

# In-Store™

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## INSIDE THIS ISSUE

GEMCON 2006	1
SUPERVALU Solution: <i>avenue</i> ™	2
The Rules of the Game	2
Carlene's Corner	3
CPGs and the Internet	5
GEM Awards	5
Customer Segmentation by Kevin Hargis	10
Back Pages by Janet Murphy: <i>The Whole Business</i>	14

## Highlights of GEMCON 2006, Park City, Utah

I want to thank everybody who participated in the great event at Park City. For those of you who couldn't attend, I'll try to give you an idea of some of the highlights of the three days at GEMCON over the next couple of issues.

GEMCON started with pre-conference events geared to giving us a "sense of place:" store tours; horseback riding (rained out, unfortunately); hiking; golfing; and The Canyons Spa. The golf tournament was sponsored by Wall Street law firm Thacher Proffitt. We had what looked like a cold day of golf ahead of us, but the golf spirit of our competitors endured. Jackets were finally cast off, and we enjoyed a wonderful day on the links.



Trent Becker, Pay By Touch  
Bob Anderson, Stop & Shop  
Caryn Neidel, Stop & Shop  
Kevin Hargis, Ogden



Ken Wyker, Circular Logic  
Bobby Thompson, Catalina  
Gary Smith, Pay By Touch



Jim Mumm, 1<sup>st</sup> Wave  
Matt Wilburn, Yahoo!  
Jon Robertson, Ogden  
Lennie Nuara, Thacher Proffitt

The store tour was a combined effort of the Ogden team and the merchants of Park City. It was a self-guided tour with a detailed pamphlet describing the three distinctive different Park City shopping choices of Main Street, Redstone Towne Center (a unique live-work-play environment) and Tanger Outlets. Park City, an old mining town, is loaded with history and charm, and its main street is lined with interesting shops, galleries, and

*Continued on page 2*

restaurants. Redstone is a brand new, complete community with single and multi-family homes within walking distances of shopping, entertainment, and work. The main street within Redstone includes grocery, book, and gourmet food stores, as well as a movie theater and establishments with the beverage of your choice - all the necessities of life!

### *And then our GEMCON journey began...on the theme of*

**VISION:** *Your unique opportunity to create value given the realities of the marketplace.*

Ogden's Pam Massenburg opened this portion of GEMCON with an overview of key market and consumer trends that are so crucial to understand as you shape or refine your VISION as a retailer (more on this on Janet's Back Page). Following Pam's talk, Steve Prebble, Vice President, Customer Strategies and Management, SUPERVALU, Inc. shared with the audience the approach SUPERVALU has taken to create value for the consumer in what is indeed a very confusing marketplace. The confusion starts with the different messages we send to the consumer and the less than integrated methods we use to drive the media and in-store touch points.

Steve introduced the new SUPERVALU solution **avenue™**, *"the grocery industry's first integrated media and marketing network."* Steve described **avenue™** as the in-store network used to help maximize the customer experience. He showed **avenue™** as the entrance kiosk and as the starting point, seeding the customer's interest to visit other in-store touch points (e.g., PRN, Sign Storey and IBN) and then on to the POS, and ultimately exiting with Catalina as the last touch point.

SUPERVALU is using **avenue™** to introduce new products, generate trial, expand consumption, win customers, build brand loyalty, and target specific customer segments, lifestyles and categories. The **avenue™** kiosk targets a consumer based on their detailed preferences, transaction behavior, and demographics — right when the consumer walks in the door. Brands can motivate their prospect's via **avenue™** reward sheets. Then the reward sheet is used throughout the store, all the way to check-out. Manufacturers pay only for redeemed offers. This drives the ROI and added benefits for the brand advertisers. Then Steve showed us how SUPERVALU is integrating Check-out Screens with **avenue™ EXTRA!** With this approach the company is reaching shoppers while they wait in line and building brand awareness while informing them about the benefits of the new program. **avenue™** also includes targeted basket offers, intended to reach customers when direct mail cannot, and surprising and rewarding customers with prizes.

