

The CIES Marketing Study

Leveraging customer insight
to achieve high performance

The Accenture logo features a white chevron symbol above the word "accenture" in a lowercase, sans-serif font.



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High performance through customer insight: the state of customer innovation in global food retailing

Although most food retailers collect and track customer data—the majority of them are not effectively leveraging it. A global study conducted by CIES and Accenture shows that although most food retailers understand the buying patterns and preferences of shoppers, they do not understand buyer values—or why customers select what they do. Without this information, retailers cannot effectively allocate marketing spend to maximize the share of wallet of their most valuable customers. To insure return on investment of loyalty programs, and other marketing efforts, it is critical to understand the needs behind customer behavior. The study found that only a small percentage of respondents were generating customer data to create high-performance customer insight.

An unprecedented amount of customer information has been collected by global food retailers and their suppliers. Advances in technology—from the Internet to sophisticated CRM systems—allow retailers to gain insights from information

generated through loyalty programs, websites, and consumer surveys. But how effectively are retailers leveraging this wealth of data? What are leading retailers doing to use insight to create customer innovation?

CIES—The Food Business Forum—and Accenture conducted a study to answer these and other questions. Marketing directors from major retailers in Asia, Europe, South America and North America were surveyed.¹ Among major findings: a full 69 percent of respondents are not effectively leveraging customer insight. Of that 69 percent, 44 percent report that they gather a large amount of data but gain little customer insight from it; 25 percent “gather little customer data” at all. Less than a third of the respondents believe that they collect a large amount of data and leverage it to generate significant customer insight.

What kind of customer data do you collect/track?

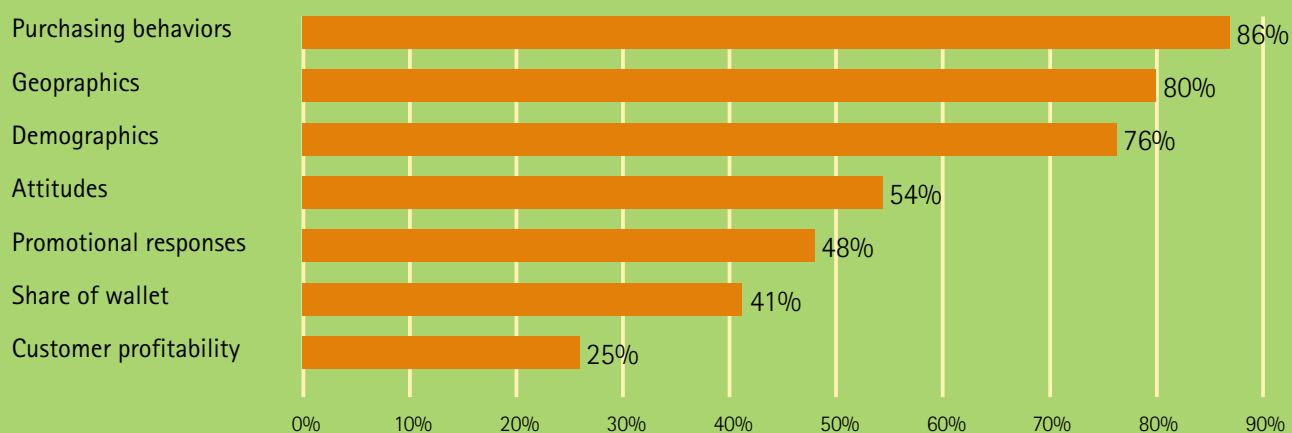


Figure 1: Retailers focus mainly on collecting and tracking data about "purchasing behaviors," "geographics," and "demographics."

Customer data: collection methods

The retailers that gather and gain the greatest insights focus on a wider range of data—and report a higher incidence of leveraging promotional responses, buyer values, and customer profitability than fellow respondents. The end result: high performance customer insight, and the ability to create a more innovative customer offering.

The marketing study assessed where global food retailers are today in terms of their ability to innovate in response to customer needs. The study gauged how retailers are currently gathering customer information. The most popular vehicles by

a wide margin for data collection are loyalty cards (70 percent) and customer surveys (68 percent).

