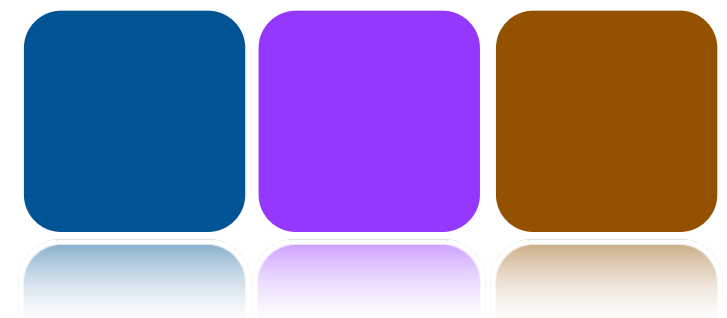




LEAD marketing conference

October 11, 2010

status report: RETAIL 3.0



Power shift within the retail industry

RETAIL 1.0

Historically, power within the supply chain resided with the brand manufacturers: higher margins supported greater skill sets, marketing expertise, national advertising, and consumer reach. Retail shelves were simply viewed as real estate for distribution.



RETAIL 2.0

During the past decade, power has shifted to retailers—driven by consolidation (fewer, bigger retail companies) and the accumulation of shopper data (e.g., through loyalty programs). Larger retailers leveraged size to develop sophisticated marketing capabilities and private label programs.



RETAIL 3.0

The industry is at the beginning of the next power shift, this time to the individual shopper. Enabled by technology, driven by an understanding of shopper value—at both retail and brand levels—, this shift will have profound impact on marketing, supply chain activities, operations, and organizational structure for retailers and consumer goods manufacturers.

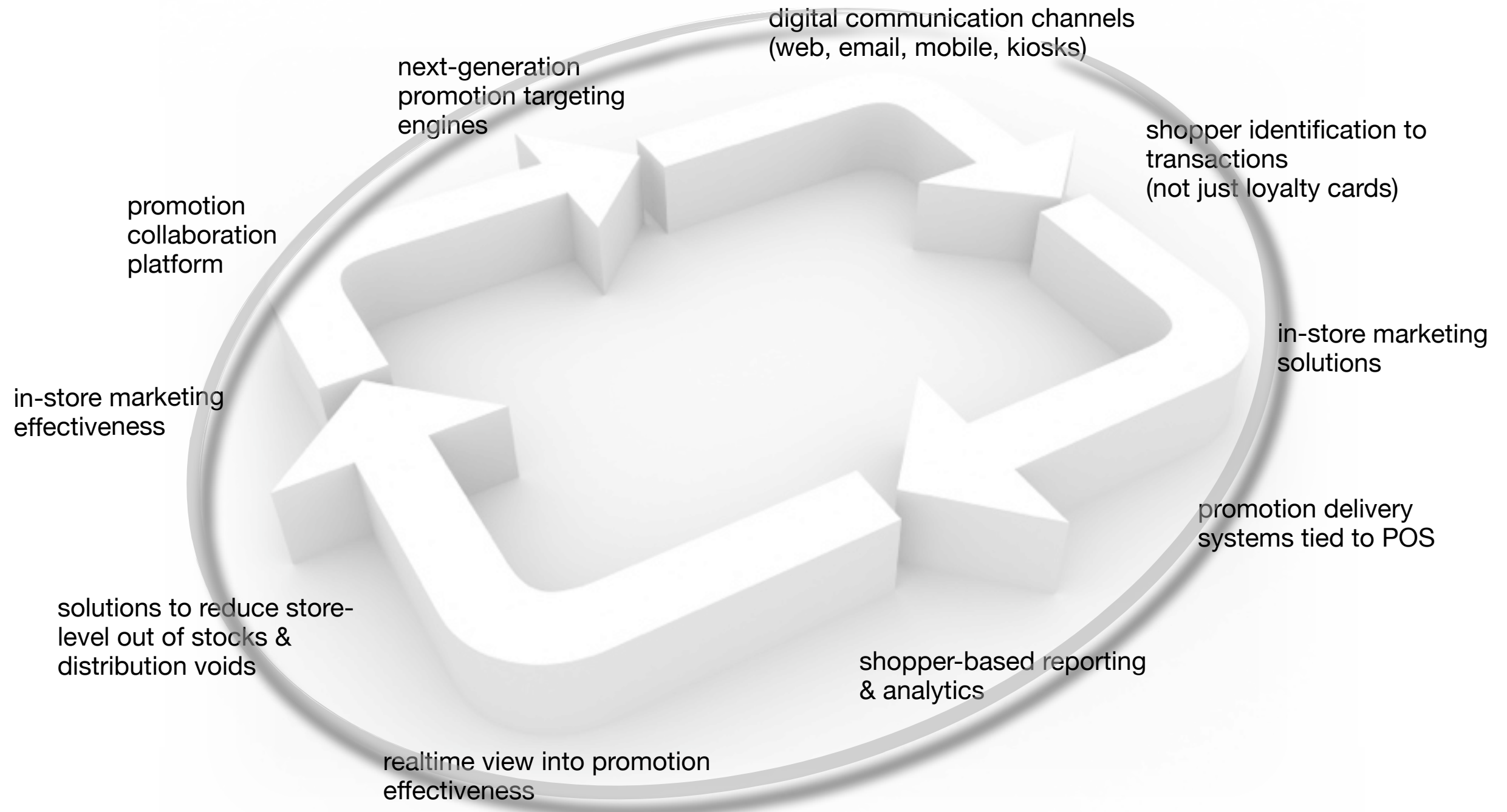


Retail 3.0—The next generation retail industry ecosystem driven by relevant marketing to the individual shopper, supported by realtime marketing and supply chain synergies, and built on the foundation of shopper-identified transaction data.



the Retail 3.0 ecosystem:

relevant, connected, transparent, realtime



3.0: personalization

Target shoppers soon can get ads tailored for them

'My TargetWeekly' will let consumers customize offers

By Bruce Horovitz
USA TODAY

Target is about to seriously personalize the way it tells digital and mobile customers about hot deals.

The retail giant, with 1,743 stores in 49 states, on Friday will announce "My TargetWeekly," a fully customizable version of its weekly ad. The ad now appears on Target.com, where it draws more than 1.2 million visitors weekly, and in Sunday newspapers, where it is seen by 100 million consumers each week.

The new version takes the digital ad and lets consumers create customized views, as well as deal alerts for when favorite brands or products are on sale. It aims at the smaller number of hard-to-reach, digitally savvy shoppers — who tend to spend more than others.

They'll decide what they want to know about items relevant to them and get the information online — or on their mobile phones.