### **The Rules of the Game**

VISION requires that we not only frame that exceptional value proposition, but also that we be cognizant of the constraints, as well as the opportunities, of the marketplace. Leonard Nuara, Technology & Intellectual Property Chair, Thacher Proffitt (our Golf Sponsors!), gave us considerable insight into the hazards of not protecting your customers' data. He shared countless compelling incidents where companies lost their customer data and, to worsen matters, failed to report that data had been misplaced or mishandled. In his thoroughly engaging and entertaining way, Lennie left no doubt in anyone's mind that, if you have customer data, you must safeguard it. If you lose control of your customer data, you must notify your customers. There are strict laws in this regard in many states. Regardless of the legal requirement, if you don't properly safeguard your data, and report any mishaps in a timely fashion, you are taking a substantial risk, since the media or your competition very well might.



## CARLENE'S CORNER



Hi Everyone!

At GEMCON we announced the latest statistics on U.S. supermarket frequent shopper programs, as we do every year. Our association with TDLinx has enabled us to provide not only the raw data, but also the ACV% and regional breakdowns associated with those numbers. Ten years ago when the company first started, we profiled TDLinx in this newsletter.

It was October, 1996. See if you can remember what you were working on at that time! Randall's Foods had just brought up a card-based marketing program; Bob Weintzen was named president of the DMA; Catalina Marketing was in final negotiations to open up Japan as a market; First Data Corp. agreed to acquire Donnelley Marketing; Ahold had signed up with ems to collect retail sales and promotion data; My Menus announced an all-new Internet service for its recipe kiosks; Time Warner debuted its new Road Runner online service; a Joint Industry ECR Scorecard Seminar was scheduled in Chicago; merchant payment terminals had just started rejecting cards encoded with the year 2000 with the error: "invalid expiration date." Barry's Back Page included an annual review of trade promotion funds, based on ACNielsen and Andersen Consulting studies; it said that manufacturers believe that only half the trade events they support are profitable and only a third bother to measure them. And I included one of my favorite quotes about the future: "Who the hell wants to hear actors talk?" (Harry Warner, Warner Brothers, 1927.)

Here's what I said back then to explain the new TDLinx service Trade Dimensions had just introduced: "TDLinx is the Universal Language of Stores and Accounts. It allows companies to communicate seamlessly with each other about store locations. TDLinx would track not only individual stores but buying offices, grocery suppliers, distribution centers and corporate headquarters." I interviewed Scott Taylor at that time and he explained the reason the service was important: "The problem is, you've got a company like a sampling company, who's trying to give their client a store list. They do it on paper, without any kind of unifying number. Everywhere two companies try and communicate about stores, you seldom have a common language to do it in. Once you have a common language, then you can make the conversation electronic, as well." It's more complex than one would imagine: "Every packaged goods manufacturer has a customer file that exists at store-level or at the account level. Then, Sales departments in some manufacturers could have one number while finance has a bill-to number. They might also have a different number for Kroger Atlanta when they bill to the foods division, and when they bill to the snacks division. Then, logistics could have a number for ship-to locations. For the average manufacturers, when we match just their account level files for grocery we get 6,000 to 9,000 numbers that they either bill or ship to. However, there are only 900 buying offices in the country." Another problem with the system back then was that it was easy for dishonest folks to "make up" store locations and submit coupons or invoices for stores that didn't even exist. Not anymore.

I recently talked again with Scott Taylor, who is still running the company, about how he felt about TDLinx' tenth anniversary.

**Carlene:** TDLinx turns 10 this month. Congratulations, Scott! How do you feel about the anniversary?

**Scott:** Thank you. I'm immensely proud of this business and the people who help build it and grateful to the

## CARLENE'S CORNER - continued

clients and partners that have supported us along the way. We created a brand *and* established a standard. Either one is hard to do, and we achieved both.

**Carlene:** How has TDLinx changed?

**Scott:** Our original vision has stayed the same, but our coverage, applications and network have grown considerably. Today our database tracks over 800,000 retail and on-premise locations and their complete hierarchies in North America. TDLinx is now a strategic industry solution and category all of its own – Location Information Management (LIM). LIM is supported by those same unique TDLinx codes covering stores, account and market levels.

**Carlene:** Why has it worked?

**Scott:** We had a clear strategy and stuck to it. We do what we do, we do it well and we don't pretend we can do everything. Even clients who maintain their own data realize that we are better together. I think that is why we work so well with so many other companies. We launched this business with a real vision and drove it with passion. We've have even been accused of being evangelical!

