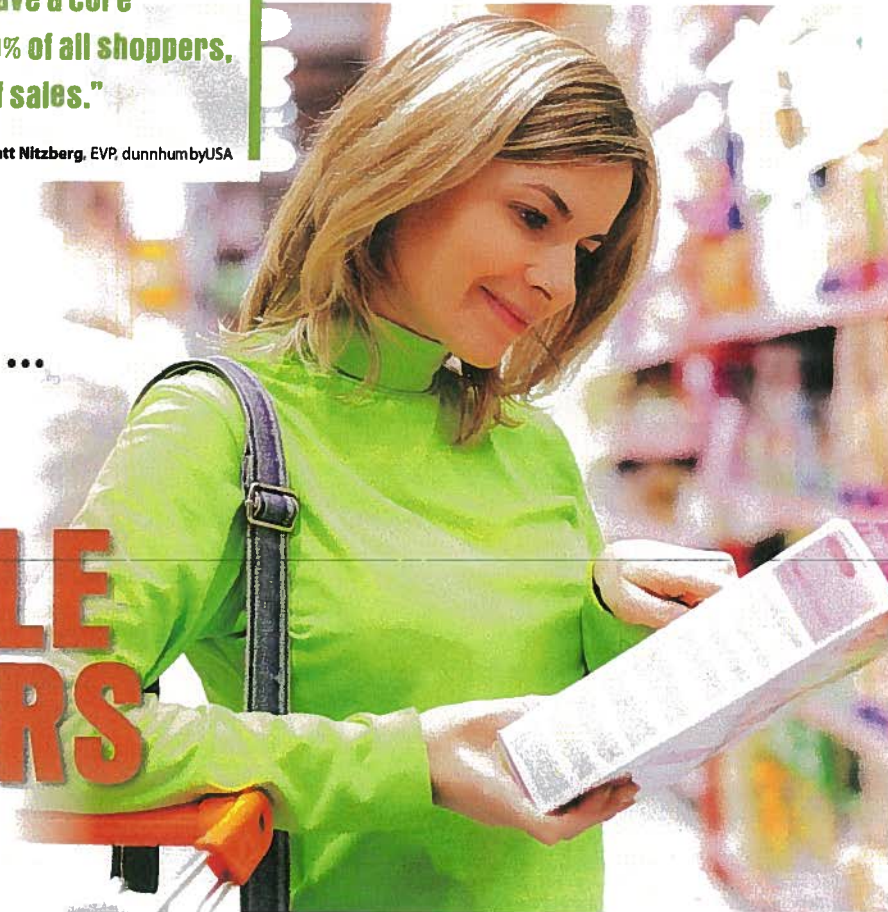


“Most brands and retailers have a core following, typically 20% to 30% of all shoppers, who contribute 70% to 80% of sales.”

Matt Nitzberg, EVP, dunnhumbyUSA



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Identifying and Targeting ...

MOST VALUABLE SHOPPERS

By April Miller

Big data provides big opportunities for brands and retailers to identify and target their *most valuable shoppers*. According to IBM, the world creates 2.5 quintillion bytes of data every day. Beginning but not ending with purchase transaction records and loyalty card programs – and with the help of shopper analytics companies such as dunnhumby, EYC, Nielsen and Spire – brands and retailers are challenged with leveraging this abundant information in their shopper marketing.

“Most likely identification [of most valuable shoppers] is coming from frequent shopper cards,” says Catherine Lindner, managing partner at Sagres Consulting and a former vice president, retail marketing, at Walgreens. “But it’s also looking beyond that. Credit and debit card purchases, online behavior and other social media tagging are the wave of the future.”

Understanding all of that information and using it to create effective strategies that target and motivate core shoppers is a key to success for brands and retailers. Unlike the length of time it took companies to figure out what to do with frequent shopper data, the “analytic power that has come from the Internet companies like Amazon.com has dramatically shortened the time it will take smart companies to aggregate big data,” Lindner says.

