

Store Brand Surprise

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What do Silly Putty, Viagra, and penicillin have in common? They are all accidental discoveries or unexpected applications of existing products that came about when researchers were looking for something else. What does this have to do with grocery retailing—especially with tools that promote the cross-sale of national and store brands as well as using communications in fresh departments to drive shoppers into center-store?

It's that unexpected discoveries and useful knowledge can come from many places—including in-store marketing.

Okay, so the parallel might be a stretch. But in an intensive, long-range in-store test, we did indeed “accidentally” find a unique set of strategies and tactics that drove significant incremental revenue across a broad selection of store brands, including a notable lift in both national brands as well as fresh-food sales.

We had only expected to develop a more powerful way to drive incremental and add-on purchases primarily of national brands with cross-category communications. However, the most powerful result that came from the test was a strategy for retailers to use the in-store environment to build their own brand sales while still creating lift for national brands.

In 2008, after a lot of thinking about developing a serious fact-base about the store as media and to test some theories about cross-selling and co-promotion of national and private brands, we executed an

intensive, eight-month controlled experiment in 10 grocery stores in the Southeast.

We wanted to execute this test because of an interest in using the store as a dual brand-building and shopper activation medium—that is, how to build brand awareness, promote trial, and sell more stuff (responsibly) for both store and national brands.

We wanted to do this for two reasons. First, we were looking for ways to help both our manufacturer and retail clients drive their businesses. Second, we were becoming weary of all the talk of “store as media” (including our own) without facts and studies to back up the assertion that the store really can be a true medium.

We also hoped to sow the seeds of a common data model for in-store media and shopper marketing and to identify a set of useful metrics based on point-of-sale data (other than what PRISM was trying to do when it was still active).

Finally, we wanted to evaluate the store as media in as pure an approach as possible. So, despite the highly vocal objections of our own digital media group, we elected to keep digital screens and sound out of the test and to use arrays and hierarchies of static graphics instead.

A RICH MEDIA ENVIRONMENT

Stores in our test ranged in size from 39,000 to 47,000 square feet and had 30,000 to 40,000 SKUs. There were ten control stores to match the ten test stores. Creative work was designed to provide shoppers with a fun, information-rich, in-store media system that communicated beneficial product information at the point-of-purchase.

The test consisted of four, store-wide themes brought to life with a three-tiered hierarchy of about 350 lifestyle, seasonal, and product graphics that ranged from large-format overhead graphics to shelf-level blades. Each theme was in-store for 10 to 12 weeks.

The program's 350 elements highlighted about 200

An in-store test reveals unexpected dynamics between national and retailer brands.

products across the entire store (excluding pharmacy, tobacco, and lottery). Products selected in each theme were all marked at full price—not at discount prices. In each theme, a different group of products was chosen for promotion.

The heart of the program was a highly coordinated product messaging system, featuring 200 relevant messages with carefully picked products communicating ideas and beneficial information. Products were chosen based on the opportunity to make additional sales and increase the amount of margin contribution.

Multiple products were “bundled” with innovative cross-sell ideas and simple recipes. A separate, eight-page brochure highlighted all 30 simple recipes, located on signage placed throughout the store.

Product bundles included national brands, fresh-food, and store brands in order to optimize the unique attributes of each of the three product types.

The five themes were developed to appeal to the regional tastes, demographics, and seasonal influences and included: “Now is the time,” “Ingredients for good living,” “Aisles of goodness,” “Living fresh, healthy and new,” and “Spring into life.” Each theme was brought to life in a three-tiered hierarchy that included high-impact lifestyle overhead graphics, category-level graphics and communications, and product-level messaging

For each theme, sales data was analyzed and shopping baskets from loyalty-card accounts provided by the retailer were used to develop product bundling and cross-sell recommendations. Merchants were then engaged to discuss and provide final approval on products for promotion (“promotion” as in “highlighted” not as in “discounted”).

Other stakeholders—such as marketing, operations, and finance—participated in the development of the programs. We also created strong linkage to the retailer’s existing circular as a way to further promote the selling strategy within the stores and to close the loop between that form of media and the store as a medium. Circulars can become more valuable when the products that they promote are highlighted on such a system within the store.

Once product lists were agreed upon, product “bundling” was initiated. The unique soft sell—benefit-driven copy and imagery, product cross-selling messages and recipes were then created. We had a full-time creative staff of about ten people dedicated to developing graphics, imagery, and messaging during the test period. We also hired a full-time category manager from a grocery chain in the Northeast and engaged a number of experts from the food preparation and food services industries.