**Carlene:** What has surprised you?

**Scott:** The power of our network. We wanted to create a virtual network of companies that could communicate with our universal language. That really happened. We want to work with everybody – no matter what their business – as long as they have a location element to their service. Manufacturers of all types, marketing, merchandising and promotional services and system providers are all finding ways to communicate and integrate via TDLinx. Marianne Frasco, our SVP of strategic market development, expanded our client base to include three-tier companies like beer, wine, liquor and tobacco. TDLinx is being driven to that second tier – to the wholesaler and distributor. Some of our biggest clients are using TDLinx to get on the same page with their distributors when they look at channel, chain and outlet.

**Carlene:** What would you have done differently?

**Scott:** We would have expanded faster. In the early years we were tentative on expansion and didn't have the internal infrastructure to do it. Now we realize TDLinx isn't about what *we* cover, it is about how much of a *client's business* we can cover. We now have an on-premise database and an "extended master" service that can literally code any location record we get. We are piloting a food service/quick serve database, launched TDLinx Canada earlier this year, and are looking at how we add healthcare and a global service. Wherever a client of ours sells something, we want to code it.

**Carlene:** What's next for TDLinx?

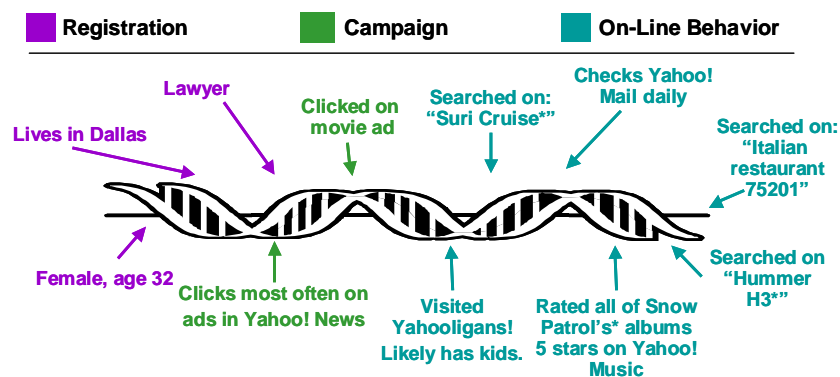
**Scott:** Continue to respond to the industry's need for good, clean, coded location data. And that is everywhere from customer master maintenance to data integration to trading partner synchronization. As the retail world and on-premise industries change, we'll be there to serve clients who are serving those industries. We'll stay one step ahead, staying out on a "LIM," and Staying Linked.

Thanks, Scott Taylor, and congratulations again!

## CPGs and the Internet: The Emerging Face of Integrated Marketing

*GEMCON 2006 Highlights, continued from Page 2*

Brian Zeug, Category Development Officer-CPG, Yahoo! completed our theme on VISION. He opened his session with a quote from Jim Stengel, P&G Global Marketing Officer, "Today's marketing model is broken. We're applying antiquated thinking and systems to a new world of possibilities." That statement should start you thinking about the vision of your marketing and communication strategies. Brian shared some up-to-date demos and online facts and figures. What most caught my attention was the fact that U.S. Adults 18-54 with Home Broadband Connection get 30% of their weekly media time from the Internet, compared with 27% from TV and only 6% from newspapers. Remember that the largest brand consumer promotion expenditure is in the newspaper. Jim Stengel/Yahoo! is certainly on to something!



\*Top Searches for Women 25-34 in Dallas/FL Worth on 9/8/06. Source: Yahoo! Buzz Index

The Internet user DNA chart above from Yahoo! shows us a new way of looking at the data. What does the DNA of your best shoppers look like? We have all looked at best shopper programs. Maybe it's time to take a closer look at *why they shop* as well as *who they are*.

Brian showed us four types of communities. This new world of marketing is and will be based on the consumer's involvement in communities like these and more. We should ask ourselves, "Where does grocery fit in this world of Internet-based communities?"

## SUPERVALU, RIDLEY'S, MOBILELIME RECEIVE GEM AWARDS



*The trio was recognized at this year's GEMCON in Park City, Utah*

SUPERVALU topped the list of companies receiving awards at GEMCON. Other companies receiving Global Electronic Marketing (GEM) awards were Ridley's Family Markets (Al Lees, Jr. Award for Excellence Over Time) and MobileLime (Best System and Program Vendor). The GEM Awards were judged by: Paula Payton of Oxford (University) Institute of Retail Management; Stephen Sibert, Group Vice President, Grocery Manufacturers Association; Mike Gorshe, Partner-Client and Industry Development, Accenture; and Jon Robertson and Carlene Thissen of Ogden.