The Kroger Co. and dunnhumby, which

mines the supermarket giant’s loyalty card data, are mentioned time and again as those that get it. Spire, which provides custom analytics for nine regional retailers, does as well.

“These companies are a good example

that, more than just a good ROI, there is strong evidence that being able to identify and incent these shoppers is the difference between survival and oblivion,” says Jeff Weidauer, vice president of marketing and strategy, Vestcom.

Identifying Most Valuable Shoppers
DunnhumbyUSA’s Matt Nitzberg cites three necessary components to identifying a retailer’s or brand’s most valuable shoppers.

- Current spending: “Our global experience confirms that most brands and

LEADERS VS. LAGGARDS

Success Criteria	Lagging Shopper Marketers	Leading Shopper Marketers
Definition of Most Valuable Shoppers	One dimensional; not tied to actual sales impact or potential sales	Based on a combination of current sales (contribution), potential sales (capacity), and advocacy (championing)
Shopper Growth Strategy	Acquisition-focus; emphasizing shoppers who don’t currently buy your brands or shop in your store	Greater focus on retention and growth among most valuable shoppers
Shopper Marketing Budget Allocation	Budget spread broadly among shopper segments	Majority of spending allocated to most valuable shoppers based on current and future value
Shopper Marketing Personalization	Increasingly personalized content and offers	Completely personalized and exclusive content and offers
Measurement	Old KPIs that emphasize HH penetration (brands) and traffic (retailers) rather than depth of engagement with shoppers	KPIs/organizational rewards linked to growing through engaging the most valuable shoppers, and growing the number of shoppers who qualify as most valuable shoppers

Source: dunnhumbyUSA

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- Potential spending among current shoppers: Even the most loyal shoppers often spend less than 50% of their category and retail sector dollars on "one brand in a category or one retailer in a sector," Nitzberg says. The opportunity here is to win a greater share of wallet from current shoppers.
- Advocacy/social media engagement by shoppers with authentic enthusiasm. Whether or not they spend a lot with one retailer or brand, they can help drive awareness, positive associations and sales. Nitzberg says dunhumby, through its BzzAgent social arm, has found that social marketing campaigns that leverage shopper insights to target known shoppers not only generate higher volumes of word-of-mouth endorsements online, "they also drive dramatically higher sales lifts in-store than campaigns that use demographics or store-level analysis." And when given the opportunity to move from loyal shoppers to brand advocates, they spend more themselves and make twice as many repeat purchases of the brand.

Other factors that come into play when identifying most valuable shoppers are loyalty and consistency. "Maybe I'm only devoting a third of my purchases to a particular brand, but I do it with great consistency," says Dan Sherr, vice president and general manager, integrated media optimization, Valassis.



"The challenge is that it's hard to say 'no.' You are saying to others, 'I'll take your business, but I'm not going after it.'"

Catherine Lindner, managing partner, Sagres Consulting

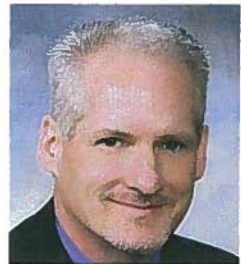
Saatchi & Saatchi X's Christopher Gray, vice president, shopper psychology, says his company also takes a look at clients' fastest-growing spenders. "This can give us a sense of evolving shopper needs and emerging opportunities to further grow sales now and in the future."

Each brand's or retailer's definition of which shoppers rank as most valuable is unique. "Therefore, it's one of the key aspects of activating a strategy that can't be repeated by your competitors," says Nitzberg, "and one that can lead to a sustainable business advantage." Yet, he notes, many brands and retailers define their most valuable shoppers as those who aren't actually buying from them at all and spend most of their marketing and promotion resources on these uncommitted shoppers to generate awareness and trial with only a small spend to reward those who are loyal. "The economic irony," Nitzberg says, "is that it would take roughly 15 of these uncommitted shoppers to replace one lost most valuable shopper."

