

Personalization and Relevancy Can Be Game-Changers for Independents

by David Kiehle

SVP and GM, Smart.Market Inc.

Independent grocers are increasingly aware of the impact of industry disruption.

These retailers are facing a new landscape marked by emerging technologies, quickly changing consumer behaviors, and a wide range of traditional and non-traditional competitors building scale through acquisitions and organic growth.

This new environment creates challenges across the independents' business, and a case in point is in marketing. Independents and their wholesalers are often lacking in resources and expertise. They typically don't have big marketing budgets. Many don't operate loyalty marketing programs. Most are without the teams of data analysts more typical of bigger chains. Some are still tied to weekly circulars that deliver the same offers across an entire market to an eroding base of newspaper subscribers.

How can independent retailers compete in this new environment with effective marketing resources and strategies?

Independents are expert at being relevant for their individual customer bases. However, increasingly they need to be on-target not just for their market as a whole, but for each household and each customer in that market. This requires a more sophisticated personalized approach to coupons and other offers, supported by technology. Independents often don't know the best ways to get started down that path.

There are numerous methods to embracing personalized marketing, some effective, some not so effective. These employ



David Kiehle

a range of platforms, from digital to print. Independents need to ensure that a personalization strategy is really personal. That means it needs to be targeted to individual households and customers, rather than being merely a segmentation approach that addresses large groups of shoppers.

One of the most effective and cost-efficient personalization strategies is leveraging direct mail, a seemingly mature form of retail marketing, that can be transformed through data-driven personalization techniques to drive profits and traffic. Recent research from the Data & Marketing Association (DMA) shows personalized direct mail campaigns can increase ROI from three to 10 times compared to traditional strategies.

Ironically, personalizing direct mail often results in a hybrid approach between print and digital. It's actually digitally-driven print marketing. This approach leverages the best of print and digital through a state-of-the-art process called personalized variable direct mail. It not only outperforms traditional campaigns, but consistently outpaces online digital efforts as well.

The result can be a game-changer for independent grocers.

Here are five ways this kind of personalization can transform marketing for independents:

1. Accelerate Response Rates

Personalized variable direct mail can deliver double-digit response rates consistently, which is markedly higher than traditional direct mail.

2. Capture Performance Analytics

A personalized data-driven program should be able to provide back-end analytics to measure scores of events across a marketing calendar. Ideally, a retailer should be able to

leverage a database to match consumer purchasing habits back to the individual household level for each store location. This enables the retailer to learn more about its current customers by location and identify others that have similar characteristics and behaviors.

3. Blunt Competitor Strategies

Personalized variable direct mail can be effective in battling a range of competitors, from big chains to hard discounters. Making use of this strategy can help to neutralize new market entries by competitors while at the same time rewarding valued repeat shoppers.

4. Redefine Trade Areas

This personalized approach helps to establish and grow a primary trade area. It's common to achieve material increases in unique shoppers with each campaign.

5. Engage with Customers

The point of a personalized program is to connect directly with individual customers and households to boost basket sizes. It's also geared to supporting new customer acquisition by understanding the similarities your core shoppers have with those who are not currently your customers. Marketing pieces can be customized for a wide range of demographics and other attributes to boost performance. This strategy can be particularly effective in gaining the loyalty of Millennial shoppers, who are famously resistant to brand loyalty.

Smart.Market For Business is a marketing tool that uses patented technology to deliver cost effective, highly customized offers to each household. It is based in Shreveport, Louisiana.

See more Operations news on page 31

Smart.Market retailers talk about their results

'We got what we needed and saved a lot of money in the process'

"We wanted to do a survey to find out how well perceived the pharmacy and deli were and what the strengths and weaknesses of the store were. We sent out a survey to 30,000 people and had a 14 percent-plus redemption rate in two weeks. We put two free coupons for two items that people would probably go to a dollar store to purchase because we were trying to attract that shopper.

"When the dust had cleared, we had almost 1,500 surveys come back in. They redeemed the coupons. We got a lot of great information about the pharmacy and found out that only 8 percent of the people that shop with us use our pharmacy. Now we're going to promote to try to drive scripts into the pharmacy for one thing.

"The second thing is we found out that everybody loves the food at the deli, but they didn't think the help was very courteous. We have the deli leased out, so we're going to fine-tune the help a little bit and do a little training there. I think that will get much better, too.

"The meat department scored off the charts. Produce was great and the rest of the staff in the store was wonderful. And overall, the experience was very good.

"We got a lot of good information and spent about less than half of what we'd spend to get an agency to do it. We got what we needed and saved a lot of money in the process. We added about 1,400 prescriptions in one store, 900 at another and 500 or so at one other. Plus, we got 1,500 more households to add to our mailing list."

—James Messer

Piggly Wiggly LLC North Carolina



David Kiehle and Joe Moody, Smart.Market for Business; James Messer, Piggly Wiggly LLC North Carolina; Jessica Busada, Smart.Market.

'Our sales per customer go up as soon as the program is over'

"Joe (Moody, Smart.Market) and I came together about three and a half years ago. He called on me and we ran our first project program with them, and we are fixing to run our sixth. We negotiate for some items that we can give away for four weeks in a row. He does the flyer and decides how many we're sending out. He does the research and tells me what kind of redemption rate we think we'll get.

"Each week, the customer comes in and redeems one of the coupons. What we've seen result-wise—and what's been amazing—is that during the four weeks that we run the coupons, our customer count is up. Our sales per customer is down, because some people come just to get the coupon, the item. We're good with that.

"But what we find out right after the program is over is, if our customer count may have been running down, it's not running down as much. If it's been running up, it runs up more. But our sales per customer go up as soon as the program is over. It has been that way in every program we've done. That's the way it's worked for us.

"The other thing that is wonderful is the analytics that we get out of it. They take all the coupons, which have an embedded code, and scan them. We send them back to them and they gather the information about that household, and, matching that with Census information, we know the family. We know how many people

live there. It's great information.

"We've also been able to take that same information and find some areas where we don't need to be wasting our advertising money there, or vice versa.

"Giving the product away is one thing; getting them in the store. But to have that data that you can analyze—we've actually run some programs in some of the stores that we've done twice that we sent a coupon back to the people that did respond. We didn't send them to the people that didn't, to try to reward that customer. When you personalize the coupon, it seems to get you a better redemption. It has been a great partnership for us."

—Warren Brown

Commerce Quality Foods
Commerce, Georgia



Warren Brown, Quality Foods; Joe Moody, Smart Market.