"The GEM Awards recognize excellence in electronic marketing," said Gorshe of Accenture, the Chicago-based global consultancy that has sponsored the GEM Awards since their inception in 1996. He presented the awards with GEMCON founder Carlene Thissen.

The key criteria to select the winners were Vision, Strategy, Relationship, and Innovation. Awards can be won by companies of various sizes and types that use customer-centric strategies and programs that are enabled by technology.

SUPERVALU earned the Retailer GEM Award for its *avenu*<sup>TM</sup> program discussed above on Page 1. This integrated, targeted and personalized marketing network consists of:

- Touchpoints at home and at the store, including website, email, direct mail, entrance kiosk and Catalina checkout coupons,
- Media and brand marketing product demonstrations throughout the store,
- Advertising screens, location-based audio broadcasts, and screens at the checkout,
- Personalized offers for shoppers.

"Avenu is not just technology," said Gorshe. "It's technology creating a human experience."

Ridley's Family Markets, Jerome, Idaho received the Al Lees, Jr. Award for Excellence Over Time. Family-owned and operated, Ridley's operates a chain of 13 food and drug stores that carry groceries, deli, wine, clothing and sporting goods. Ridley's employs about 600 people who that are steadfastly focused on customer service. The company's slogan is "Small enough to serve you. Large enough to save you money."

Ridley's has tried to develop a variety of programs that its customers can use their Advantage card for, in hopes that Ridley's will have at least one program that everyone appreciates. Program benefits include:

- Customizable shopping list,
- Advantage Card Points redeemable for rewards and discounts,
- Weekly ad and special offers sent via email.

Weekly ad specials present the opportunity for a unique shopping experience, such as getting 10% off on as many frozen food items as you can fit in a bag.

Customers who spend at least \$25 per week (Medallion-level members) enjoy additional benefits:

- Custom Medallion-level ads
- Discounts on local attractions

- Enhanced check-cashing services
- Great giveaways such as birthday cakes for kids
- Key-return service
- Discounts on items Medallion Members buy most.

Additional program features:

- Ridley's Home Town Advantage Program allows Ridley's customers to donate a percentage of every purchase to a charity of their choice
- Ridley's Travel Rewards Program enables members to accumulate 1 Delta Sky Mile for every dollar spent at Ridley's
- Ridley's Family Scholarship Promise Program provides educational awards.

“Ridley's positions its Advantage card program as a thank you to its customers,” explained Gorshe. “It clearly identifies the benefits and lets customers know that the Advantage Card is ‘a way for all of us at Ridley's to say thank you for shopping with us.’”

If these choices still do not appeal to Ridley's shoppers, they may save their Advantage Card Points and use them towards gifts for themselves or loved ones. Gift certificates are also available from the retailer's catalog. Any customer who has ever used a Ridley's Advantage Card has accumulated points to spend.

“The hometown approach, the flexibility, and the willingness to do whatever they can to make the card valuable to consumers is the reason we think Ridley's program fits in the Al Lees' category of excellence,” said Thissen.

MobileLime, Watertown, Mass. was recognized for using mobile phone technology for marketing, loyalty and payment purposes.

This technology allows consumers to:

- Use their mobile phones to personalize their shopping experience with valuable information and offers,
- Take advantage of loyalty programs without carrying a card,
- Use their mobile phones as a quick and secure way to pay for purchases.

“Shoppers enrolled in MobileLime's Mobile Rewards get instant savings without carrying a card and know right away how much they've saved – all through their cell phones that they always carry when they shop,” explained Thissen.

With MobileLime's mobile messaging and reward program, members opt-in to receive weekly emails, exclusive interest-oriented text messages, event alerts, specials and savings on a wide selection of items each week.

## **Innovators at GEMCON**

Electronic Marketing is much more powerful and holistic today than it was 15 years ago when GEMCON was founded. The paper coupon – once the heart of promotional activity in the grocery industry – has morphed into a broader array of strategies, techniques and technologies for interacting with the customer in a more personalized, relevant, and integrated way.

Today's customer-centric grocery retailing entails even more than this broader notion of customer promotions and even more than the integrated marketing so eloquently described at GEMCON last week by Brian Zeug of Yahoo! and others. It also means driving merchandising and category management from customer insight, as Bob Anderson, Caryn Neidel, of Stop & Shop and Kevin Hargis of Ogden discussed at the conference.