The image shows a screenshot of the Target.com website. At the top left, there is a navigation link "go to Target.com" and the Target logo. The main heading is "My TargetWeekly" in a large, bold font. Below this, there is a "Login" button with a Facebook 'f' icon, a question mark icon, and a "More ways Weekly Ad" link with a mobile phone icon. The background is a large red circle with a white bullseye in the center, and the text "EXPECT MORE. PAY LESS." is written across it. In the foreground, two tablets are displayed: one showing a mobile app interface with various icons and a date "27", and the other showing a newspaper-style layout of "The New York Times". At the bottom right, there is a "See Details" button. Below the tablets, there is a mobile app advertisement for the "Apple® 16GB iPad™ with Wi-Fi". The ad features a red circle with the number "1" and the price "\$499.99". At the bottom of the ad, there is a red slider bar and a "Grid View" button with a grid icon.

3.0: personalization

- Personalized vending machines
- Camera captures image, sensor determines gender and age; makes drink recommendations



Billboards That Can See You

Japan Pioneers Use of Cameras, Sensors That Let Signs Identify Their Audience

Article

Comments



Email



Print

Save This



Like

127



+ More



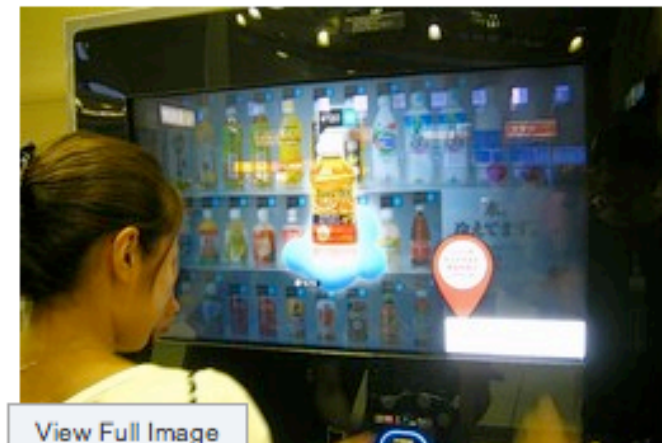
Text



By [DAISUKE WAKABAYASHI](#) And [JURO OSAWA](#)

TOKYO—Inside the bustling Shinagawa train station here, a futuristic-looking vending machine has replaced rows of drink bottles and cans with a 47-inch touch-screen monitor.

When a person stands in front of the screen, a camera captures his image and a sensor determines the person's gender and approximate age.



[View Full Image](#)

Juro Osawa/The Wall Street Journal

A woman stands before a futuristic beverage vending machine inside Tokyo's Shinagawa railway station.

Based on that reading, the machine "recommends" drinks that fit the customer's profile.

"With this machine, we can actually see who is buying what, instead of relying on educated guesses," said Toshinari Sasagawa, general manager of sales at an East Japan Railway subsidiary that operates vending machines in train stations.

Japan is taking the lead in adding cameras and sensors to glean more information about who is looking at signs and electronic public

displays—flat-screen monitors used like billboards—and is incorporating cellphone technology to make them more interactive.

3.0: investing in technology

- Investing in tech to speed supply chain
- deliver targeted promotions
- tying online to in-store

J.C. Penney Co., betting that better control of inventory and stronger online sales will underpin its growth, is spending heavily to speed up its supply chain and overhaul its website.

The Plano, Texas, department store chain is boosting its tech spending for a second straight year, even as it has cut its broader capital spending in half over the same period as it scaled back store openings.

This year the retailer is adding mobile and interactive features to its e-commerce site, such as product review tie-ins to services like Twitter and Facebook and delivering targeted promotions to shoppers with smartphones.

Counting Its Pennies

J.C. Penney has slashed capital expenditures but continues to invest in new technologies.

■ Capital expenditures ■ Technology spending

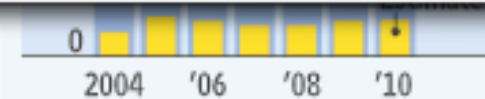


The 108-year-old retailer isn't just being trendy. The company's online growth has slowed in recent years and it's counting on Internet sales, now just 9% of its \$17.5 billion in annual revenue, to deliver \$1 billion in sales growth over the next five years.

"This is the next generation of how to make things better, and how to be a better competitor," says Chief Executive Myron E. Ullman III. "People who

1 BUSINESS TECHNOLOGY
2 MAY 4, 2010

J.C. Penney Spends to Get Ahead on Mobile Shoppers, Other Trends, Other Trends



*WSJ calculation
Sources: Citigroup (tech spending); the company (capex); Associated Press (photo)



are going to survive are working on this."

Manufacturers fight back

- Brand manufacturers are leveraging technology to claw back some of the gains realized by retailers in the last several years
- Developing direct-to-consumer websites and loyalty initiatives designed to strengthen direct relationship with consumer

RETAIL 1.0

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RETAIL 2.0

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Manufacturers fight back

Campbell's Soup Scan Sweepstakes is the first sweepstakes to use the Stickybits mobile application for Android and iPhone. With the Stickybits mobile application, users can scan any barcode and attach photos and video content.

A person's Stickybits activities can be shared across Facebook, Twitter and Foursquare.

People enter the sweepstakes by using the free application to scan UPC codes from labels of redesigned *Campbell's* Condensed soup cans and sharing their impressions of the new designs by adding a photo, which is then posted on the *Campbell's* Condensed soup Facebook page.

