

Interactions

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OCTOBER 2013

Retail News

Insider



CONSUMER-CENTRIC PRICING:
Adapting to the Shifting Control of Retail

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Retail News

INSIDER

The award-winning *Retail News Insider* offers a look at the trends, best practices and news affecting today's retailer as it relates to engaging shoppers and driving sales.

From Sacramento to Shanghai, the world of shopper engagement is an ever-evolving marketplace. Our team goes inside the stories to take a look at what's happening in your aisles as well as those across the globe.

Retail News Insider presents data, editorial and analysis in a relatable format designed to help you engage consumers and drive sales.

Editorial Director
Kelly Short

Contributing Editor/Lead Writer
Amber Gabrenas

Graphic Designers
Natasha DiMatteo
King Manuel

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Enhancing the Consumer Experience
With our Market Watch feature this

Global Industry News
The recession may be over, but consumers are still keen on saving.

By the Numbers
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By the Numbers
How many people will try to get ahead of the crowds by starting their holiday shopping this month? Find out here.

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A Taste of the Season
These pumpkin swirl brownies deliver the flavors of fall in every delicious bite!



Adding Value Through Technology

We're continuing on with our "TechBuzz" series this month by taking a look at the increasing role of data-driven and consumer-centric pricing strategies in the retail industry. We know from our day-to-day work with customers that price is a big influence on buying decisions. Like our shopper engagement programs, which seek to add value to the consumer experience and overcome obstacles to purchase, customized pricing strategies can also have a big impact on shopper behavior. It's fascinating to hear about the level of customization the technologies currently available can already deliver—and I'm sure it will prove exciting to watch as this emerging field grows and evolves over the next several years.

As much as this publication aims to inform us of the latest retail trends each month, we also remain firmly committed to developing and educating our associates. In this month's "From the Front Lines" feature, technology is at the forefront as we learn how one Sales Advisor is incorporating digital devices into her in-store events—and boosting customers' confidence to try new things in the process. Also in this month's issue, we look at how Sales Advisors can extend Halloween sales beyond the candy aisle in our "Essentials to Engagement" feature.

As always, be sure to check out the back cover for our "By the Numbers" feature, a look at the world of retail in "Global Industry News" and this month's "Taste of the Season"—a pumpkin brownie recipe that's just as good to eat as it is to look at.

Once again, I thank you for your continued support and hope you enjoy this issue of *Retail News Insider*. If you know of any colleagues who might be interested in

receiving a copy, please send us a note to newsletters@daymon.com.

Thanks for you all you do and have a great month!

Sincerely,

Jeff Engel
Senior Vice President



Check out our website at www.interactionsmarketing.com/retailnewsinsider for past issues and online-only exclusive articles, like this month's "Executive Perspectives: The Mobile Lifestyle."

The U.S. Retail Team



Jeff Engel
Senior Vice President



Shari Robinson
Vice President



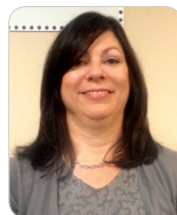
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Vice President



Deborah Michaels
Senior Director



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Tonya Alter
Account Executive



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Business Manager



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Business Manager



Taking Halloween Beyond the Candy Aisle

In recent years, Halloween seems to have become the new unofficial start of the holiday season. Seven out of 10 shoppers celebrate the holiday, and between costumes, treats and home décor, the average shopper now spends \$80 on Halloween goodies. With some creative thinking, Sales Advisors can take treats beyond the candy aisle and capitalize on this \$8 billion market throughout the entire month of October.

Play Up Your Display

Ninety-three percent of shoppers rank visual appearance as a key factor in their purchasing decision, says analytics firm KISSmetrics. So get shoppers into the Halloween spirit by dressing up your cart with seasonal décor, such as a few pumpkins or gourds from the produce department or balloons from floral. These visual reminders will help shoppers make the association between Halloween and your product—no matter what it happens to be.

Think Outside the Candy Grab Bag

According to a study by the American Dental Association, a whopping 70 percent of parents say they would prefer their children receive non-candy treats on Halloween. You can help sell shoppers on healthy alternatives like individually-wrapped granola bars, fruit snacks, nut packs and juice boxes by sharing this fact with them. Also remind them that healthy treats are more likely to make into lunchboxes and afterschool snacks—instead of stashed in closet, only to be thrown out in a few months.

