



The Database Podcast

Episode 20: Turning Shopper Disloyalty into Opportunity

- Katie: [00:02](#) Where do your loyalties lie? Chances are it's not with the brands you grew up with and loved in the past. And you're not alone. A recent Nielsen survey found that a whopping one third of Americans are more product disloyal than they were just five years ago. That means 33% of Americans are willing to try new things from new brands. Couple that with the notion that more than half of the top grocery retailers in the US have lost share of wallet over the past five years due to retail disloyalty, and it's clear that brands have a major cheating problem on their hands.
- Katie: [00:36](#) To make it even more challenging, product diversity is expanding and floor space is shrinking. Today's brick and mortar store is 7,500 square feet smaller than it was five years ago. Yet there are 9,000 more products available for people to choose from. So what needs to change?
- Katie: [00:54](#) Brand marketers need to flip the traditional loyalty model and embrace brand infidelity. On this episode we're exploring why consumers are cheating on brands. What brands can do to turn the trends into opportunity, how brands can use reference data to create personalized experiences, and which data puts them in the right position to succeed. This is the database, a Nielsen podcast. We start with data and go from there. So thanks for listening, and stick around.
- Katie: [01:31](#) Hi, and thanks for joining us. This is Katie.
- Bill: [01:34](#) And this is Bill.
- Katie: [01:35](#) And we're going to be your co-host on a journey through data.
- Bill: [01:37](#) Each episode we'll be exploring trends that are affecting a wide variety of industries, from media and consumer goods to entertainment and more. We'll bring in experts to discuss the data behind these trends and we'll get their perspective on what's next.



- Katie: [01:50](#) So Bill, what is next?
- Bill: [01:52](#) Today we're talking about disloyalty. We're talking about consumer products and the ways in which we engage with products, and perhaps maybe engage with products that we didn't engage with before. Meaning we're less likely to be loyal to brands we've always sort of kept close to us, and more loyal or more willing to try others that's sort of creating more of a fragmented buying experience. So are you a loyal shopper when it comes to the things that you go to the store to buy on a regular basis?
- Katie: [02:23](#) I'd say I have a couple of brands for a couple of different products and categories that I am fairly loyal to. If they have it in stock, if it's the right price, I'll just grab it, put it in the cart. I've vetted it, I feel good about it, it makes my shopping experience a lot easier. But I would say that I like to try new things and so I'm always willing to experiment. If there is something that catches my eye or that looks intriguing or if I'm trying a new category, and maybe I'll go with something that just looks good.
- Katie: [02:57](#) I actually just was shopping and bought a new type of deodorant this weekend, which I mean you got to play the field, try different deodorants. But I was looking to switch to a natural deodorant and they had one that was available in a test size, and so I picked that one up because I figured it was a few bucks, couldn't go wrong, give it a test. I really like it.
- Bill: [03:20](#) You're not stuck with a giant stick of-
- Katie: [03:22](#) Exactly. But I'm really enjoying it. So I might become a loyal customer for that brand of deodorant going forward.
- Bill: [03:30](#) Never heard anyone say, "I'm enjoying my deodorant," before, but that's amazing. So I think one of the things that you hit on just a second ago was price. So how big of a factor is price for you? Is that a big swayer for you when it comes to the shop?
- Katie: [03:42](#) I'd say the organic and the natural stuff does tend to sway me. I will pay more for that. Sometimes significantly more depending on what it is. But I would say that the product has to work and I've bought some things that were organic, and paid a significant amount more to try that product and not like the experience, and gone back to one that was maybe not natural or less natural, but lower cost because



the higher price didn't justify the product I was getting. What about you? Are You loyal or disloyal?

