably a broad “yes,” then start understanding which categories can be shrunk a little bit to make room for these new categories.

Mike Troy: All right. Awesome conversation. Thank you for sharing the insights into the research, Greg and Brian. With that, we'll bring it to a close. Thank you, everyone, for attending and have an awesome afternoon.