External providers were the next most common source of data according to respondents (46 percent). When asked what kind of data retailers collected or tracked, the three top answers were: "purchasing behaviors" (86 percent); "geographics" (80 percent) and "demographics" (76 percent). More than half of retailers surveyed collect or track "customer attitudes" (54 percent). Bottom on the list: "promotional responses," "share of wallet," and "customer profitability." (Figure 1)



Most retailers under-utilize customer data

Although the food retail sector has changed dramatically over the years—from a mass-market approach to one that is customer-driven—it appears that many companies still need to strengthen their ability to generate insights. For the purpose of analyzing findings and identifying best practices in customer insight, the study broke retailers into three different segments based on their response to the question: “Which statement best describes your current capability in creating customer insight through data?” (Figure 2)

- “Insight Leaders” were those that responded, “We gather a large amount of data and create a large amount of insight.”
- “Data Gatherers” reported that, “We gather a large amount of data but create little insight.”

- “Data Laggards” were respondents who reported, “We gather little data.”

Forty-four percent of respondents were Data Gatherers—reporting that although they gather significant amounts of data, they generate little customer insight. Data Laggards, those who gather little customer data, comprised 25 percent of respondents. Less than one-third (31 percent) were Insight Leaders—and claimed to generate a large amount of data and significant customer insight. Retailers continue to face pressure from both large and small-scale specialist operations. As this trend continues, the ability to collect and generate customer insight will become increasingly important.



Which statement best describes your current capability in creating customer insight through data?

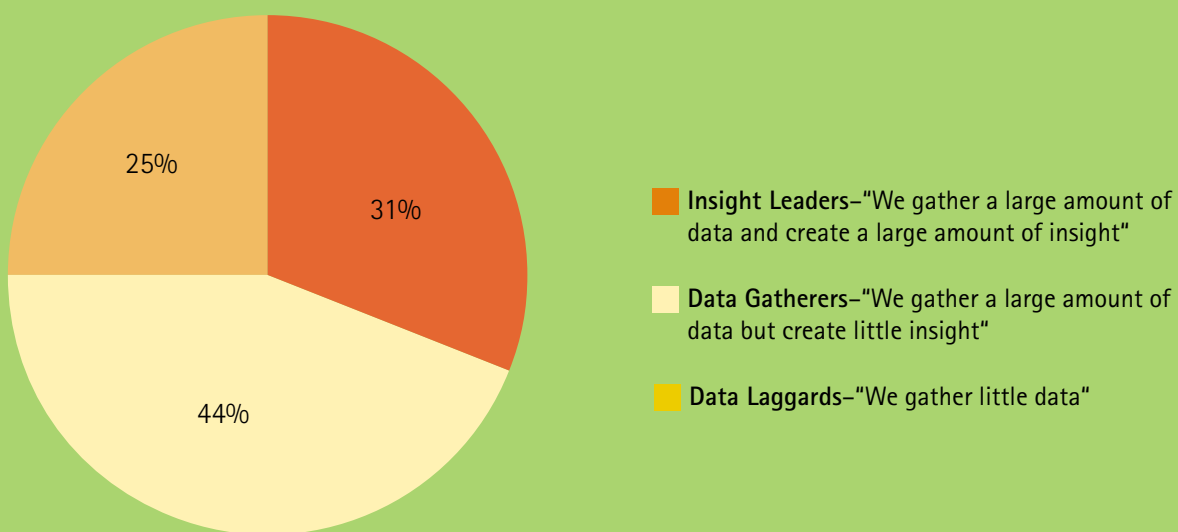


Figure 2: Only one-third of respondents reported leveraging the full potential of their customer data.