A full-fledged notion of customer centricity doesn't even stop here. The demands of the marketplace and the evolution of technology makes it feasible and necessary also to drive store décor, visual merchandising, store procedures and more from the customer's voice. Sam Gragg of Teradata gave a dynamic presentation at GEMCON on the key success factors for driving customer centricity and we have posted his excellent white paper on the topic on our web site. Don't miss it!

The journey from that single, non targeted, paper coupon to the customer centricity that's unfolding in the retail industry today is a story of innovation. Many of the players in this innovation story were on hand at GEMCON. Let's take a quick look at these innovators.

Let's start with Catalina, whose breakthrough concept was and continues to be one-to-one marketing on a mass scale.



This is a foundation insight for the whole discipline of CRM and customer centricity and Catalina continues to innovate in this space.



The Breakthrough: NewSight has created a world of dynamic digital display solutions that differentiate its customers through innovative media and innovative technology.



The Breakthrough: Marketing to customers, not through traditional marketing media, but via mobile technology to connect where people live, work, and play.



The Breakthrough: Using biometrics to identify *customers* uniquely, not just the household, and in a way that's even simpler, more natural, and more secure.



The Breakthrough: Online grocery shopping solutions for retailers that lack the consumer data and other resources and expertise to develop and implement a solution from scratch.



The Breakthrough: A universal database that is the largest and most current space management database in the CPG industry with over 600,000 SKUs, plus related databases and support.



The Breakthrough: PromoDriver's market strength lies in its ability to differentiate customer products from others in the market by providing customized cost effective solutions and incorporating 3D along with other new experiential technologies.



The Breakthrough: A paperless means of delivering coupons that is both convenient for customers and cost effective for marketers.



The Breakthrough: ShoptoCook is the number one provider of meal solution content delivered through customer-facing interactive technologies in the retail food industry. ShoptoCook's solutions engage consumers at the most influential point in the buying process.



The Breakthrough: Webstop.com, Inc. has been developing and maintaining advanced grocery websites since 1996.

## Customer Segmentation: Key Considerations

By Kevin Hargis, Retail Knowledge and Technology Director, Ogden

Nothing stays the same...especially when it comes to consumers! Over the years, customer segmentation has played an increasingly important role in CRM departments all over the world. From segments requiring nothing more than geographic information to segments requiring purchase history and demographic information; from a simple customer value segmentation model taking only hours to develop and implement to a complex statistical model sometimes taking months or even years before deployment can begin. Deciding on the right segmentation models is like buying shoes for kids; there are plenty to choose from, they're outgrown quickly, there *is* such a thing as *too many*, and often they are overpriced and over-engineered for practical use.

### Uses of Customer Segments

One critical question to be answered before beginning a segmentation project is "What do I intend to do with this segment?" A \$500 pair of Wingtip dress shoes can be a fantastic purchase... *but not if you plan on using them for jogging*. Similarly, you must understand exactly how you intend to utilize your customer segment to make sure that your final product is practical. Some common uses of customer segments include weekly circular analysis, customer retention, lifestyle campaigns, lifetime value analysis, customer reward programs, competitive market analysis, targeted direct mail, in-store merchandising programs, and the list goes on.

In the end, customer segments are all created with the same general purpose; to help make your business "smarter" and improve profitability. By understanding your customers (and demonstrating to them this fact) you can actually have a *relationship* with your customers. For example: placing items commonly purchased by senior citizens within easy reach in stores with a high concentration of seniors demonstrates the proper use of customer segmentation.

### Customer Segments for Communication

We all receive targeted media that has a specific message, and increasingly the message is meaningful to the intended recipient. A segment designed for communication is usually the most difficult to put together and (since the intent of the segment is to communicate directly with your customer) requires the most forethought. The more targeted your message, the more accurate your segmentation model needs to be.

Some targeted segments can actually be simple. I frequently receive from T-Mobile a "Platinum Customer" mailing that contains valuable offers such as a free round of golf and a free manicure, the latter of which I passed on to someone else. This is more than likely a retention mailer designed to go to "Top Customers" which may be designed with simple metrics such as "Top X% of customers with more than X years of service."

Most targeted communications have a more specific purpose such as Unilever's "Dove<sup>®</sup> Dimensions" mailing, which begins with the line. "All across the country, women like you are bringing the Dove<sup>®</sup> Campaign for Real Beauty home." It is a booklet that discusses skin care, hair care, face care, discusses self-esteem for women and contains coupons for Dove<sup>®</sup> products. This well put together, informative direct mail booklet should be targeted to the right person... I certainly shouldn't be getting it. In order to make sure that your Marketing dollars are spent optimally, this type of communication should take into account all available customer information at your fingertips, such as purchase history, demographic data, geographic data, opt-in sign-ups (such as website forms), and analysis of prior similar communications.