Understanding Their Behavior Identification is the first step, but to truly influence spending, marketers must develop an in-depth understanding of the

Understanding Their Behavior

needs and motivations that drive purchase behavior. This requires the ability to develop and maintain relationships with individuals, rather than with a demographic bucket. "This is much more difficult than a simple definition such as 'female, head of household, age 35-49,'" says James Fraser, vice president, Hunter Straker.



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"To truly inspire shoppers to buy our products," says Liz Boyd, president, LB Insights, "we need to get into their hearts and minds (through good, in-depth primary shopper research) to understand what triggers their inspiration." Boyd says it's about developing and nurturing a relationship as you would any other - finding out what they like, dislike, how they think, their attitudes and desires, and how they make decisions along the entire path to purchase. She suggests this can be accomplished

at ROI on dollars spent."

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It's making a strategic decision to focus your spend and efforts in the places that will deliver the best results. You target the best shoppers, and you say "no" to others. "The challenge is that it's hard to say 'no' to things," Lindner says. "You are saying to others that I'll take your business, but I'm not going after it.' It's valuable because your resources are much more productive, but it requires some fortitude."

Marketing to Most Valuable Shoppers

Coca-Cola Co. has seen a four to seven times greater response with personalized shopper marketing activities, says Michael La Kier, group director, shopper marketing strategy and capability. He does admit that targeting at the right time with the right content can be difficult. "Lack

to identify shopper behaviors that fit the beverage's most valuable shopper profile and used a variety of high-value offers to incent trial. "These targeted offers proved to be some of the most effective programs from an ROI standpoint as they allowed us to get the product in the hands of shoppers who were most likely to buy the product in the future," says David Knoepfle, shopper marketing manager.

For its work with a major Southeast grocer, Valassis receives frequent shopper program information on a regular basis from the retailer. They look at spending and loyalty and develop targeted programs based on those two segments. "You need to take the metrics and convert them into strategy statements and into accountable key performance indicators," Sherr says. "You can't spend enough time analyzing who your most valuable shoppers are and refreshing that every year. You also need to develop a methodology to track whether you're really getting it done."

Fraser cautions not to evaluate a long-term most valuable shopper strategy with short-term ROI metrics. "This has been the death of many potentially great initiatives."

Brand and Retailers Working Together

Campbell Soup Co. is able to partner with retailers on shopper marketing strategies that target both the brand as well as the retailer's core shoppers when there is alignment between the two companies, says Phil McGee, director, shopper insights. However, that isn't always the case. And when a manufacturer's most valuable shoppers don't sync with a retailer's, agencies are left trying to develop programs that serve both, Fraser says.

But, Fraser admits, if retailer objectives aren't met, programs may not be executed. "In the relatively new world of shopper marketing, retailers are holding most of the cards. The choice is to make compromises or be left watching the competition outperform your principled but ill-fated efforts." So, perhaps a brand isn't targeting its most valuable shoppers as directly as it would like, but the "increased store-level compliance that will occur because you have met the retailer's objectives will more than make up for a perhaps less-targeted effort." ❧

through qualitative research such as ethnography, in-home interviews, shopalongs, neuromarketing techniques and quantitative research such as online surveys and virtual shopping. "One can't get at true attitudinal/emotional drivers of behavior by looking at panel or loyalty data," Boyd says, "and emotions are what drive our behavior as people, including our behavior as consumers and shoppers."

Focusing on most valuable shoppers is not a short-term campaign but an on-going relationship that needs to be implemented for the long haul and for long-term gains. "It is this point," says Fraser, "that challenges many shopper marketing organizations who are charged with delivering immedi-

of proper data is typically the culprit," he says. The company created the My Coke Rewards program in early 2006 to interact with its most valuable shoppers along the entire path to purchase. "Understanding the brands they buy, where they shop and what they are passionate about allows us to serve up more value," La Kier says. "In return, they reward us and our retail and other strategic partners with loyalty and seek more interaction with us." Core shoppers are also tracked by syndicated panel data, primary research, shopper card data and social media interactions.

Elsewhere, when Dr Pepper Snapple Group launched Dr Pepper Ten in 2011, the company used loyalty card databases



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