- Bill: [04:15](#) I think I'm a little of both. And I think that as we sort of talk about with this episode, opportunity and choice sort of play into both of our shopping experiences. And I do tend to spend a lot of time looking for things that I haven't tried, but I do so online more so in that realm. I think when it comes to going to the store, I'm pretty a creature of habit. But I think in the online space I tend to look for things that are less expensive than I might be able to find in brick and mortar.
- Bill: [04:42](#) And I think there's a really great example recently where I did try an online shop that I hadn't tried before and I ordered a pair of shoes. I knew my size, I knew what that was all about. But instead of receiving the shoes, I received a box of vintage purses, handbags, and wallets, which was very disturbing for many reasons.
- Bill: [05:05](#) And we sifted through trying to find notes in there about why they sent this to me instead of my shoes. And we really couldn't find anything except a tracking number. And for some reason the tracking number matched my order. So in the end I did get my shoes, but I had to bring back this giant box of vintage bags and purses to an actual physical store in order to get my credit. And that to me was a huge headache. And it wasn't necessarily worth the effort of maybe saving 10 bucks on the shoes because it was such a headache. So I think from the perspective of trying something, I did try something, the experience wasn't great.
- Katie: [05:42](#) But would you try a different brand online?
- Bill: [05:45](#) Sure. Different store, absolutely. I'll give everyone the benefit of the doubt, but I do think that with so much choice there is that you've got that one opportunity to sort of make or break and I have no idea how this even happened. It was such a bizarre thing, that I just have no explanation for it. But sure, I will try.
- Katie: [06:02](#) I mean, the other nice thing with online is that a lot of places tend to have reviews that you can look at that can make you feel a lot more comfortable about making your purchase before you buy.
- Bill: [06:11](#) I should have looked in the reviews more. You may get a box of random vintage handbags. Yeah, I didn't catch that in



the review section, so I should of looked. But anyway, so we've got a great ... This episode was a lot of fun. And to get things started we thought we would dive into some of the trends that are driving consumer spending and the data behind those trends. So to get that story we sought out Scott McKenzie, who's Nielsen's intelligence leader along with Lauren Fernandes, manager of strategy and analytics.

- Bill: [06:41](#) At the start of our conversation, we acknowledged the many things out there that can distract us. A seemingly never ending choice as close as our fingertips. So to get us started, we asked a pretty straight forward question. Should we simply blame the Internet? Here's Scott.
- Scott: [06:57](#) You know, yes, the Internet and its abilities to disseminate content and opportunities has kind of made it harder than it's ever really been in the history of the planet, certainly of us all being alive. Right? So the thing we need to remember though is that what comes along for the ride with that difficulty in that broad dissemination, that democratization of access, is that you've also got more choice.
- Scott: [07:28](#) You've got more decisions to make alongside that, and that's where the levers get really interesting from a marketing perspective. But that dissemination of content, that democratization of opportunity, and then the ability to get in the middle of that has actually never been greater. I think it's pretty cool.
- Lauren: [07:47](#) Yeah. I think in product discovery to it's never been more accessible. It's not what it used to be, and I think that's what's fundamentally different, is that consumers just have so much at their disposal, so much that they can tease their interests with when it comes to, you really aren't limited to what you used to buy. So you may as well play the field, be disloyal, see if there's a better alternative because there's so many choices now.
- Scott: [08:16](#) Yeah. I think you hit on an interesting thing right at the top there too Lauren, this notion of being disloyal is certainly one thing, and we saw it with the music space with which you referenced. It used to be, if we think about our music habits that we'd listened to a finite, largely finite, amount of music or even styles of music.
- Scott: [08:38](#) We'd have a repertoire that we mostly stuck to and that would be driven by what our friends told us was cool to listen to, or what was on the radio when there was really



just terrestrial radio out there. There wasn't the opportunities that, for example, satellite radio brought along with it as it, we saw that in a lot of cars where we'd obviously have a lot of radio listening going on. So as you saw our music go from a really defined space, which was actually shrinking, both sales of albums and sales, even more broadly in most genres, was on the decline.