## Customer Segments for Merchandising

Merchandising efforts can be greatly enhanced by the use of customer segments. As an example, it just does not make sense to dedicate an entire aisle to dog food in New York City where only 6.2% of the population has a dog as compared to the national average of over 40%. This knowledge can be obtained through the analysis of purchase history as in the following example:

% of Households Purchasing Dog Food	
New York City	5.1%
Long Island	36.3%
Connecticut	33.8%
New Jersey	29.5%

By creating a segment of “Pet Owners” through the use of purchase history and/or household level demographic data, determining which stores to promote the Dog Food category in becomes clear. This same concept can be carried over to other life stage segments such as “Families”, “College Students”, “Empty-Nesters”, “Seniors” and also lifestyle segments such as “Gourmet Cooks,” “On-The-Go Households,” “Convenience Shoppers,” “Health Conscious,” “Junk Food Junkies,” and “Ethnic Cooks” - just to name a few.

## Customer Segments for Analysis

Of course analysis may be performed on any defined customer segment, but some customer segments are created solely for the purpose of analysis. These segments generally consist of “Value” oriented segments such as the commonly described Gold, Silver, Bronze segments. A combination of such metrics as spending, frequency, and recency is often used to create these segments, and they are reviewed by senior management with regards to segment migration and segment trends. These segments are often implemented and maintained due to the simplicity of describing “who these customers are.”

## Types of Customer Segments

### *Value Segments*

As previously described, these are generally the easiest to define, implement, and describe and they usually consist of one or more basic metrics. There are two schools of thought regarding the definition of a value segment. The first is to use pre-determined “hard values” as presented in the following example:

Gold Segment = \$75+/week

Silver Segment = \$40-\$75/week

Bronze Segment = \$.01-\$40/week

Hard values are often used because this makes it simple to describe to anyone just who these customers *are*. Another method of implementing value segments is to use a percent distribution as described below:

Gold Segment = Top 30% of customers

Silver Segment = Middle 40% of customers

Bronze Segment = Bottom 30% of customers

The advantage of this methodology is that as customer behavior changes, you do not need to adjust your segmentation model. Most often, purchase history alone is used for the creation of value segments and these segments are mutually exclusive.

### Geographic Segments

Another simple segmentation model is to segment your customers based on geography. Two examples of geographic segments include “Market Area” segments which can be used to analyze the effectiveness of your weekly circular and “Regional Area” segments which may be tied to major supplier regions (Northeast, Midwest, etc.). These customer segments could be defined based on the customer’s postal address or, as an alternative, based on the store location where most of a customer’s purchases are made.

### Life Stage and Lifestyle Segments

In general, these segments are used for targeting and merchandising purposes. More than one of these segments is often implemented to meet different Marketing and Merchandising objectives. A life stage segment is defined based on “where the consumer is” in their own lifetime, be it a college student, a young family, a senior citizen and so forth.

A lifestyle segment tends to suggest more of “what a customer does.” Examples of lifestyles segments might include healthy, on-the-go, pet owners or gourmet cooks. These segments do not have to be mutually exclusive as you could certainly fall into one, two or all of the examples listed.

Creation of these segments may include any combination of one or more of the following: purchase history, opt-in programs and/or third party information. I will give examples of how to use each of these types of information, but for simplicity’s sake I will only define one segment: “Pet Owners.”

Using purchase history, you may define a “Pet Owner” as a household which has made purchases in your Pet Food category exceeding \$25 over the past six months and has made at least one purchase no more than six weeks ago. The recency factor is something to consider whenever you are creating lifestyle and/or life stage segments as there are changes over time, such as the loss of a pet in this example.

Since you may have pet owners shopping in your store who make their pet-related purchases elsewhere, it can be beneficial to include other information in your segmentation model. The simplest of these is an opt-in program such as a pet club where households sign up to receive discounts or information related to pet ownership. You can also acquire third-party data by partnering with a pet food company or pet owner organization that may have information on your customers, or purchase data from an organization such as Ogden. Depending on where and how this third party is obtained, it can be a cost-effective addition to your segmentation model.