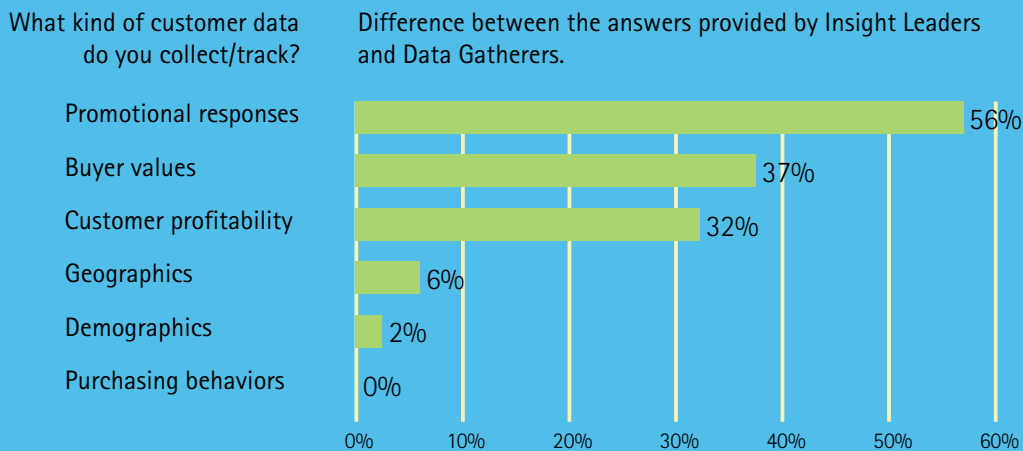


Figure 3: Retailers in the Insight Leader group leveraged a wider range of customer data, tracking more complex input like promotional responses.

Insight Leaders: best practices

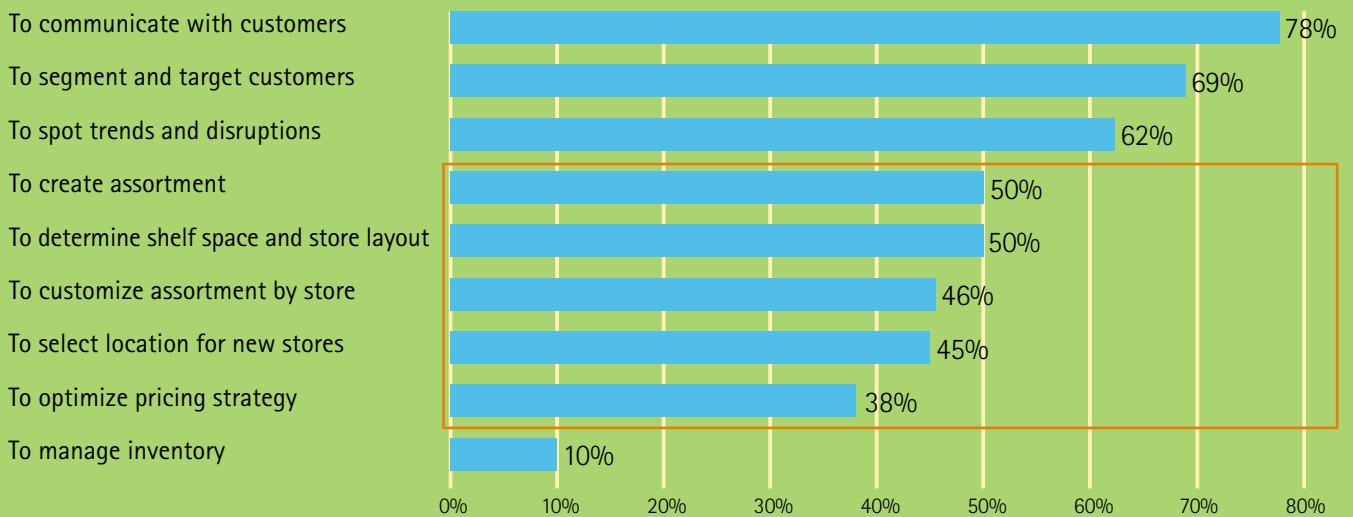
Most food retailers know the "what" of their customers—what they buy, purchasing frequency, etc. But few know the "why"—why shoppers choose one store or a particular product over another, and the information about what they value. Because most retailers track limited data, they gain a limited view of the customer. Although all respondents surveyed cited, "purchasing behaviors," "geographics," and "demographics" as data they either collect or track, the companies in the Insight Leader group leveraged a wider range of input than other retailers. Insight Leader companies reported a keener interest in "buyer values," "promotional responses," and "customer profitability." (Figure 3) Buyer value information is particularly critical for steering marketing campaigns—allowing retailers to better target their efforts and maximize their impact on customer choices. By collecting buyer value information, Insight Leaders

can understand and respond to shoppers—offering innovative and more effective product assortments, promotions, store formats, etc.