Remember Fun Snacks and Meals, Too!

In addition to Halloween treats, shoppers

are also looking for fun party foods, as well as healthy meals to keep their families going on Halloween night. Get creative with the items you're sampling. For example, suggest shoppers turn canned soup into "Eye of Newt Stew" with the addition of rinsed black olives. Or talk about baking the

wild rice mix you're sampling inside a sugar pumpkin for a healthy, all-in-one meal that's sure to please the eyes and the taste buds. Tap into the excitement of Halloween—and watch shoppers get excited about your products!

From the Front Lines

Boosting Sales by Boosting Customer Confidence

It's no secret that shoppers can be intimidated by ingredients outside their comfort zone or by preparations that seem too complex. This month, Sales Advisor and Seafood Specialist Carol Batis shares her tricks for overcoming that apprehension—and boosting sales.

"My keys to success as a Sales Advisor include my love for food, my love of people and my ability to instill the confidence in my customers that they, too, can easily prepare my recipes," says Carol. "For example, I teach moms how to buy seafood and incorporate it in their dishes so they stay within their budget and allow their family to acquire the taste. Also, a lot of older folks don't like to cook anymore, but I find if you show them how to make it 'easy'—they will!"



Sales Advisor Carol Batis

Carol also believes technology can play an important role in giving customers the confidence to try new products and recipes. "Using the in-store tablets, I like to photograph my preparation for each seafood dish. Then I can show my customers what it should look like before and after... and help answer other questions they have about recreating a dish at home."

Customers often follow suit by taking their own photographs, adds Carol. "Even though I always offer a recipe, they often take a picture of my cart with their phones because I display every ingredient. It helps make their shopping and cooking easier." And that's a sure ticket to success!



Consumer-Centric Pricing: Adapting to the Shifting Control of Retail

By Amber Gabrenas, Contributing Writer

Since the dawn of modern manufacturing, retail prices have been standardized and set by the retailers. There's been little to no input from or consideration for shoppers beyond the thought of "how can we get the most shoppers to buy our product at a price that still makes a profit." But with the explosion of technology and rise of digital devices that have put an ever-increasing amount of knowledge and power in consumers' hands in recent years, that tide is changing. Consumers are taking control of the shopping experience—from where they buy, when they buy and now, even how much they'll pay.

"The power in the marketplace is shifting from the retailers to the shoppers," says Giovanni DeMeo, Interactions' Vice President of Global Marketing and Analytics. "To remain competitive, retailers are going to have to learn to cater to that control and focus on consumers' needs and demands more than they have in the past."

Of course, when it comes to pricing, like most things in the retail world, not all customers have the same needs and expectations. Even lowering prices across the board isn't the answer. It's true that some shoppers will only buy products on sale. But there are others who deliberately avoid products that have been discounted based on the perception they must somehow be inferior. So how can retailers meet the expectations of shoppers throughout this spectrum while still protecting their bottom line? Enter consumer-centric pricing. This strategy uses elements of Big Data including past purchases and shopper behavior, along with complex analyses and predictive modeling to help retailers adapt to ever-changing market conditions. It allows them to set the right price for the right shopper at the right time to deliver the best balance of consumer value and retailer profit.

Consumer-centric pricing stands in contrast to traditional pricing strategies largely for

its more proactive and granular nature. Traditional pricing strategies have long been intuition-based, reactive and applied in broad strokes to large geographic areas and demographic groups. Consumer-centric pricing, on the other hand, capitalizes on technologies such as real-time analytics and mobile apps to allow for quick, data-driven and ongoing price optimization on a more targeted scale. "The expectation on the shopper side is that they're valued and that somehow the retailer is going to identify them as individuals, not part of the masses," says DeMeo. "By using technologies like those involved in consumer-centric pricing, retailers have the ability to do that."

One retailer who is leading the way with customized consumer-centric pricing tied to shopper loyalty is Safeway. Its Just for U™ program allows users who opt-in online or via their mobile devices to load special discounts and deals to their shopper loyalty cards. In addition to retailer coupons and standard in-store specials, shoppers are

offered personalized price deals based on previous purchases—or items related to those previously purchased. For example, a shopper who regularly buys cereal but never milk might be offered milk at a lower price to incentivize him or her to buy it there rather than at a competitor. Prices for nearby competitors are often listed below the personalized offer. This shows shoppers exactly what they could be saving by choosing Safeway over the other store.

