



Interactions

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Retail News

Insider



PREDICTIVE ANALYTICS:

THE NEW RETAIL CURRENCY

How well do you know what your shoppers need?

Retail News *Insider*

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.

Tailored specifically for Interactions associates, *Retail News Insider* presents data, editorial and analysis in a relatable format designed to help you engage consumers and drive sales.

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Looking Into the Future—Today

You may have noticed that we've been consistent in our coverage of the future of retail and how that affects our associates and retail partners. This month's issue is no exception, as we explore the benefits of predictive analytics, a process that combines data from previous purchases, social media postings and other sources along with mathematical models to help retailers predict what, when and how people are likely to buy next.

Depending on your role, you may be wondering what all this has to do with you. Everyone in the retail industry—from in-store product demonstrators to category buyers to CEOs—stands to be affected by the revolutions facing retail today. From how front-line team members will interact with customers to what products buyers will choose to stock shelves with to how CEOs will plan an organization's overall strategy, the trends we explore in each issue of *Retail News Insider* are sure to bring changes in the months and years to come. We want you to be ready for those changes, to understand them—and when possible, to use them to your advantage. That's the goal of each issue of *Retail News Insider*.



Everyone in the industry stands to be affected by the revolutions facing retail today—and has a role to play in shaping its future.

Of course, we also want to provide the tools needed to take advantage of the trends and best practices in retail today. For example, in this month's "Essentials to Engagement" feature, we take a look at the growing popularity of ethnic foods and how Sales Advisors can best play to shoppers' changing tastes. We also get advice from a current top selling Sales Advisor in this month's "Tips from the Field" article.

Be sure to check out the back cover, too, for a look at retail industry headlines from around the globe, our always interesting "By the Numbers" feature and a seriously awesome cheddar-bacon burger that's sure to be the hit of any Memorial Day BBQ.

As always, I hope you enjoy this issue of *Retail News Insider*. If you know of any colleagues who might be interested in receiving a copy, send us a note to newsletters@daymon.com.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff Engel".

Jeff Engel
Senior Vice President

Don't forget to check out this month's online-only article "What You Do Has Value" at interactionsblog.wordpress.com.

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PREDICTIVE ANALYTICS: THE NEW RETAIL CURRENCY

By Giovanni DeMeo, Vice President of Global Marketing and Analytics

Predictive analytics gives retail marketers the power to see into the future and know with almost complete certainty exactly what products shoppers will purchase, where they will make those purchases and how their preferences will change in the short and long term. Of course, all of this can be done simply by clicking a button—or at least that's what many of us are being lead to believe. While this is an extreme exaggeration, marketers can leverage the knowledge of analytical experts to use data from shopping transactions, loyalty cards, social media, mobile devices and a myriad of other sources to gain insight into how shoppers will likely make certain purchasing decisions, how they will respond to specific events (such as weather, holidays, etc.), and when and where

those decisions will occur. If used effectively, progressive retailers and CPGs can use predictive analytics to better serve their customers, improve return on investment (ROI) from marketing initiatives and outperform their competitors.

In its simplest terms, predictive analytics uses a combination of data sets and mathematical formulas to predict the likelihood of some future event or action. In the case of retail, it can help predict how a shopper will likely act or react in the future. With the right data, technology and knowledge experts, predictive analytics can be (and in many instances already is) the single largest contributor to the growing gap between industry leaders and everyone else.

While virtually every retailer and CPG is already using data analytics in some form, the vast majority have the opportunity to raise the bar on how they're using available data. For example, it is common practice to look at purchase behavior and target shoppers with marketing materials for products similar to those items purchased in the past (or commonly related items, like milk and cereal). But "in today's hyper-competitive market, it is not enough for retailers to understand customer behavior—to be successful, retailers also must develop the ability to predict upcoming consumer actions," says Marcy Patzer, senior director of retail strategy for Scala, Inc., in a recent [Retail TouchPoints](#) article. With predictive analytics, it is possible to send customized

marketing communications based on behavioral patterns that indicate what future purchases will likely be, even if on the surface those items appear to be completely unrelated. For example, data mining may reveal that people who buy a certain brand of coffee creamer are also more likely to purchase canned soups. Discovering this connection would then allow marketers to cross-promote the two seemingly unrelated items.