When asked, "How is customer data used in making marketing decisions for your brand?" the total respondent base indicated that information enables consumer communication (78 percent), segmentation and targeting (69 percent); and allows companies to identify trends and marketplace disruptions (62 percent). Less than half said they used data to determine shelf space and store layout or to create pricing strategies. Insight Leaders however, are leveraging information in these areas to a greater degree than others. (Figure 4) One possible explanation of this finding: retail operations seldom integrate customer marketing functions with merchandizing. Insight Leaders may be better at sharing customer insights across different areas.



How is customer data used in making marketing decisions for your brand? [all respondents]



Difference between the answers provided by Insight Leaders and Data Gatherers for marketing mix elements

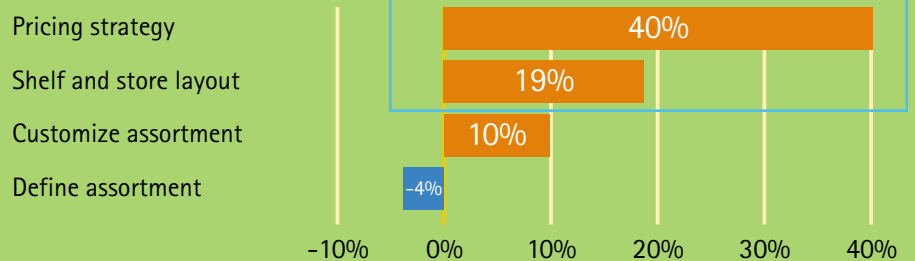


Figure 4: Insight Leaders leverage customer insight to optimize shelf space and store layout as well as to determine pricing strategy more than their fellow respondents.