The program also allows the retailer to respond to significant events at the local level that may affect purchasing behavior. For example, after a major power outage in Washington, DC, local Just for U users were offered deals to encourage them to restock their freezers.

Launched in 2012, the Just for U program already accounts for 45 percent of Safeway's sales. In in the first quarter of 2013 alone, it helped increase same-store sales by 1.5 percent. "The Just for U user becomes more loyal and spends more money," said Steve Burd, Safeway's recently retired CEO, in the company's first quarter 2013 earnings call. "With Just for U, there is so much additional value you can bring as you learn more about the shoppers... We don't see the sales increase from that flattening at all."

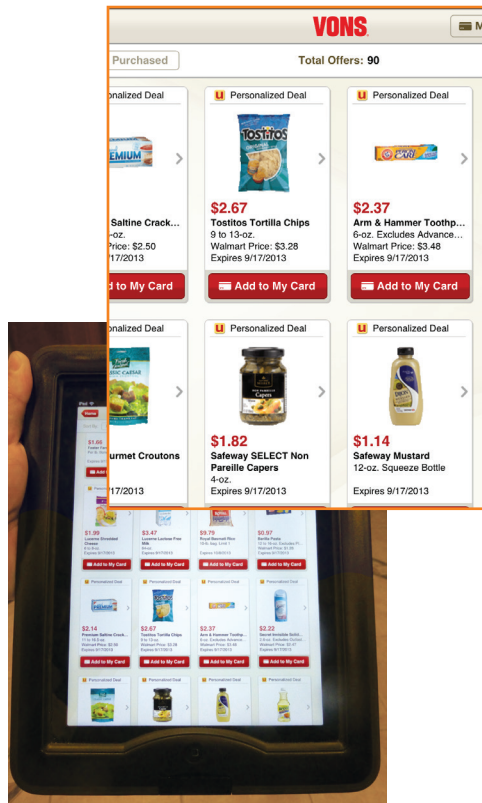


Photo courtesy of Vons.com.

“The power in the marketplace is shifting from the retailers to the shoppers. To remain competitive, retailers are going to have to learn to cater to that control.”

—Giovanni DeMeo, Interactions' Vice President of Global Marketing and Analytics

Stop & Shop is taking consumer-centric pricing one step further by incorporating location-based tracking technologies. Through its "Scan It!" app, available on mobile phones or in-store scanners, users scan and bag their own groceries as they move through the store. This allows the retailer to monitor shoppers' movement. In turn, targeted offers can be sent depending on where shoppers are in the store and what else they might have in their cart. For example, a shopper who has scanned a carton of ice cream might be offered a deal on ice cream cones as he or she passes the end cap where they are located. "Eventually, we see this type of technology getting to the point where a retailer can track when a shopper moves away from his or her cart or stands in one area for a long time, indicating some hesitation on whether to buy, enabling them to instantly send an individualized offer to help capture the sale," says Abhi Beniwal, Interactions' Senior Vice President of Global IT.

As with any data-driven initiative, there are challenges in adopting a consumer-centric pricing strategy. There are up-front costs involved with building the infrastructure to collect, process and protect customer data. There is also the need to build a qualified team and knowledge base in order to create statistical models, perform analyses and determine ROI. But these challenges can be overcome with dedicated investments and a cultural commitment to the new data-driven retail reality. And the real upside is that technology-based consumer-centric pricing models have the potential to reach all shoppers on some level. Historically, many loyalty and special pricing programs

have focused on the minority of shoppers who represent the majority of purchases. But once the infrastructure is in place, it costs no more to analyze the behavior of 20 percent of shoppers via consumer-centric pricing models than it does to analyze that of all shoppers. This creates huge potential to win over those consumers who have traditionally been marginalized by loyalty and discount programs.

The bottom line is that retailers can no longer afford to view pricing as one-size-fits-all—or even one-size-fits-an-entire-demographic. To capture today's connected consumer, just as with almost every other element of the retail experience, retailers must offer customized pricing that shows they understand and value shoppers' unique needs and wants.