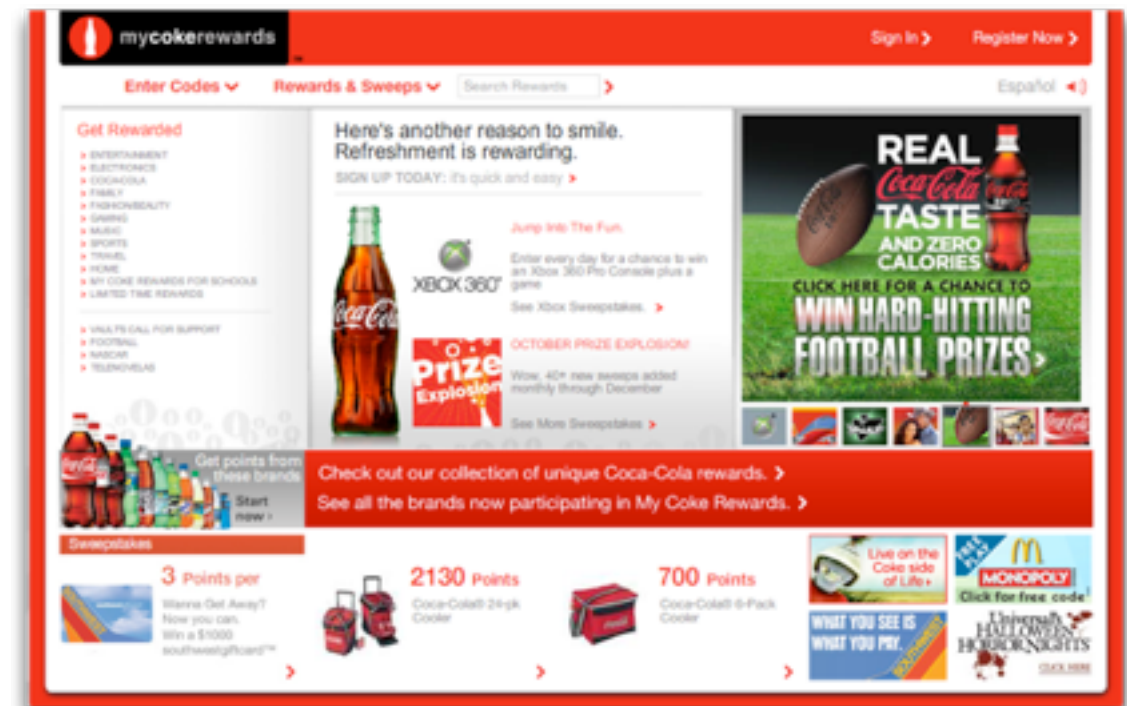


"By encouraging shoppers to seek out and interact with our iconic brand we hope to make them feel even more connected to the Campbell's brand," said Jennifer Gordon, Director - Global Advertising and Design, Campbell Soup Company.

- Reuters / Aug. 10, 2010

Manufacturers fight back

- Brand loyalty programs
- Register online
- Earn points by purchasing products, and entering product codes online
- Use points for rewards
- Brand goals:
 - improved understanding of customer value
 - drive brand loyalty
 - build direct relationships



Manufacturers fight back

- Learning lab for e-commerce innovation
- Different product selection / packages than on other sites selling P&G products
- Historically, online sales account for less than 1% of annual revenue; goal is to increase to between 1% to 10%



The eStore's main function is to act as a "living learning lab" for developing e-commerce innovation to win with shoppers. Shopper insights will continue to be a strong influence in the eStore's ongoing development to help deliver tools, features and expertise that are great for consumers and also create value and sales for PFSweb, P&G and P&G's retail partners.

– P&G press release

3.0: realtime supply chain

Overall, SCORE represents a single source of real-time business data for all of its users, including Bozzuto's employees – everyone “from the CEO to the yard jockey,” said John Keeley, the wholesaler's vice president of business information technologies. “Everyone's looking at the same sheet of music, and we're all communicating a lot better, which enhances efficiencies.” - *Supermarket News*



Bozzuto's IT team, from left: Bill Larsen, Samar Saha, Debra Bonney, Benjamin Nutting and John Keeley.

- Single source realtime data for all users
- Retail customers able to track delivery trucks in realtime via GPS tracking system

Through the Merlin module, retailers “can get all of the information they need from us,” said Keeley. For example, retailers can log on to find out where their delivery truck is in real time, tapping into a GPS tracking system. Bozzuto's customer service department – which receives calls from retailers inquiring about the status of deliveries – has access to the same information. The system tracks whether deliveries are on time and provides that data to Bozzuto's, helping the wholesaler to improve its on-time rate. - *Supermarket News*

3.0: growth of digital everything

- Both retailers and brand marketers leveraging various consumer facing solutions
 - many of them mobile-based
- App explosion
 - Apps driven by third-parties / apps created by retailers



**500,000,000
users**

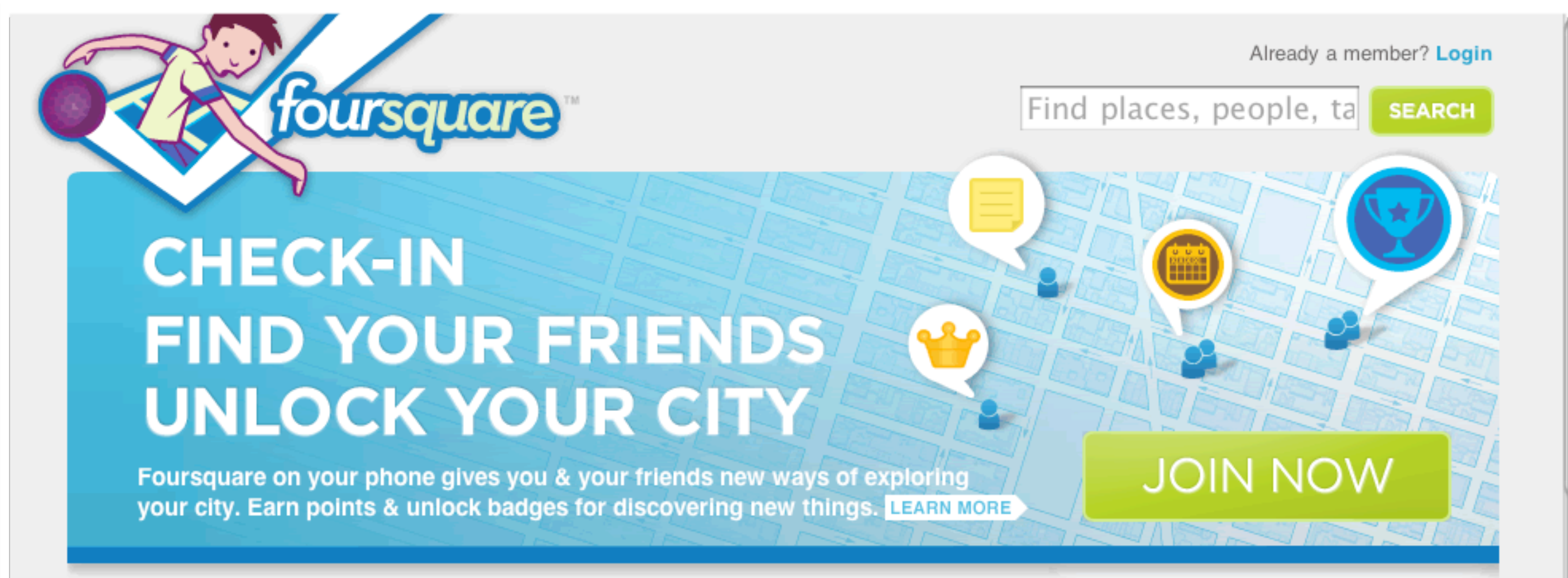


**100,000,000+
users**



3.0 activity: Foursquare

- Location driven social network
 - link to Facebook and Twitter accounts
 - locate friends nearby
 - see recommendations for nearby businesses / things to do
 - earn rewards by checking in