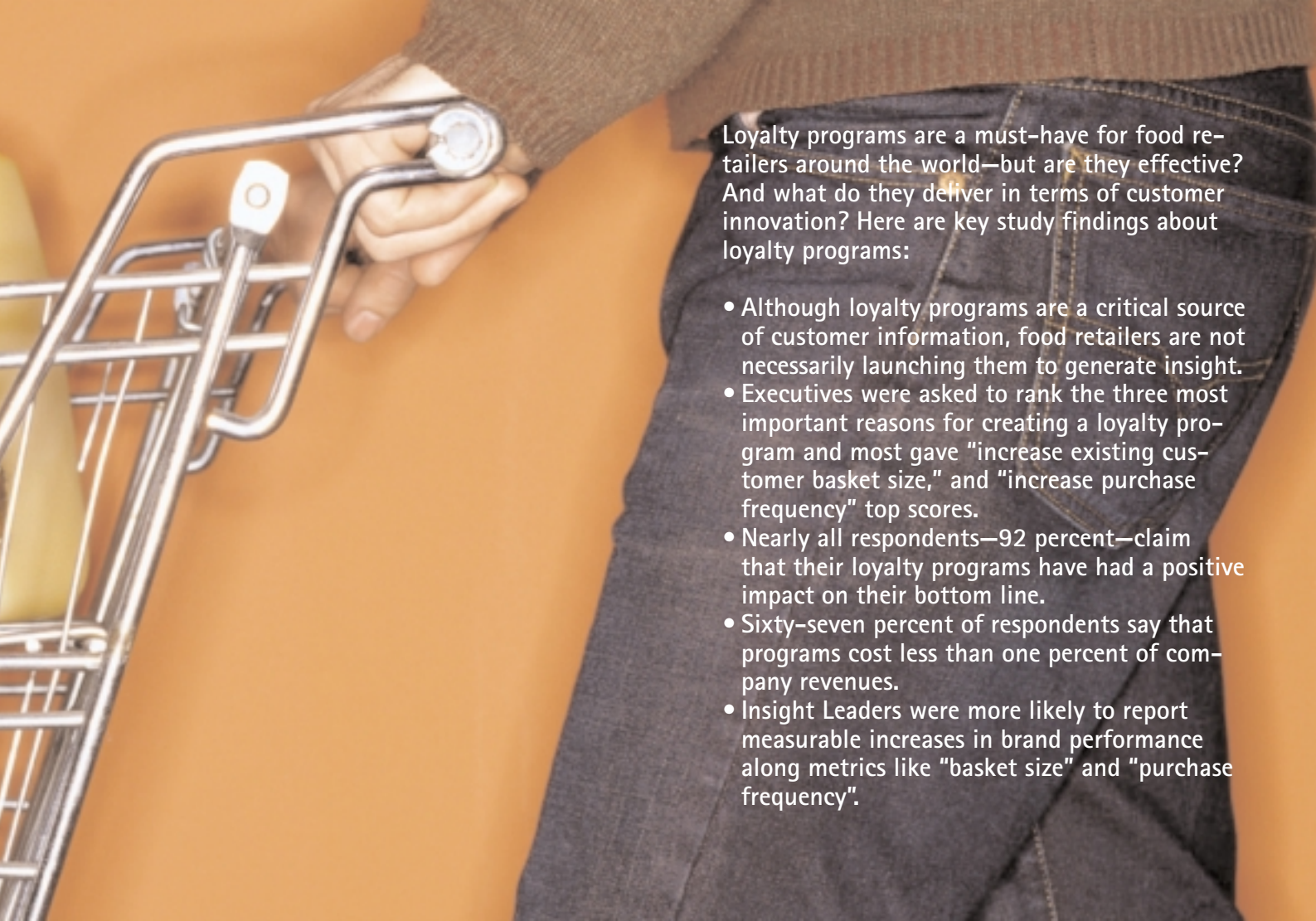


Insight Leaders also use a wider range of customer data to optimize loyalty programs. Like those in the Data Gatherer category, top performers leverage socio-demographics, geographics, and purchasing behaviors to steer customer programs. But they also use buyer values, promotional responses and customer profitability data to a much higher degree than other companies. (Figure 5) By leveraging

a wider range of input, Insight Leaders have the ability to fine-tune their loyalty programs: understanding not just what buyers purchase, but why they value certain offerings and why they are motivated to purchase what, where and when they do.

Executives in the study were asked “which information do you use extensively to op-

imize the local marketing mix of each store: buyer values, store size, product seasonality, local competition, customer demographics, or purchasing behaviors?” Store size and product seasonality were key drivers for most retailers. Insight Leaders leveraged buyer values more than other respondents—using data to refine local assortments, promotions and merchandizing.



Loyalty programs are a must-have for food retailers around the world—but are they effective? And what do they deliver in terms of customer innovation? Here are key study findings about loyalty programs:

- Although loyalty programs are a critical source of customer information, food retailers are not necessarily launching them to generate insight.
- Executives were asked to rank the three most important reasons for creating a loyalty program and most gave "increase existing customer basket size," and "increase purchase frequency" top scores.
- Nearly all respondents—92 percent—claim that their loyalty programs have had a positive impact on their bottom line.
- Sixty-seven percent of respondents say that programs cost less than one percent of company revenues.
- Insight Leaders were more likely to report measurable increases in brand performance along metrics like "basket size" and "purchase frequency".

Please indicate to what extent your brand currently uses each type of customer information for the design, management and optimization of its loyalty program [all respondents]