- Scott: [09:15](#) So what we've seen is democratization. I keep using that word, but I think it's important of music. Same thing in the FMCG space on a really different scale though, an incredible scale if you think about ... I think in the US alone, there's literally thousands and thousands of new products introduced. I think the number's nine or 10,000 new products a year just on those that go beyond the sort of scale that we measure on. That's insane if you stop and think about it.
- Bill: [09:48](#) Stores are not massive anymore. Right? So you've got that big influx and then where do you put all the stuff?
- Scott: [09:54](#) Online. You're exactly right, Bill. The store size is shrinking in the last 10 years or so. Seven and a half thousand square feet smaller retail store environment. And that's not counting sort of explosions in things like small convenience stores and gas stations and things like that either. So you're seeing this really interesting dynamic where you've got infinity is the number that you can have on the proverbial shelf these days, it's not defined by the size of the store alone.
- Lauren: [10:27](#) I think that's where the omnichannel intersection becomes really important because we think of show rooming as a concept we might be familiar with where you go to a physical store to look at the product and consider maybe buying it online. And I think the other end of the spectrum is web rooming where you can look at a product and search reviews online, make your purchase decision and use online as your research tool, your discovery tool and then see where you can buy it in stores. And I think using both of those aspects becomes really important just to thank Omnichannel, make sure you're accessible in both those realms so that you're using the discovery and assortment of online, and then working also with what space you do have in physical stores.
- Bill: [11:17](#) We asked Lauren to clarify what we mean when we talk about omnichannel and she explained that it simply means



a strategy in which on and offline channels are being used together, allowing the customer to convert a purchase in either realm.

- Lauren: [11:33](#) When you think of whether or not to, to further your omnichannel model, I don't think it's really a choice now, it's more how do you become that easy decision? How do you become the first option that comes to mind? Because you have the fulfillment that matters, because you have the online presence that inspires the discovery and then you can follow that up with a relevant assortment in store to convert that purchase.
- Lauren: [11:58](#) I think it's just how do you become top of mind because consumers have so many decisions to make because of the information they have available, and you just need to be top of mind to convert those opportunities. And omnichannel's the way to do it, I think.
- Katie: [12:13](#) So we've been sort of talking about the huge opportunities that sort of omnichannel presents, and specifically for consumers, but there's still sort of limits on how much people need certain products. I only have room in my small New York City apartment for so much toilet paper, and at that point that's all I need. So in some cases I'm definitely driven by the ... Physically, the amount of roles that come in a pack.
- Bill: [12:40](#) The small closet of your apartment.
- Katie: [12:40](#) So yeah, I'll pay more just because I don't have any room for 24 toilet paper rolls. So can we talk a little bit about sort of that relationship between product and product need?
- Scott: [12:51](#) Lauren and I talk about this quite a bit from a few different angles, sort of as to how people prioritize what they buy and how they buy it. The example you just gave Katie is something I think of as sort of just in time purchasing. You know you don't have a capacity need or desire for giant stocks of anything in your home.
- Scott: [13:16](#) And I think increasingly your people are being much more choiceful in when they purchase, they're able to buy on deal, and they still do buy on deal. But they're choiceful about how they buy on deal because they know that quite a lot of products, particularly middle of the store products that you see out there, those larger bulkier items can quite often be on deal most of the time.



- Lauren: [13:42](#) I kinda think it makes you rethink consumption. If we use the toilet paper example, it almost becomes less about the actual toilet paper and more about the need around the product. So in Katie's case, it's the size of the package has a huge determinant on your purchase decision. And then in that case your disloyalty or loyalty to a particular toilet paper brand is going to be driven maybe less by price and more by the assortment of the actual product and pack sizes available. And I think that's really the ultimate story here is that you need to cater your positioning around the needs of the consumers you're trying to get after.
- Bill: [14:24](#) And what about loyalty and other categories or in different channels? Is disloyalty something that's evenly dispersed or does it vary?
- Scott: [14:38](#) It's interesting, and it's changed, not to qualify the answer, but it has changed particularly as you see discounters for example on the rise. So as you those lodge discounters, and we've seen it in Europe in particular where you've got a really dominant discounter environment, there will always, for example, be a Cola brand that's on sale in one of those discounters.
- Scott: [15:08](#) And because the discount is so compelling, most of the time you tend to be brand agnostic between the two obvious color brands that play in that space. So you're buying on price in that instance, not necessarily brand loyalty. So that gets really interesting in a discounter environment. Not to take us down a rabbit hole, but I'll take us down a rabbit hole. As you look at the discounters and the brands that they produce, which are essentially private label products, they created brand affinity, in a really smart way quite often, around some of those non brands. The discounters are really good at that. And in the US in particular, they're just getting warmed up.
- Katie: [15:58](#) Scott's Cola example shifted our conversation a bit, aiming it toward the rise of private label, a space that is no longer perceived as something that's an economical choice. In fact, the tide has shifted so much that Scott emphasizes that private label is very much a part of the disloyalty equation, and globally.
- Scott: [16:21](#) It's 100% store brands as well. And this is happening everywhere by the way. If we look back, so I'll choose a country where we saw a particularly low penetration levels of private label forever, and that was Russia. It was very,