A promotional banner for Foursquare. The top left features the Foursquare logo with a cartoon character. The top right has a search bar with the text "Find places, people, ta" and a "SEARCH" button, along with a "Login" link for existing members. The main body of the banner is blue with a grid pattern and contains the text "CHECK-IN FIND YOUR FRIENDS UNLOCK YOUR CITY". Below this is a smaller line of text: "Foursquare on your phone gives you & your friends new ways of exploring your city. Earn points & unlock badges for discovering new things." followed by a "LEARN MORE" button. On the right side, there are several icons representing different features: a yellow speech bubble, a crown, a blue person icon, a yellow calendar icon, a blue person icon, a blue trophy icon, and a blue person icon. A large green "JOIN NOW" button is at the bottom right.

Already a member? [Login](#)

Find places, people, ta [SEARCH](#)

**CHECK-IN
FIND YOUR FRIENDS
UNLOCK YOUR CITY**

Foursquare on your phone gives you & your friends new ways of exploring your city. Earn points & unlock badges for discovering new things. [LEARN MORE](#)

JOIN NOW

3.0 activity: Groupon

- Daily deal
 - One deal per day per city / market
 - Deal only active if enough people buy it



GROUPON The Daily Deal for San Jose Thursday, August 19, 2010

\$25 for \$50 Worth of Apparel at Gap

worth:	discount:	savings:
\$50	50%	\$25

Company Information:
Gap website
Locations:
Valid at all Gap stores.

Groupon's \$11 million Gap day: A business winner or loser?

440,000 shoppers bought deal

3.0 activity: ScanLife

- Barcodes come to television
 - Use mobile phone camera to take picture of barcode; links to website with content, coupons, etc.

Bluefly Launches Mobile Barcode Technology in Television Commercials
Scanbuy Technology Provides Users with Additional Content and Coupons with the Click of a Camera Phone



A screenshot One of Bluefly's "Closet Confessions" commercials, featuring Bethenny Frankel of "The Real Housewives of New York City," with scannable information about things for sale on Bluefly.



“Technology does not drive change -
it enables change.”

- technology forecaster Paul Saffo

- Too many retailers are pursuing a multitude of channels to the shopper - Facebook, Twitter, Foursquare, Groupon, assorted apps, and many more each day - without a comprehensive understanding and strategy of where they want to go.
- *Technology for technology's sake*

Loyalty evolution

LOYALTY 1.0

Loyalty marketing in retail began in the early 1990s, subsequently exploding across many channels later in the decade. Early focus was on “best customers”; the relative handful of customers who provide a majority of revenue and profits.



LOYALTY 2.0

As larger retailers began gathering vast quantities of data the understanding and use of customer information became more sophisticated; advanced companies establishing customer segments and working to bring product category management and customer category management together.



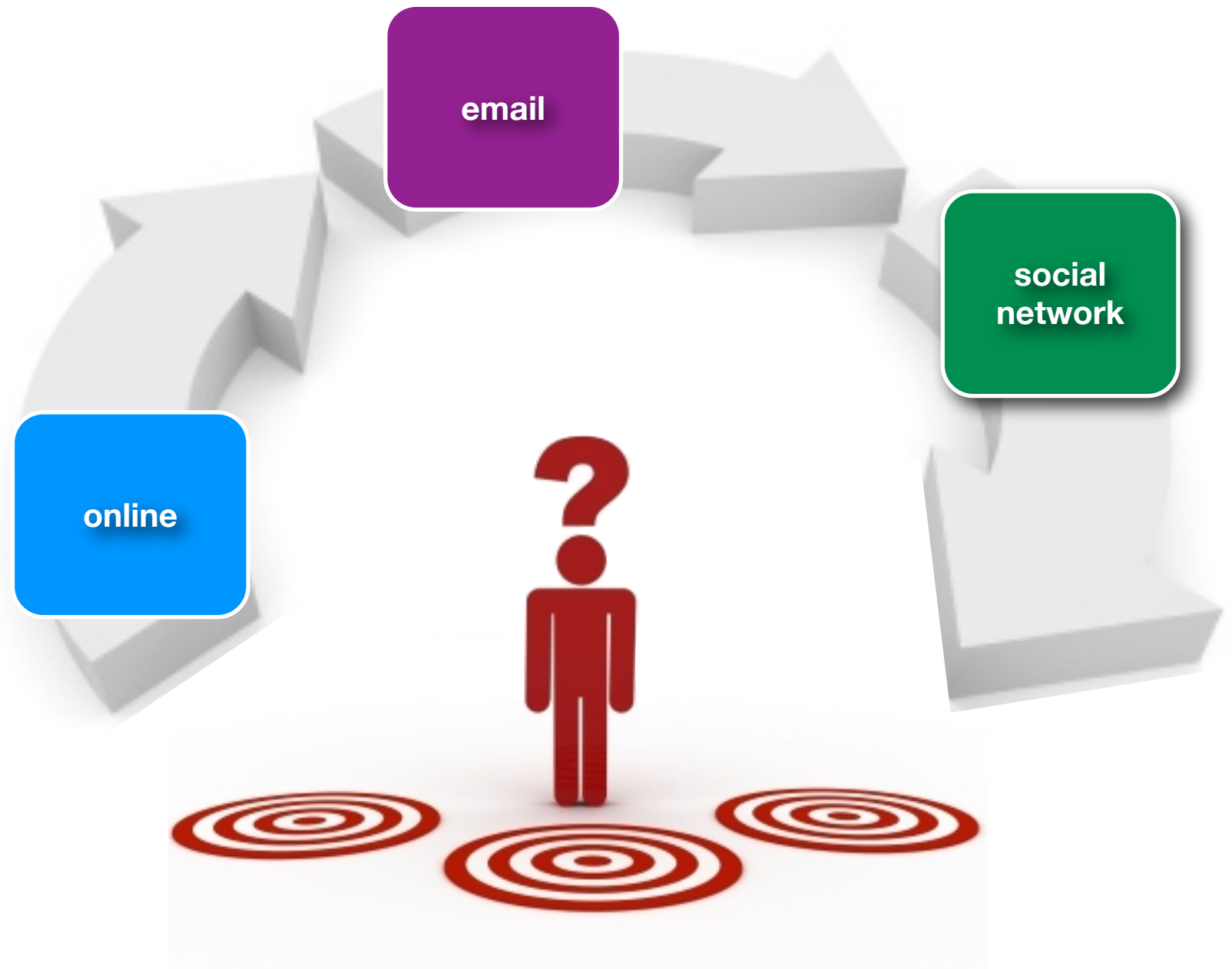
LOYALTY 3.0

The next evolution in loyalty is upon us: true personalization on a massive scale, enabled by technology and driven by increased understanding of customer lifetime value. Customer loyalty will be earned by those merchants who can provide the right offer to the right customer at the right time in the right place.