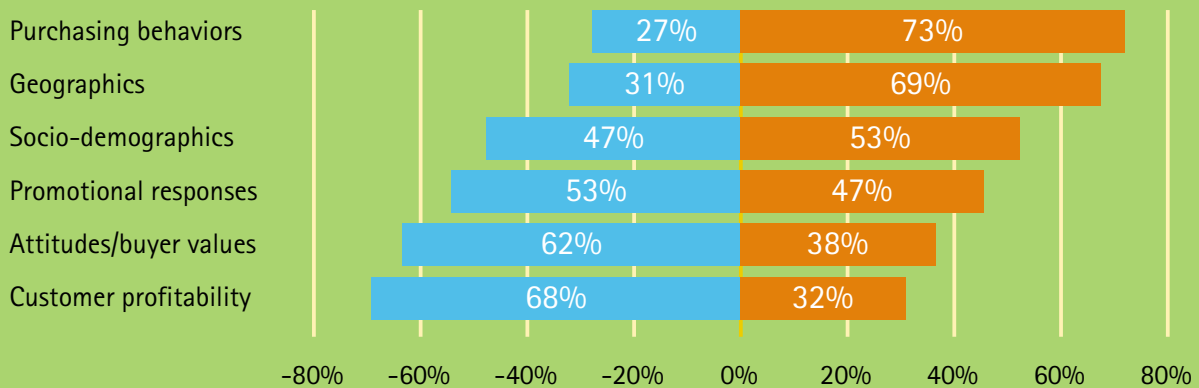


Figure 5: Retailers in the Insight Leader group reported using buyer values, promotional responses and customer profitability data to a much higher degree than others surveyed.

■ Insight Leaders
■ Others

In which of these areas would you expect more support/added-value from manufacturers in the future?

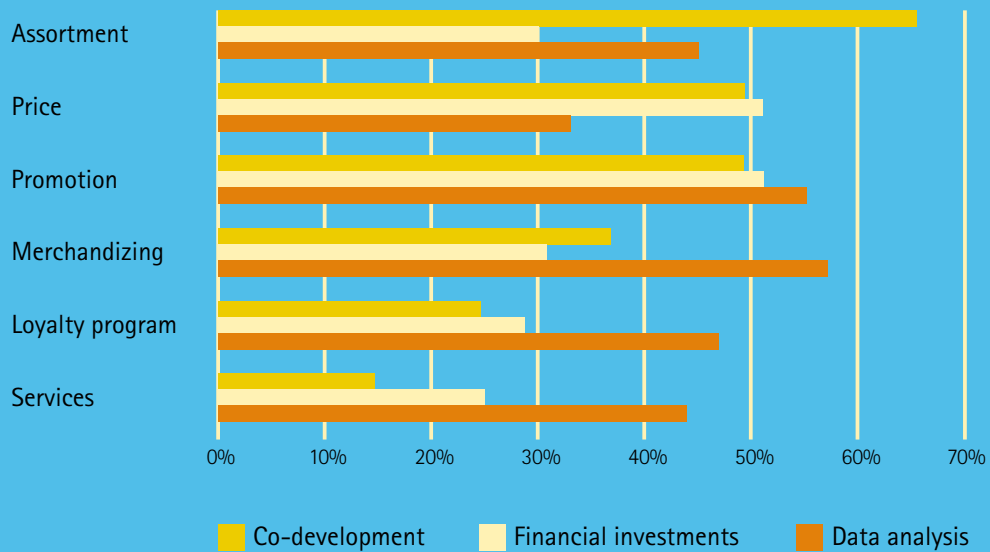


Figure 6: The study revealed that retailers expect to get more support from manufacturers in assortment, price and promotion—mostly through data analysis but even in co-development agreements and financial investment.

Customer insight: manufacturer collaboration

The retailer/manufacturer relationship—which in the past was based solely on negotiation—must continue to evolve to become predicated on collaboration. This will enable both parties to better differentiate offerings and gain market share. The study posed the question: "In the next five years, to what extent do you plan to share customer information with your main industry partners—and how?" In terms of sharing information on customer insights with manufacturers, more than 50 percent of all retailers surveyed are ready to share gross customer data at the category level—or their own analysis—with manufacturers. Forty percent of executives anticipate sharing program development or optimization decisions with their manufacturers.

Most data sharing will be done in exchange of a service from the manufacturer to the retailer. The exception: gross customer data will be purchased by manufacturers, according to retail executives surveyed.

When the study sought to determine areas where retailers will look for more support from manufacturers in the coming years, assortment, price and promotion were three that scored high among all respondents. (Figure 6) Again—this points to an evolving relationship between retailer and manufacturer: from one locked on negotiation, to one that hinges on better collaboration.