very difficult to sell private label in Russia. And Russia, for everyone's benefit has literally hundreds of retailers.

- Scott: [16:47](#) It's the most fragmented retail environment that you could possibly want to deal with. And private label just couldn't make it because the quality was just horrible. And they acknowledge that. They realized at some point that they had to fix that. And they tried a few times. And the turning point was actually when the ruble collapsed a few years back as oil prices went down with it, and there were sanctions put in place. It meant people had a lot less money.
- Scott: [17:15](#) In some cases, the average Russian person had their savings halved. So they had less money to spend. So private label was given focus in a way it never had been. And when manufacturer as focused on producing a good product at an acceptable price, people flipped. They turned to it. Now that was a price driven example that required quality to get them there. We see in some of the, actually some of the eastern European markets, interestingly you're seeing alignment of the discounters with their private label being almost seen as premium. It's actually something of a status symbol to be seen carrying a bag with the name of that discount or retailer on the outside.
- Lauren: [18:03](#) Yeah, I mean there's nothing generic about private label anymore, especially for younger consumers I would say. Where, especially in the US, they've grown up knowing and trusting these brands and in many cases their equivalents or even the preferred option over some branded items.
- Katie: [18:20](#) So in this sort of disloyalty environment, do we have any numbers that we can sort of put behind sort of these changes in consumer purchasing behavior?
- Lauren: [18:31](#) Yeah, I think definitely we're just seeing expansion in the number of, as we said, items available in a given category. So from an innovation perspective, we're seeing growth there. There's almost 40,000 items on average grocery store shelf, or in an average grocery store rather. So that's a lot of choice to deal with. And coupled with the fact that consumers, almost half of consumers globally indicate their changing stores often.
- Lauren: [19:05](#) And also that share of wallet is shrinking in the US, among the top US grocery retailers. So that means we're spending less on maybe the mainstream retailers and our



consideration set is expanding. So we're looking to others, to other places, whether that be online channels or even forms of online grocery to fulfill our needs.

- Lauren: [19:31](#) And I think in general, consumers have just indicated to us by a survey metrics that they are more disloyal or more likely to consider and try new products versus sticking with the ones they know and love. And that's about a third of us consumers that have indicated that increased disloyalty lately.
- Scott: [19:52](#) Yeah. So that's huge, right? A third. One in three people say they will cheat on your product. What does that mean though, right? If we've got a third of people saying that they're ...
- Scott: [20:00](#) ... mean though, right? If we've got a third of people saying that they're actively open to dating opportunities with new products, that's good news and bad news. If you're a company that has spent all of your amazing marketing budget, ever shrinking in some instances or in many instances, against retaining loyalty to your brand in an environment that is more fragmented from a product and media point of view. So, more platforms, more advertising exposures, all of those good things, you're what some people would probably call doing it the hard way. There has to be an easier way, and we would argue that the easier, not a whole lot easier granted, but a lot easier in terms of opportunity is to go after that disloyalty. To actively engage it.
- Bill: [20:59](#) How exactly do brands do that? They do that by tapping into data. I'm thinking very strategically about consumers and what they're looking for. That way, they can get them thinking about your offering instead of someone else's.
- Scott: [21:14](#) First, you need to understand what that consumer looks like, what their expectations are of you in your category, for example, and understand and acknowledge, because the acknowledgement part is important, that they are different in their purchase habits by category. Sometimes very deep inside those categories. Not only does one size not fit all, which we love to say, but even inside the inside of the way you go after marketing to people, unless you've got that hard core relevance, giving them a reason to care that is beyond price and is certainly not a mass market approach, then you're probably not going to be successful. Just spending more money, for example, on a national TV