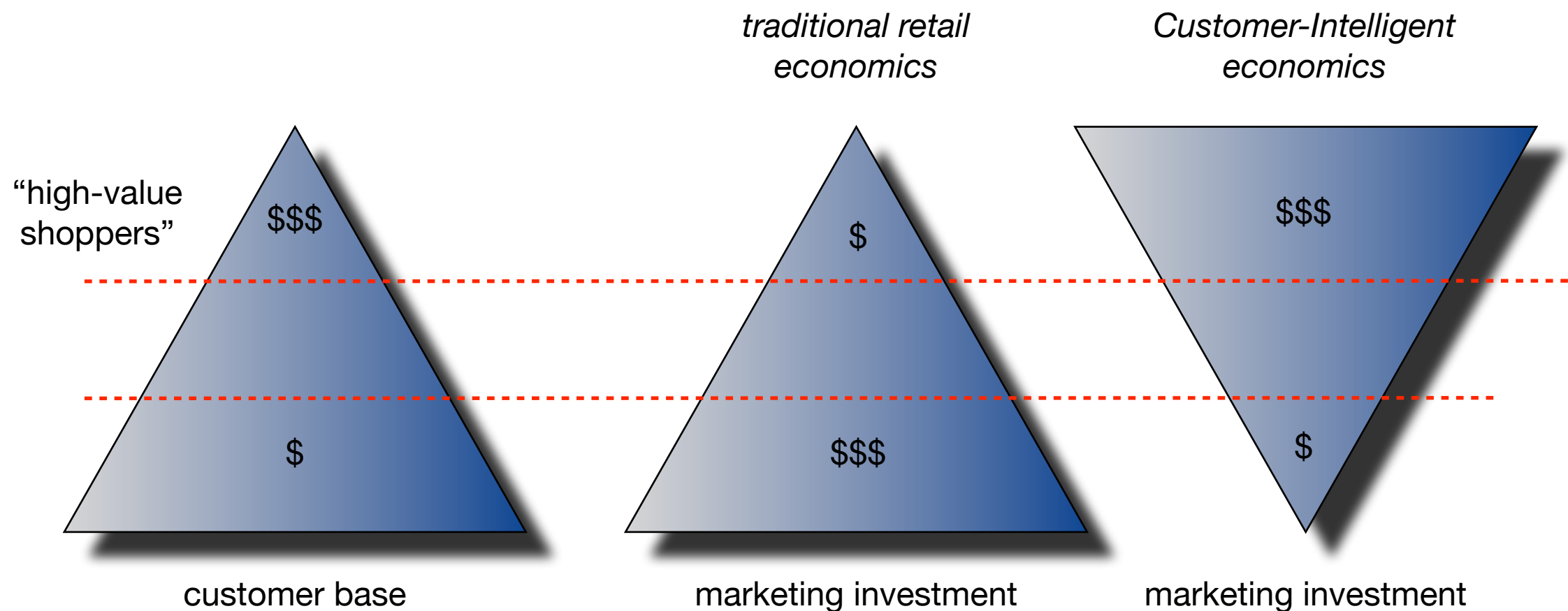


Customer data: mission critical

- Many retailers are leveraging new digital capabilities to connect with customers
- But those retailers without customer identified transaction data will be unable to close the loop...
- Customer-identified transaction data is becoming mission critical
- Without it retailers cannot target relevant promotions to shoppers based on purchasing history
- And, without the data, retailers will be challenged to understand customer value - *or the value they are providing each customer*

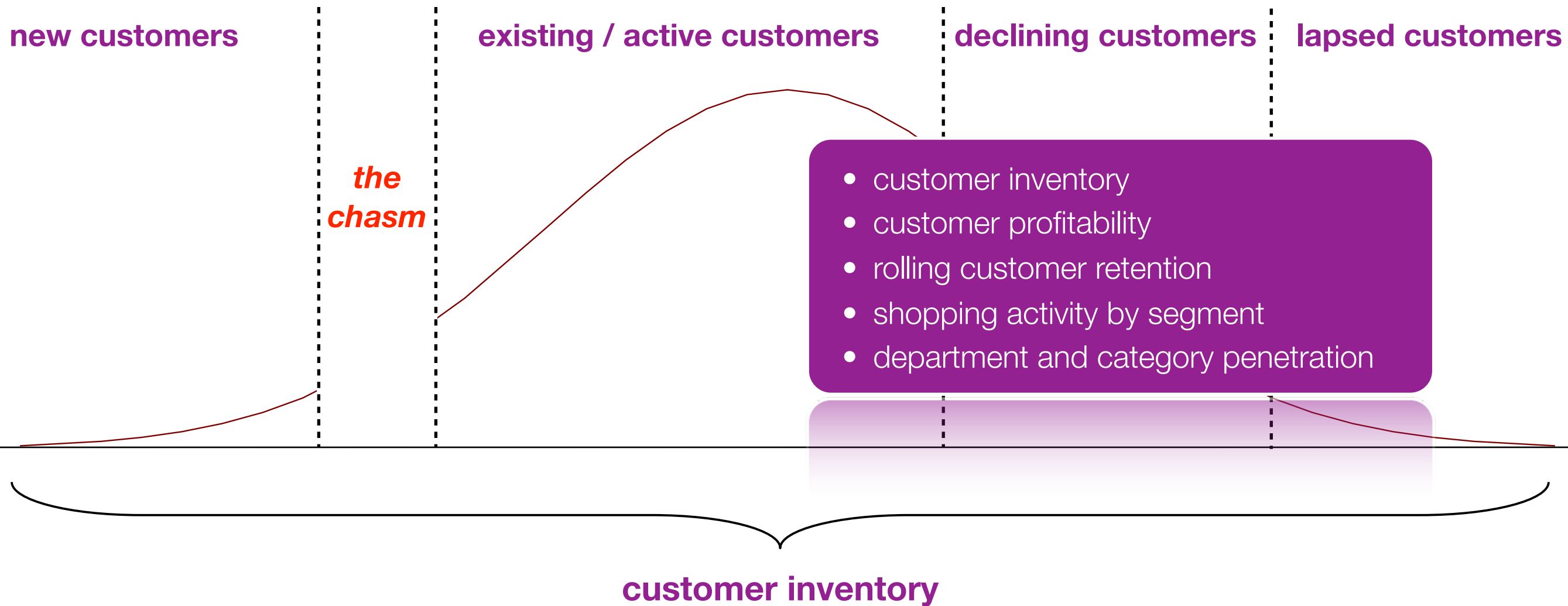


Loyalty 3.0: need for customer understanding



- Continue to see a lack of understanding of customer marketing economics in retail
- Retailer acceptance of more valuable customers subsidizing deal-seeking customers

The customer lifecycle → customer scorecard



- Many retailers - even those with customer data - fail to create and manage to customer scorecards

The world of Retail 3.0 demands customer understanding and consideration of the changes to established business practices and organization it will bring with it.