A real game-changer in this realm is predictive modeling, which applies logic to the data by integrating historical patterns and external data to predict the future, improve decision making, optimize business performance and improve ROI. This is where the art of predictive analytics comes in. To craft models that can accurately forecast future behaviors and events, data scientists must first determine which combinations of attributes and variables are the most predictive of certain behaviors. Once these are identified, they can then be overlapped and applied to larger sets of data to anticipate everything from when a shopper is most likely to buy a particular product, to what brand he or she is most likely to favor, to whether a special offer will influence his or her decision.

“In today’s hyper-competitive market, it is not enough for retailers to understand customer behavior—to be successful, retailers also must develop the ability to predict upcoming consumer actions.”

— Marcy Patzer, senior director of retail strategy for Scala, Inc.

One challenge for retailers is determining how to develop the resources necessary to take advantage of this proverbial goldmine. Just as retailers don’t raise their own cows in order to sell milk in their stores, high-level analytics is a competency

they can’t expect to develop entirely on their own. Instead, they should look to develop a partnership with experts who specialize in consumer data and mathematical modeling. The first and most cost-effective option is to make use of the investment that many of their partners have already made. For example, Interactions includes these analytical services with its in-store demonstration, insights and other services in order to ensure our partners continue to be best-in-class retailers and to outperform their competition. The second option is to contract with a separate company that sells software and modeling services. The decision on which approach to take is most often dictated by a combination of factors, including cost, required human resources and overall corporate strategy.

Once the right resources are in place, “predictive analytics lets grocers peer into the future and find ways to better engage customers and meet their needs with a localized merchandise assortment, relevant promotions and personalized communications,” says Diana McHenry, global sales manager for SAS, in an interview with Grocery Headquarters. For example, it can help with promotional bundling and time-of-day optimization by determining what products should be sold together and when certain products sell best. This type of information can be leveraged to help customize in-store product sampling events for the exact days and times shoppers are looking for those items—going beyond the industry norm of simply scheduling events at the same time every day, regardless of the item or target consumer. It can also help retailers manage inventory by more accurately forecasting demand, thereby avoiding out of stocks and reducing shrink by minimizing product spoilage.

The bottom line is that predictive analytics enables retailers to truly “know their customer”—down to individual wants, needs and preferences. Gone are the days of being able to stay competitive using backward-looking, intuition-based decision making that has been the mainstay for decades. Future sales depend on knowing what your

shoppers want—without even asking them. So to succeed in today’s marketplace, retailers and CPGs need to fully embrace—and trust—the new data-driven analytics that are the undeniable future of retail.



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	Socialnomics: Leveraging the Economics of Social Media
JULY	The Mobile Moment: Satisfying Shoppers' Appetite for Apps
AUGUST	Omnichannel Marketing: Capturing the Connected Customer
SEPTEMBER <i>Tech Buzz</i>	Personalized Marketing: Using Technology to Individualize the In-Store Experience
OCTOBER <i>Tech Buzz</i>	E-Trends: Taking Checkout Into the Digital Age
NOVEMBER <i>Tech Buzz</i>	Consumer-Centric Pricing: Landing the Sale with a Personal Deal
DECEMBER	Holiday Shopping: Big Data's Big Predictions
JANUARY 2014	A Look Ahead: Trends for 2014

 Past Issues

Satisfying Shoppers' Changing Tastes

What used to seem like exotic ethnic foods, such as sushi and tamales, are now standard fare in many grocery stores—and on many shoppers' dining room tables.

According to Mintel, a global market research firm, ethnic foods now account for over \$8.5 billion in retail sales each year, a number that's expected to grow to over \$10 billion by 2017. As shoppers look for more adventurous flavors, more and more ethnic foods are likely to show up as featured items during in-store events.

The first step for Sales Advisors in getting ready to sell a new product is to read the full product packaging. For ethnic foods, look for terms like "traditional" and "authentic," and check to see where a product is made. If a mole sauce is made in Mexico, where the dish is originally from, let shoppers know about it. According to a report from Mintel, 65 percent of shoppers say authentic or traditional flavors are the top consideration for buying or eating ethnic food.