campaign is not going to necessarily sell you more things. Which means you have to be so much smarter about how you allocate your money. But first, get your position right. What's the message? What's the hook? What's going to encourage people to try something that they've never tried before? That's a risk.

Scott: [22:24](#) If you look at the developing world for a moment instead of the developed, where you tend to have much bigger digital campaign initiatives, for example, in the developed world, in the developing world, your campaign will need to also think about risk. That risk is the risk of taking something out of your basket to put something new in. If I'm a family of four in a developing market, I might have a couple of U.S. dollars a day for my family, and that might not be a guaranteed \$2 by the way. A lot of people have multiple jobs, sometimes not every day of the week, that kind of thing. There are a lot of uncertainties.

Scott: [23:07](#) A brand has to do an incredibly hard job. It needs to convince them to feel comfortable taking something out of their basket or downsizing. Smaller pack size, something like that, because their wages are not necessarily expanding but you're trying to expand the basket. That's super hard. It's disloyalty through a lens, wherein often in developing markets, I'm thinking of Africa as a good example at the moment, first to market brands tend to be incredibly popular, they tend to be incredibly trusted, and consumers in many African countries will look to the advertising support as proof that the product is real, that it's not counterfeit. They want to see products on billboards. They want to see it on television screens, if they have one. Those kind of things.

Lauren: [24:02](#) I think you want to attract consumers of today because of, as you said, how many options there are available. You need to attract them to try that new brand or that new option, even if it's not new to the market, and it's just new to them. People are willing to cheat, but they kind of need that reassurance or that guidance to want to change. I think we've seen successful stories, like pre-cut vegetables, like produce butchers being something new. Something exciting that reinvigorates how you consume vegetables and how you get them.

Lauren: [24:38](#) That's something people love to try and love to share that they've tried, online for example, so even the social media influence can really help. I think people want that reason to



switch. They want to be wooed, they want to be enticed to try something, and then hopefully share that success story about the product with their networks and, particularly for younger consumers, share the new brand that replaced the old that they tried and why it's better. Having those stories and being able to align your product to the potential of those successful outcomes I think is really important today.

- Katie: [25:16](#) Is place of origin... I mean, we're talking about all these factors consumers are considering in this digital landscape where you can get things from around the world. Is place of origin, having it be local or regional products, still important to consumers as well?
- Scott: [25:34](#) Yeah, it's a two-speed story. I see in the place of origin. In some countries, in particular, they're doing an incredibly good job of leaning on things like nationalism. I don't mean in a negative way. I mean through national pride or national sporting achievements or natural ingredient availability in that specific country, for example, or region.
- Scott: [26:01](#) We've seen it drive new growth. In Poland, we saw incredible growth in the cider category, for example. Poland, and I didn't know this until I dug into it, is a massive producer of apples. So, it was producing what was effectively a surplus of apples and some smart people in Poland thought, "What can we do with this? Hey, we'll make cider."
- Scott: [26:25](#) There are two or three small players that became quite big players and they positioned themselves around the national storyline of Poland being able to produce these really high quality apple crops and to do something with them.
- Scott: [26:43](#) We saw almost no sales in domestic cider in Poland absolutely explode over what was really a two to three year time horizon. I've seen similar things take place, particularly in the beverage category, again, in West Africa, which centered in Nigeria in particular in a number of different ways.
- Scott: [27:02](#) Then, in the digital sphere, place of origin becomes less necessary because people are able to purchase across geographic boundaries in ways that they've never been able to before.
- Bill: [27:17](#) On the example that you mentioned with Poland and the apples, you almost made it seem as though there wasn't a



ton of consumption of cider, but the manufacturers and the producers created growth out of something they just believed in. That sounds amazing.