2013 MARKET WATCH CALENDAR	
JANUARY	The World of Big Data: Reshaping the Retail Landscape
FEBRUARY <i>Retail Buzz</i>	Marketing to Millennials: Engaging Digital Natives
MARCH <i>Retail Buzz</i>	Futurists: Predicting the New Vision of Retail
APRIL <i>Retail Buzz</i>	The Showrooming Effect: Is All Shopping Going Cyber?
MAY	Predictive Analytics: The New Retail Currency
JUNE	Social Media Marketing: Harnessing the Power of the People
JULY	The Mobile Moment: Satisfying Shoppers' Appetite for Apps
AUGUST	Omnichannel Retailing: Capturing the Connected Customer
SEPTEMBER <i>Tech Buzz</i>	Surviving Extinction: Taking Checkout Into the Digital Age
OCTOBER <i>Tech Buzz</i>	Consumer-Centric Pricing: Adapting to the Shifting Control of Retail
NOVEMBER <i>Tech Buzz</i>	Personalized Marketing: Using Technology to Individualize the In-Store Experience
DECEMBER	Holiday Shopping: Big Data's Big Predictions

Past Issues

Global Industry News

- Tougher economic times aren't just making U.S. shoppers thriftier. Coupon use in the U.K. is up 38 percent over 2012, with shoppers on track to save over \$2.6 billion this year. **-FoodNavigator**
- A recent study from the NPD Group shows school snacking is on the rise, with students now eating an average of four snacks a day. Ninety percent of these are brought from home, with popular items including applesauce cups, yogurt, potato chips and granola bars. **-Progressive Grocer**
- Once the domain of dining and travel discounts, daily deal sites are now making the foray into grocery stores. One service, called Aisle50, offers one-time deals and on-going discounted "subscriptions." Products are redeemed at participating stores, where retailers report the service is increasing loyalty and driving traffic. **-Supermarket News**

By the Numbers

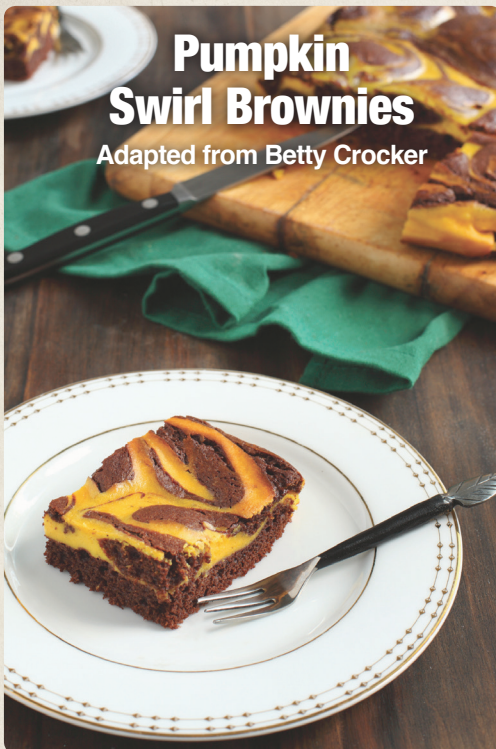
1818.3 The weight in pounds of the world's largest pumpkin

35,000 The average number of marchers in the country's largest Columbus Day parade

9 Billion The number of candy corn kernels produced each year

22% The percentage of people who start their holiday shopping in October

A Taste of the Season:



Pumpkin Swirl Brownies

Adapted from Betty Crocker

With the classic flavors of cinnamon, nutmeg and pumpkin, these brownies deliver a little taste of fall in every delicious bite!

INGREDIENTS:

3 oz.	cream cheese, softened	2	eggs
1/2 c.	canned pumpkin	1 (18 oz.)	box brownie mix
3 tbsp.	sugar	1/4 c.	vegetable oil
3 tsp.	ground cinnamon	2 tbsp.	water
1/4 tsp.	ground nutmeg		

DIRECTIONS:

1. Heat oven to 350°F (325°F for dark or nonstick pan). Grease bottom only of 9-inch square pan.
2. In small bowl, combine cream cheese, canned pumpkin, sugar, cinnamon, nutmeg and 1 egg. Beat with electric mixer on low speed until smooth.
3. In a separate bowl, mix contents of brownie mix, 1/4 c. oil, 2 tbsp. water and remaining egg. Spread 3/4 of the batter into greased pan.
4. Spoon pumpkin filling evenly over batter. Spoon remaining brownie batter over filling. Run knife through batter several times to create a marbled design.
5. Bake 40 to 45 minutes or until toothpick inserted 1 inch from side of pan comes out almost clean. Cool completely before cutting.

Interactions U.S. Retail Division



{in good taste}