Overall thematic creative was developed that linked all customer messaging. All was reviewed, revised if necessary, and approved by the appropriate retailer stakeholders. The retailer was in final control over all aspects of the system.

RETAIL MEDIA VALIDATION

Results were analyzed against the control stores based on retailer-provided point-of-sale data as well as results for the entire 200-plus store retail chain. Analysis of sales and lift was performed by George Easton, an associate professor of information systems and operations management at Emory University’s Goizuetta School of Business.

We were very pleased by the results, which were analyzed in the major buckets using a number of statistical methods. In the arena of individual product sales, lifts ran as high as 127 percent for a highlighted pizza brand and into the triple digits for other selected items, especially for store brands. These were not “long-tail” items, and they were not discounted.

Although there were some individual items that experienced no increase, the test-store group significantly outperformed control stores. The range of outperformance ran from 1.8 percent to more than four percent in total store sales. Lift was calculated on a YOY basis and all stores selected in the test and control groups were chosen for their similarities, including years in operation and sales trajectories prior to the test.

Certain categories experienced much greater lift than others, and although there was significant lift in center-store products, the perimeter departments

fared the best. Produce had more than a 6.5 percent lift versus control; bakery a 5.5 percent increase; meat an improvement of 1.5 percent; and dairy a favorable difference of more than four percent.

There were additional unexpected results that were uncovered during a series of shopper intercepts conducted by Synovate, a research firm. There are additional examples of impact on associate behavior and attitude, and there is good reason to explore and test these further.

THE POWER OF PERCEPTIONS

Although we went into the test seeking sales lift alone, it created a set of very favorable perceptions among shoppers. For example, 83 percent of respondents felt that the store “was doing something good for its shoppers” which resulted in increased sales.

As one shopper put it: *“It made my shopping today better because when I came here today, I didn’t intend to buy all the stuff I ended up buying.”*

A change in shopper perception of store cleanliness was also indicated during intercepts although the program tested did not address store maintenance:

“In the past, I found this to be a dirty store, unkempt. I hesitated to buy fresh foods there. Today was a very different experience... I was quite pleasantly surprised not only was the graphic signs and food displayed much better, but the store actually seemed much cleaner.”

Retailers reported perceptions that stores had been remodeled, and that the program helped engage shoppers in conversation:

“I have had several customers ask if the store has been remodeled because they’ve noticed quite a difference in the look of the store.”

“I know this works. I’ve had one woman come in and ask me for the recipe for that pumpkin bake. It gave us something to talk about.”

We did not survey perceptions about, or actual perceptions of, store cleanliness or lighting. Nor did we assess perceptions about customer service from the shopper viewpoint or the associate viewpoint. Still, these are potentially very powerful avenues that we are working on now but that are not yet supported by the same rigor employed in the analysis of lift and comp store sales.

Although the store-brand group received the greatest lift, the test revealed much about the potential of collaborative cross-selling of national and store brands with fresh products as a foundation of product

linkage and a way to drive shoppers into the center of the store. For a variety of reasons, including rapid access to category managers and decision makers, most cycles emphasized private brands in category cross-promotion.

The results validate the store environment as a critical dimension of development for store brands. This is especially noteworthy because retailers do not typically invest in the sorts of traditional awareness and trial building, mass media that national brands do. Certain retailers should also give much more attention to the store environment itself as a tool to influence shopper behavior.

Another important point about this test: Execution is king. A key takeaway for measurement of any in-store medium is that if there is no verification of deployment — whether the medium is print, overhead screen, or shelf-level interactive digital — then there is no validity in any measurement of the effectiveness of in-store activities.

In the next round of testing we are contemplating a blend of semi-static and digital methods to test day-part communications and other tactics (and so our digital group can stop complaining). We also anticipate setting baselines for program impact on associate behavior as well as shopper perceptions of store appearance, navigability, and other attributes. We are also evaluating methods of greater inclusion and focus on national brands.

We welcome an open discussion and direct contact about this test and what it can mean for both retailers and manufacturers alike in terms of driving sales lift and retailer brand equity.

Any retailer who employs the strategy we tested should make certain to include national brands in the strategy for a variety of reasons — not the least of which is the powerful and important product development and equity that they carry with consumers as well as shoppers, and not the least of which is to foster true collaboration as a real two-way street. ■



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