CENTER FOR ADVANCING RETAIL & TECHNOLOGY

CART brings the Retail 3.0™ vision to a live store environment. It is the epicenter of the shopper movement to demand more value from the entire retail supply chain. CART features a learning center on top of its open store format.

Think



Retail 3.0™ vision, history, and position paper downloads

Deploy



CART Partners, live-store immersion, research capabilities, CARTconnect

Learn



Educational tracks, advising, advanced learning, resources

Share



Social networks, events, and shopper movement

about CART

- CART based at Green Hills; high volume supermarket in Syracuse, NY
 - loyalty program in place for nearly 18 years
 - high level of customer identified transaction data
 - household > individual > sku level data
 - well-established personalized marketing capabilities
- Over a dozen innovative technology solutions in place
- Partnerships with leading Universities
 - several research projects underway
 - Stanford University - loyalty research
 - Cornell University - customer shopping experience
 - Northwestern Kellogg School - checkout efficiency, product information / research, in-store dwell times

In-store: the new battleground

- In-store marketing - fueled by increasing Shopper Marketing budgets - continues to grow
 - Challenge: measuring the effectiveness of in-store activity
- CART brings unique capabilities to in-store
 - Video analytics and metrics:
 - ability to measure traffic flow, aisle conversions, dwell time, purchase conversion
 - used to evaluate promotion and display effectiveness
 - Measurement of product and customer activity by hour by day by week
 - Product and customer metrics
 - Focus group and survey capabilities
 - ability to pre-segment shoppers based on given criteria
 - Web portal access to data providing unparalleled drill-down capability

Case study: display effectiveness

- Test effectiveness of off-shelf display
- Compare activity to on-shelf during prior periods

Display 1

Display 3

Display 2

Display 4

Case study: display effectiveness

VISIBILITY

Customers that
walked by a display

**Product Exposure
Increased 498%**

SHOPPERS

of Customers that
engaged with the product

**# of shoppers
increased 340%**

DWELL TIME

Amount time shoppers
spent with the product

**30% higher at the displays
compared to the shelf**

CONVERSION

% walking by that
purchase the product

**% of total store customers that
purchased increased 665%**

SALES

Sales for
the product

**8.1% had been buying
other candy brands**

Case study: special display

- Test category: cereal
- Pre-test metrics:
 - Store traffic: 46,390
 - 21% go to the cereal aisle
 - for an average of 23 seconds
 - 47% purchase brand

Case study: special display

Shopper Benefit:

- “Whole Grain Goodness”
A healthy choice

Methodology:

- Analyze impact of the showcase on:
 - Aisle Traffic
 - Engagement / Dwell
 - Conversion to Sales
 - SKU level conversion
 - Sales by Shopper/household
- Base vs Test Period

Case study: special display

AISLE TRAFFIC

Customers that walk through the aisle

Higher increase than any previous promotion

STOPPAGE POWER

% of aisle traffic that stop and engage with the product

of shoppers engaging with the Brand increased 200%

DWELL TIME

Amount time shoppers spent with the product

Dwell Time Decreased 23%

CONVERSION

% of shoppers walking by that purchase the product

Brand Conversion Increased 8%

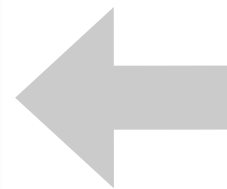
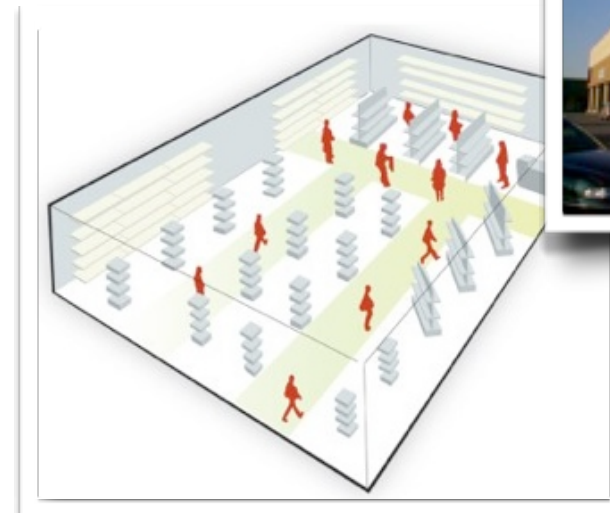
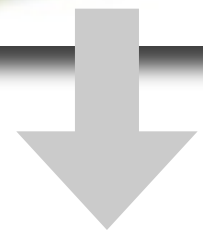
SALES

Sales for the product

11.2% of Brand buyers had been buying other brands

Time & location based marketing

- A mobile delivery platform allowing marketers to select a region on a map and link ads, offers, coupons, or other content to that region
- When user enters the region, the content appears on the user's mobile
- When user enters store, platform can locate shopper within the store to within a 4' zone, enabling location-based targeting within a store environment
- Time and location based mobile marketing that transitions from neighborhood to in-store