### Number of Customer Segments

Now that we have discussed a few types of customer segments and their uses, it is important to understand which customer segments to implement. My personal suggestion (unless you have endless resources) is not to try to implement every customer segment approach all at once! I have used very simplistic examples here, and many segmentation models are much more complex.

In practice, having a dedicated person or department to manage your customer segments is a good idea. You should begin by implementing segments with the biggest bang for your buck; that is, segments that

require the least amount of effort and provide you with a good return – often the Value segments described above are the first out of the gate. This will allow the management team to keep a “finger on the pulse” of the company and will allow your analysts to make more informed recommendations for other possible segments.

As your Customer Segment Manager(s) become more familiar with your customer base and the segmentation process is better defined, you will want to create new customer segments. Keeping in mind that each segment implemented requires a certain level of resources, you will want to limit the number of segments you have to a manageable number which will differ from company to company as well as industry to industry. Reiterating an earlier thought, always ask the question “What do I intend to do with this segment?”

### Rebuilding Customer Segments

Things change! The value of your customer segments is predicated on the fact that you are able to keep them up to date. Going back to the “Pet Owners” example, knowing that a particular customer purchased \$20 of pet food every month is valuable, but not too much so if the last purchase made in the category was two years ago. Customer behavior will change over time with such influences as:

- Your own marketing and merchandising initiatives
- Macroeconomic changes such as inflation
- Cultural influences such as immigration
- Popular trends such as the “Low-Carb Diet”
- Competitive influences
- Life stage changes such as the addition of a newborn

How often you update your segments depends on what you are doing with your segments, what your resources consist of and how often a particular segment’s behavior changes. In order to track such things as “Customer Migration,” you will need to keep several iterations of your segments. Taking the value-driven segments as an example, you may wish to rebuild this segment on a quarterly basis. The following chart shows the migration of customers among value segments from Q1 to Q2:

		Q2		
		Gold	Silver	Bronze
Q1	Gold	1000	150	25
	Silver	200	2500	300
	Bronze	15	200	1800

Looking at segment behavior changes over time can help you understand who your customers are and how effective your major initiatives are.

I have laid out some of the groundwork and basic recommendations for initial discussions to take place regarding customer segmentation. Depending on where you are in your own efforts, there are certainly many more details that should be brought to light. I hope that the thoughts in this article help you to understand more fully both the complexity and the importance of the undertaking...and the fact that it’s essential to have a roadmap. If you would like to understand customer segments further, feel free to contact me as we would be delighted to help you make the most of this powerful tool.

## Back Pages by Janet Murphy



### The Whole Business

There's a great deal of talk today about retailers seeking differentiation – the prized antidote to oblivion in an insanely competitive marketplace. I've been thinking about this, and would like to share some thoughts. Please let me know what you think!

To achieve differentiation, as a corporation no less than as an individual, you have to be *whole*. How can we differentiate ourselves if there's nothing unified, clear and specific to differentiate? In fact, when you think about it, it's not surprising that differentiation is so elusive for grocery retailers

today when we consider how exceedingly difficult it is for companies - large, diverse, and far-flung as they are - to be *whole*.

To attain a unified rhythm across a huge and diverse organization is a tall task. In whole businesses today, the value proposition, branding, and customer experience are conveyed and executed across an increasing, and increasingly rich and varied, range of media and social contexts where feedback and dialogue, not static one-way messaging, prevail. The more fully the medium resonates with cultural and social meanings and values, the more powerful and enduring the sense of the whole tends to be.

The plot thickens. To differentiate ourselves in the marketplace, we need to be whole. To convey this wholeness via a consistently positive, recognizable, memorable customer experience, we must actually have discrete, responsive, varying relationships with different customers and their communities. And we must somehow galvanize potentially thousands of employees, and a range of specialized departments and functions, with a clear and authentically-lived value proposition so that the entire company can act as one in delivering for the customer.

Whole businesses bridge this seeming contradiction through authenticity.

#### *Living Your Brand from the Inside of Your Company Out*

Several of GEMCON's speakers embodied the spirit of the whole business particularly well. One was Dustin Robertson. Backcountry skier, competitive mountain-biker and VP Marketing at Backcountry.com, Dustin seemed to have just walked off the slopes as he casually and eloquently spoke about his company's use of technology. A perennial fixture on the "Internet Top 50" list, and profitable from the day it launched, Backcountry.com has doubled its sales in each of the last five years.