Scott: [27:37](#) Yes, it was amazing. It's one of my favorite examples because they grew the, I wouldn't say they grew the apple [crosstalk 00:27:46]. They grew the pie, and it was a largely thin sliver of pie that was dependent on ciders. It was really like one, maybe two ciders, from I can picture one of them from the U.K. An English brand that had some penetration in most markets in the world, and almost nothing else. It just was nothing that local tastes had gravitated towards. It tended to be a larger consumption of vodkas and beers, flavored brandies, things like that.

Scott: [28:22](#) So, instead, you suddenly saw, to your point, Bill, this growth. It was like they manufactured a new subcategory of beverage. But, to Katie's earlier question, around that national flavor, so-called, that drove it. It was a differentiator. And people love differentiators. Everyone wants to think they're different even if they're just different just like someone else.

Bill: [28:50](#) The differentiation angle here is critical, and it's something that Scott says brands can really tap into if they have the data to tell them which direction to head. That's where reference data comes in. That's the data attributes that can shed immense amounts of light on preferences and spending that simple sales data can't. These data attributes can help you get ahead of the trends or even create them.

Scott: [29:16](#) The differentiation part is really cool to me because if we were able to jump in a time machine and take that Polish cider example, what we might have been able to discern is if we reverse engineered the process and we started to look at the data attributes around taste patterns, purchase patterns that tied back to taste, we have this incredible, the biggest on the planet, set of reference data that captures characteristics that you would not believe about every product with a bar code on it, and sometimes without.

Scott: [29:53](#) What does that mean, it means that you can... If this was a music chart, you would be looking at the bottom of the music chart to see what's hot and coming up next. What's the hot new artist, what's the hot new song. Similarly, with characteristics, and we see and our clients are using it really well in some spaces, at least, particularly in retail, as they think about using that reference data to understand eating



habits. Do I need GMO free foods? Do I need gluten free foods? Do I have a particular preference around ingredient dominance. We know how important those things are as people gravitate increasingly to short ingredient lists so they understand what they're eating or what they're drinking.

Scott: [30:45](#) So, reference data to me is just this mountain of fun. It should be just a very cool starting point to take what you're amazing at, align it with what people are already demonstrating, whether it's in the country you're operating in or another, or aligned to things like a surplus of apple supply. What can you do with this to go after new opportunities or expand your existing opportunities?

Lauren: [31:12](#) And I think if you just allows you to seize the day with the future opportunities because with that exhaustive read of what's happened, you can use the past to predict the future and to model what's most likely to happen and really plan against that. So, that with the cider example you can see that as a possibility and help realize that using data that growth is something that could likely happen and get ahead of it.

Scott: [31:42](#) To build on that, that data set, that reference data democratizes the data at the same time. Everyone is capable of looking at this data and using it for something fresh.

Bill: [31:57](#) Closing thoughts: is it safe to say that the loyalty equation is best challenged by differentiation and strategic risk taking?

Lauren: [32:06](#) I would even say on the strategic risk taking, it's almost like it's taking a data mining approach to expanding your horizons. It is risk taking but it's calculated risk taking and using all of the variables at our disposal to expand your consideration set in terms of not just looking at your loyal customers, but looking at that greater pool, and then spinning the concept of attracting consumers on its head and really considering all of the use case of your product in all markets that you operate in. Taking all of those data variables and predicting likely outcomes for yourself.

Scott: [32:49](#) Yeah, your brand power will never be enough to get you there. It's incredible arrogant to think it will in this day and age. We've seen that in all sorts of industries. We should expect it in the FMCG and grocery space more broadly. It's not optional, go take the risk. By the way, it's not really a



risk because the data will inform most of what's your decision making process needs to accomplish.