Highlighting the health benefits of ethnic foods is another good way for the front-line sales team to engage shoppers. For example, according to the Institute of Food Technologists, ginger, common in Asian foods, reduces muscle pain, while cinnamon, found in many Mexican sauces, may help maintain healthy blood sugar levels. In addition, the generous use of spices in many ethnic dishes reduces the need for added salt and fat, without sacrificing flavor.

Finally, keep in mind that the target audience may be different than the regulars who always visit in-store events. A recent report from Mintel showed that 90 percent of Americans age 25 to 34, and 91 percent of families with children at home report having cooked ethnic food in the last month. So by making a special effort



to reach out to young adults and families, Sales Advisors can open the discussion with this audience on the new, flavorful and authentic treats currently being demonstrated.

From the Front Lines

Secrets from a Top Seller

This month, we ask Beth Sandy from Columbus, OH, who was a leader in average-sales-per-event in 2012, about her secrets for turning samples into sales.

"I take the time [to talk to each shopper]," says Beth. "If there's a long line, I don't push anyone away or hurry them along. But I don't repeat the same thing over and over, either. If you do that when there's a line, people will have heard [your sales pitch] by the time they get to your cart... so they're more likely to just take a sample and walk away. I try to make more of conversation. I ask each shopper questions, like 'what do you normally buy?'"

Beth says it's also important to be persistent—but not pushy. "If they

aren't sure if they like it, I offer another sample. I talk about how good a product is. If they say it's too expensive, I say treat yourself. And they respond to that. It's really all about smiling, being nice and understanding people."

Having product on hand for shoppers to easily add to their carts is also key. "I also always stand as close to the merchandise as I can get... [and] have merchandise on my cart so [shoppers] can purchase it," adds Beth. "If there's not room, I keep it underneath my cart [and hand it to them] if they're interested."



Sales Advisor Beth Sandy

Global Industry News

- Sales of specialty foods and beverages in the U.S. rose to an all-time high of \$86 billion in 2012. Cheese, yogurt and kefir products led the way in individual category sales, while energy bars and functional beverages showed the fastest rates of growth compared to 2011. —[Supermarket News](#)
- According to a recent survey, 75 percent of consumers in the U.K. want to see more international prepared-foods in grocery stores, with Chinese, Italian and Indian topping the list. —[Foodmanufacture.co.uk](#)
- Children are eating more 43 more meals at home compared to a decade ago. Breakfast and lunch choices are significantly influenced by children—with 31 percent controlling breakfast choices and 24 percent choosing lunch items—but only 3 percent control what they eat for dinner. —[Supermarket News](#)

By the Numbers

\$1.9 Billion

The amount spent on Mother's Day flowers each year

70.5 Million

The number of pounds of avocado Americans will eat on Cinco de Mayo

818

The estimated number of hot dogs consumed **every second** in the U.S. between Memorial Day and Labor Day

1.8 Million

The number of Bachelor's Degrees expected to be earned by U.S. college students this year

A Taste of the Season:

Cheddar Bacon Hamburgers

Recipe courtesy of AllRecipes.com



Take your Memorial Day celebrations up a notch by replacing your usual hamburger patties with these jazzed up burgers that are bursting with flavor.

INGREDIENTS:

- | | | | |
|-----------------|-------------------------|-----------------|-----------------|
| 1 lbs. | pound ground beef | 1/2 tsp. | pepper |
| 1/2 cup | shredded cheddar cheese | 1/2 tsp. | garlic powder |
| 2 Tbsp. | prepared horseradish | 1/2 cup | real bacon bits |
| 1/2 tsp. | salt | 4 | hamburger buns |

DIRECTIONS:

1. Preheat grill for high heat.
2. In a large bowl, mix together the ground beef, cheddar cheese, horseradish, salt, pepper, garlic powder and bacon bits using your hands. Shape the mixture into 4 hamburger patties.
3. Lightly oil the grill grate. Place hamburger patties on the grill, and cook for 5 minutes per side or until well done.
4. Serve on buns.

Interactions U.S. Retail Division



{in good taste}