In the world of Backcountry.com, the emphasis is not merely on specific, separable programs to "build loyalty," or "increase customer retention." In a whole business like Backcountry.com, management and employees actually live the life of their customers and engender a sense of community with seeming ease.

"Community" is not just external. It's internal as well. Collaboration tends to stand in the place of hierarchical decision-making. Employees are united by a common passion and take initiative as much because they buy what the company is about as because of management fiat. Planning and project management exist, of course, but what also keeps the companies on track are trust, mutual respect, an understanding of others' capabilities, and a sense of community that mirrors the customers' world.

### *The Evolving Role of Community*

As far back as the 1960s, Marshall McLuhan said, “the medium is the message.” The words have a new and even more powerful meaning today. At GEMCON, Brian Zeug, Yahoo!’s CPG guru, put it this way: ‘Go where they go and take the message to them.’ The medium is the message, yes. And the medium is now orchestrated by social forces and individuals beyond the company itself - a far cry from crafting a marketing message in a conference room and pushing it out to the marketplace!

The revolution in marketing media that’s underway today, and the growing importance of community, don’t stop here. Brian spoke insightfully about the move from “Mass” to “My” to “We” Media. Newspapers, TV networks, radio stations, and other Mass Media, which provide effectively one (and hence really no) choice and a single message, have given way increasingly to “My” Media. Yet with the iPods, TiVos and other “My” Media of today, consumer technology brings not only more choice but, ironically, an overwhelming range of choices.

Now, and with amazing speed, “We” Media has gained ascendancy. As with all innovation, “We” Media resolves a problem and bridges contradiction. “We” Media unites the easy accessibility of Mass, and the personalized nature of “My,” Media and carries this out within communities with shared interests, lifestyles, and ways and means of communicating. The walls between the marketers and the marketed-to have been breached. We are all consumers, and all marketers, in a world suddenly flattened by You Tube.

For retailers, the game has now changed. The task is not only to market *to* communities, but to interact and engage with communities that themselves play an increasingly active role in the marketing process.

### *Catch the Wave, Lest the Wave Catch You*

To connect with communities effectively you need to have the ability to spot and leverage consumer and market trends. Pam Massenburg, Ogden’s Customer-Inspired Merchandising Chair, sketched for the GEMCON audience some of the key trends shaping the minds of people today, whether they be the marketers or the marketed-to, and she illustrated well how old boundaries and hierarchies have increasingly gone by the wayside. Consumers participate in building brands as a community at sites like You Tube.

The democratization of style, design, and luxury has made accessible to the masses what was formerly the exclusive province of elites. Pop-up stores lend retail a dramatically new dimension of freshness, excitement, and spontaneity, and further rupture the paradigm of retail-as-bricks-and-mortar. In our wirelessness, even our very tie to *place* has been broken. All the while, marketers and the marketed-to alike meld into a collective consumer conscience that fosters healthful eating and lifestyle, going green, and a keener consumer and corporate eye to social responsibility.

### *Actualizing the Vision*

The opening sessions of GEMCON (including also, very importantly, the presentations by SUPERVALU, Stop & Shop, and Thacher Proffitt discussed above by Jon) painted an exciting and fresh vision of retailing. It’s one that collaborative, networking, and innovative. Increasingly, people not only play, but they also work and learn about products and services through organizations and

associations that connect with their values, lifestyles and aspirations. Businesses embraces more fully both community and social responsibility. A company and its customers are viewed part of a whole that has meaning and purpose. Can legacy organizations acquire the unifying passions of a Backcountry.com and enjoy the rewards of community in comparable ways? Can companies with less agile work forces and infrastructure also move successfully toward a more open and customer-centric model? Can traditional work environments become more fulfilling, exciting, unified, and affording of opportunities for meaningful growth and innovation, so that the company resonates internally with the exciting pulse of the community it serves?

There's no magic bullet, no fast remedy, but many of the companies we heard from at the conference are moving in the direction of customer-centered wholeness and transforming the grocery industry in the process. After focusing on Vision, GEMCON's attendees went on to consider three additional key components of customer centricity, about which we'll be reporting more fully in coming issues of *In-Store*.

### **GEMCON Themes**

**VISION:** Your unique opportunity to create value given the realities of the marketplace

**OPTIMIZATION:** Identifying the winning mix of best customers and best customer experiences

**RELATIONSHIP:** Continuously improving the customer experience

**INNOVATION:** "Seizing the extraordinary opportunity"...as your way of doing business