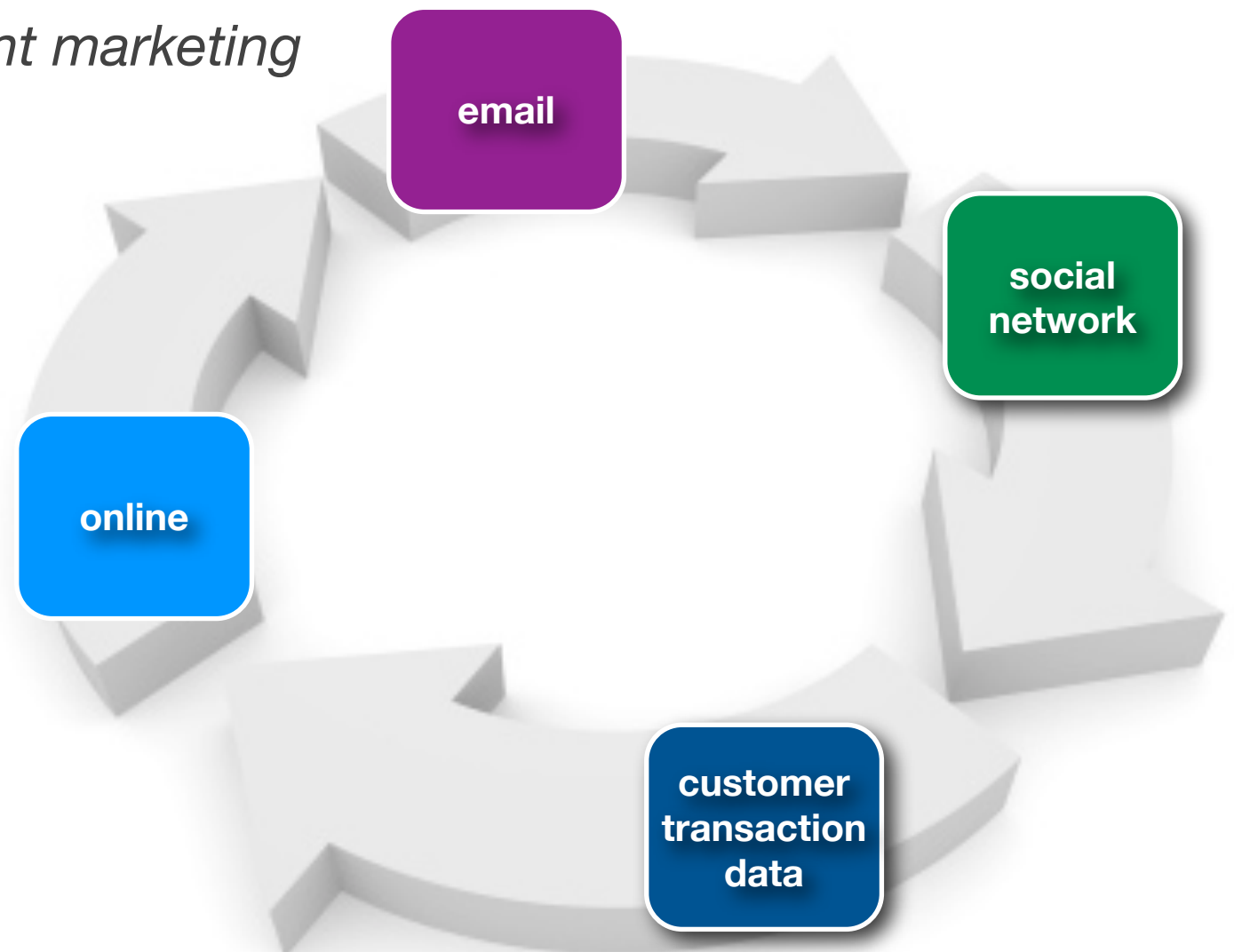


Understanding in (near) realtime

- In the past, it could take hours or even days for large retailers to analyze data and produce reporting
 - Time lag and expense led to standardized reports
 - Ad hoc inquiries very challenging
- In the world of Retail 3.0, realtime supply chain visibility and realtime marketing drive the need for “realtime understanding”
- A new generation of technologies supports ad hoc inquiries against massive databases returning results in seconds
- Resulting capability speeds decision making process while providing deeper and faster insights

Retail 3.0: looking forward

- Continued growth of relevant marketing
 - *right offer, right customer, right time, right place*
 - *relevant marketing drives sales, trips, and margin*
- Customer identified transaction data is becoming mission critical
 - *necessary for personalized, relevant marketing*



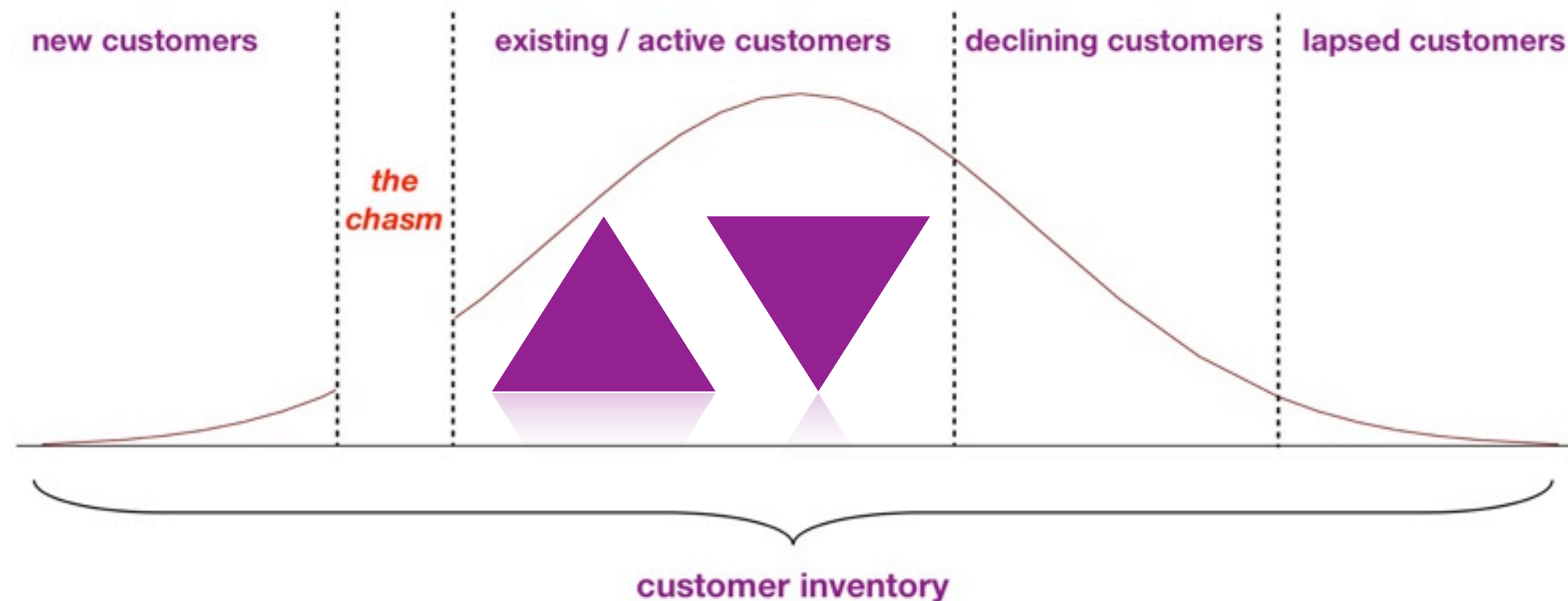
LOYALTY 3.0

Customer loyalty will be earned by those merchants who can provide the most relevant, personalized shopping experience.