- Katie: [33:20](#) Once Scott and Lauren provided us with the big picture across the CPG landscape, we wanted to get a sense of what retailers are actually up against as the retail landscape continues to change in an ever quickening rate. So we spoke with Julie Currie, who leads Nielsen's global product team, and Joel Percy, head of business consulting at ciValue, a Nielsen connected partner company that offers a precession marketing tool that allows marketers to look at data, mine it, and then create targeted personalized offers.
- Katie: [33:49](#) To get us started, we asked the pair for their high level thoughts on how distracted we are as consumers, and what impact that is having on the CPG landscape. Here's Joel.
- Joel Percy: [34:03](#) I think the landscape of retail as we know is changing incredibly fast. It's changing in terms of how customers buy, how with the rise of e-commerce, which is growing very quickly every year. But I think also, importantly, growing in terms of just how they interact with brands and products, whether they're buying or not, how they learn about them, how they research them. That people are more likely to check with a friend on whether a product is good than to read the package and understand its benefits these days.
- Joel Percy: [34:34](#) The way they're interacting is different. But then also their expectations are becoming sky high. Personalization is a huge part of that, where you think five or ten years ago, a retailer sold thing, and as a customer it's my job to go and find the things I want. Well, these days the expectation is that you're going to tell me about the things that I want to know about and if you get it wrong and you suggest something for me that I don't want, I'm going to be upset and wonder why you're suggesting it.
- Joel Percy: [35:01](#) The expectations or just through the roof these days. There's huge pressure on retailers.
- Bill: [35:07](#) How would gauge where retailers are in terms of meeting those big demands?
- Joel Percy: [35:13](#) I think you have retailers at all stages, but certainly there's a huge portion that are behind the curve. The issue is that when someone goes about and leads that immediately sets the new floor with what customers expect, and then you've got retailers with legacy systems and huge bricks and



mortar networks and you can't turn those things overnight. There is a large portion of the industry that's lagging behind and trying to figure out how we're going to catch up.

Bill: [35:42](#)

Julie, is Joel on point there?

Julie Currie: [35:44](#)

Yeah, I think Joel brought up a really good point there, which is the dilemma of what we call more of our traditional brick-and-mortar retailers where they do have these large legacy ways of working and legacy systems. When they're trying to compete with the new generation of retail, which we all know what those look like. We're all online shoppers, probably for the most part.

Julie Currie: [36:10](#)

So, you can see the dichotomy between what a customer experience is when you're shopping online versus when you walk into a store. That's kind of the peril that our more traditional brick-and-mortar retailers are in right now, which is chasing the ever elusive sale. You have to actually have a consumer has a certain wallet that they have available to them, so I think Joel's spot on in saying it's kind of a little bit of the wild, wild west out there, but it does always come back to how do I go attack a consumer's wallet and get my fair share of that wallet?

Katie: [36:47](#)

Do we have any numbers that we can put behind the landscape where we stand today from consumers' loyalty or disloyalty?

Julie Currie: [36:58](#)

There's a ton of metrics out there, but let me just give a couple that we tend to have done throughout our research here at Nielsen. Is that we've got about 83% of consumers today are shopping on regularly more than four stores. Four or more chains. Whether that means you go to a drug channel to get your drug, go to Costco or to Sam's to get your more bulk items, and then grocery to do your main shopping trips.

Julie Currie: [37:29](#)

But when you think about that, when you think about consumers willing to actually get in their car to four or more outlets to satisfy their shopping needs, that's a pretty daunting task to say "how do I reduce that?"

Julie Currie: [37:43](#)

Then the other thing too, is that when I look at major use grocers, 60% of them are actually using that share of wallet. That really tells you that these major grocers are using share of wallet and mainly to the e-com players.