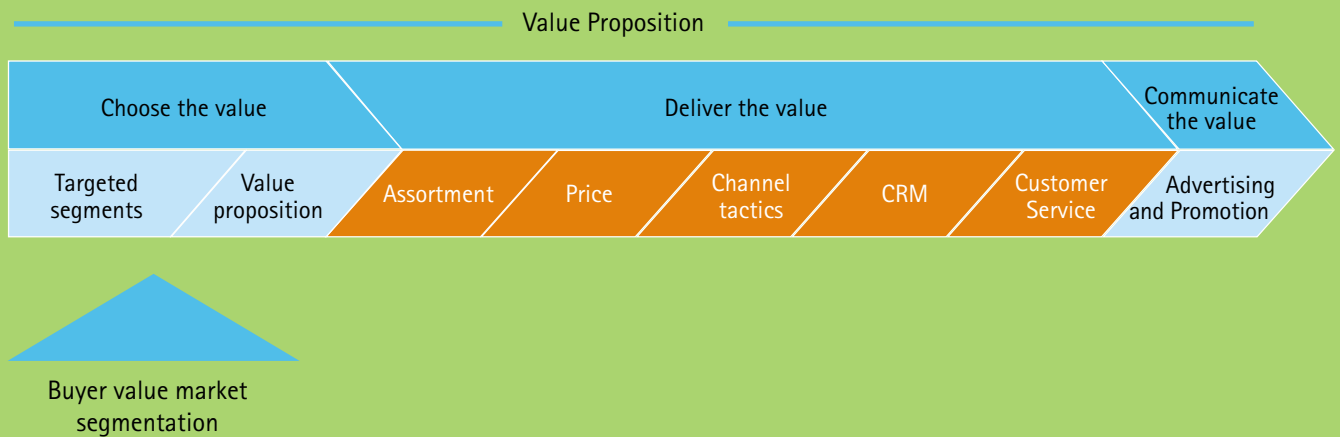


Figure 7: Analyzing and evaluating a market in terms of buyer values is the most actionable way to effectively optimize all the elements of the mix to drive optimal penetration and SOW in each of the targeted customer segment.

High-performance customer insight

The food retail industry has come a long way from the days when competition centered on price and mass-marketing appeal. Today, high-performance retailers will be those that can translate information into customer insight. According to the marketing study, although most players are gathering information, few, it seems, are gaining insight from it.

Data collection is only the starting point. Retailers need to segment consumers differently to understand the buyer values motivating purchases, and design their offerings—including assortment, price levels, distribution channels and customer services—accordingly. (Figure 7) And they need to develop new operating processes and systems to support this more sophisticated approach.

Only then will retailers have the ability to wield information as a tool for achieving high-performance customer insight. To find out more about the CIES Accenture research please contact:

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CIES – The Food Business Forum is the only independent global food business network. It serves the CEOs and senior management of 175 retailer and 175 supplier member companies, and their subsidiaries, in over 150 countries by:

- **Providing a neutral platform for knowledge-exchange, thought-leadership and networking.** CIES services are channelled through international conferences, benchmarking studies, publications and tailor-made member services. Current activities include the Global CEO Forum, the World Food Business Summit, the Future Leaders Programme and the functional areas of Marketing, Information Technology and Supply Chain Management.
- **Orchestrating positions and developing tools on key strategic and practical issues affecting the food business.** These top-of-mind issues are identified by our ten retailer-led committees and taskforces. Priority projects include the Global Food Safety Initiative and the Food Business in Society Initiative.

CIES – The Food Business Forum has been growing with the food business for over 50 years. Its strength lies in the active commitment of its member companies and its privileged access to key industry players. CIES retailer members alone generate over \$2,000 billion, employ 4.5 million people and operate close to 600,000 stores representing a total sales area of 160 million square metres.

¹ A total of 59 marketing directors—representing hypermarkets, supermarkets, convenience stores and discount outlets—were surveyed by Accenture and CIES between June and August of 2004.

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