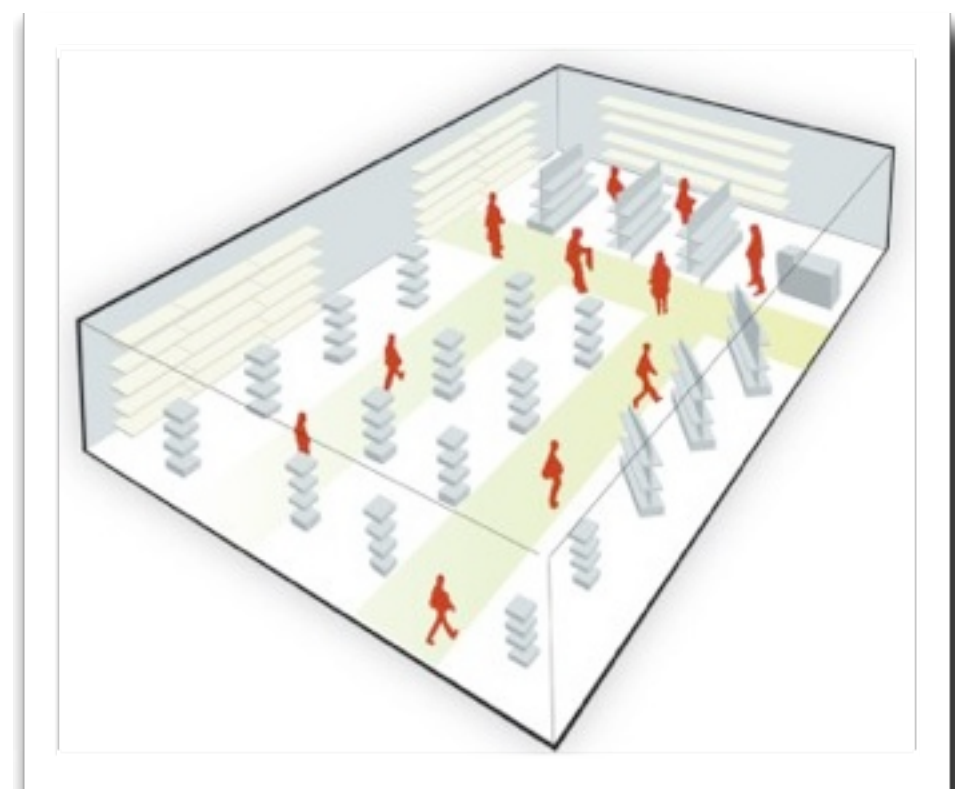
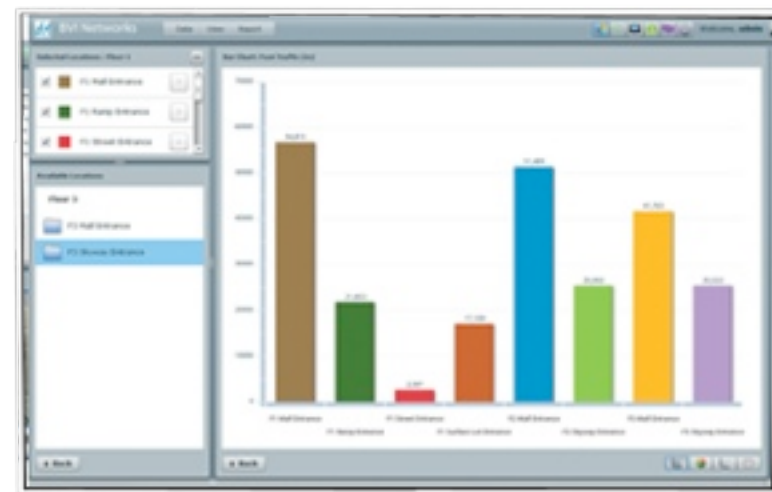
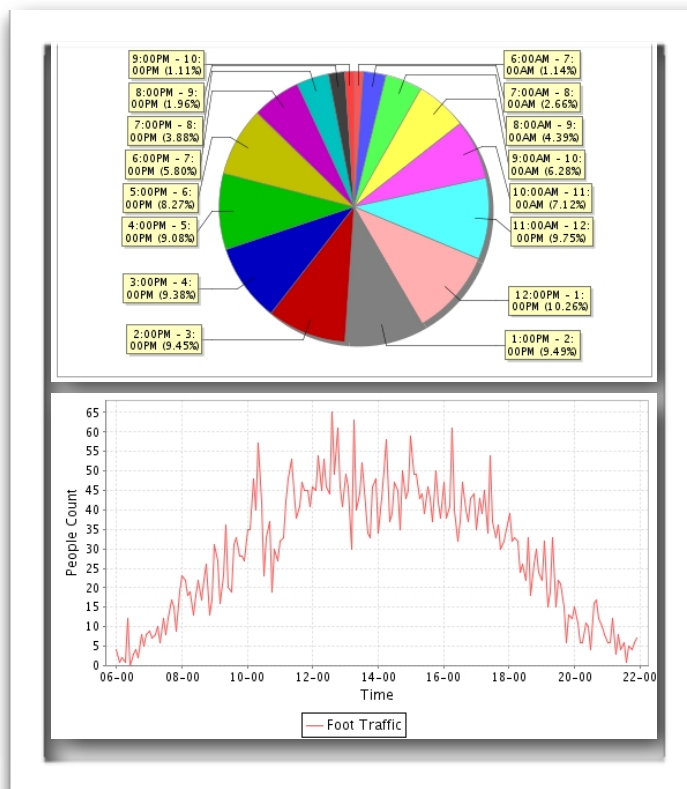
Retail 3.0: looking forward

- Mass promotion, price-based competition gives way to competition driven by customer understanding and knowledge of customer value
 - Internally: Do you understand your customers as well as your competitor?
Do you understand your customer economics
 - Externally: Does your marketing reflect that understanding?
 - *“Your competitor knows what I like, why don’t you?”*



Retail 3.0: looking forward

- A new front will open in retail battles: optimizing in-store activity
 - *ability to measure in-store activity creates opportunity to manage*
 - *facilitated by in-store location based targeted marketing*
 - *all in realtime*
- Store level execution increasingly important
 - *increasing need for realtime task management*



LEAD marketing conference

October 11, 2010

advancingretail.org