- Julie Currie: [38:03](#) The other thing too that I've looked at in our analyses, is when you think about why that's important to a retailer is that about 85% of a retailers' growth comes from their loyal customers. It costs a retailer about five times more to acquire a new customer than it is to retain them. That's why retailers are so interested in really understanding what's makes their customers tick, and therefore how do I actually increase their loyalty to my store or even to my website?
- Bill: [38:37](#) It sounds like convenience plays a role. We're all busy, you mentioned the hassles of driving from store to store. I would think that in the age of being able to order ahead, pick up curbside, that sort of thing, would probably aid in some of the hassle that comes with hitting those four stores, right?
- Julie Currie: [38:58](#) Yeah, the convenience, be it choice, you see a lot of retailers these days really going after that convenience element. The click-and-collect, where I go, I order, I basically order my basket online and then I just drive up to a retailer. You'll see a lot of new retailers actually have lanes to be able to do that. The convenience of going into a store and being able... there's a lot of new technology, in-store technology that helps make the shopping experience, once you get into the store, much more convenient.
- Julie Currie: [39:29](#) But then also, going back to what Joel said earlier, the idea of personalization, the idea of making sure that I'm actually going to go to store, I'm going to go purchase something because they've spoken to me in some way. They get me. They know how to really leverage my attitude toward convenience or my attitude toward choice. They're doing it and making it easy because of the way they're communicating with me or the deals that they're giving me are very personalized for me. That's going to drive my behavior.
- Julie Currie: [40:00](#) ... for me, and that's going to drive my behavior.
- Bill Quinn: [40:04](#) Joel, do you have thoughts on the personalization angle there in terms of how to capitalize on that?
- Joel Percy: [40:11](#) Yeah, so I think that as Julie said, customers are looking for brand and retailers that are going to engage them and understand them and get them. And in a lot of ways anticipate their needs. And I think there's a lot of opportunity then for retailers who can do that. We hear a lot about this customer centric approach or the customer



first approach. And the retailers that we've seen that are winning are the ones who are, kind of setting aside this mindset of, every time I interact with you as a customer, I have to squeeze another dollar from you. I have to get you to buy something you haven't bought before, or get you to buy the premium version with higher margin, or whatever it is. And actually, the ones that are winning are building the relationship through these regular, personalized interactions that say, "I'm going to give you a deal on something I know you like. I'm going to kind of put your needs first. Or I'm going to suggest something to you, that might be of interest to you."

Joel Percy: [41:08](#) And customers, that does build loyalty with customers over time. And what it does is rather than just drive one incremental sale on that premium product, is it gets them coming back to the store again, and again, and that's when you really start to see the share of wallet gains that Julie talked about, that we're all chasing.

Katie: [41:30](#) So what are the key levers that brands and retailers can tap into? As a way to fulfill consumer needs. Sometimes before the consumer knows they even need it.

Joel Percy: [41:39](#) I mean I think there are a couple of key enablers. And the one that gets the most focus, is the algorithms, the artificial intelligence behind tracking the consumer purchase patterns and the replenishment of certain products and that kind of thing, to make sure we are getting the right product to you at the right time. And that's obviously a really key piece.

Joel Percy: [42:04](#) One of the things that we found that is a big gap, in a lot of cases, especially as retailers get started on personalization, is building what we would call the offer bank. This pool of offers or promotions, that the algorithms have to draw from. And normally the way that starts is to say, "Well let's go to all our suppliers and get them to sign up and create some offers or create some coupons, and typically what retailers will get when they do that, is a set of the new product launches that suppliers are trying to push, or maybe a few items that have slow sales, and they're trying to make the plan for the year, or whatever that is.

Joel Percy: [42:43](#) But what they're not getting in that list, are the core, kind of A items, the basic items with the high volume of sales, which of course are the things that the customers actually want. And so, really what's needed I think, is a decision at



the start. It's really a strategy decision that says, "Are we going to make sure that we put an effort into having available, offers on the things that customers actually want, rather than the things that we want them to buy. And that kind of takes a commitment from the top. Because it doesn't just happen naturally, if you just go out and say, "Everybody submit your offers," you're not going to get that.

Bill: [43:23](#)

Julie, earlier you mentioned sort of like how certain infrastructures are in place, or technologies that might not be as current. How do we look at like the retail landscape of the traditional retailer that isn't thinking AI yet. How do we think about helping them, get over this technological hurdle? Or maybe it's not a hurdle, maybe I'm off base.

Julie Currie: [43:48](#)

Yeah I think the conversation often wants to go to technology, but I liked what Joel was saying in the sense of, what he was talking about with the offer bank, right? That's an enabler of saying, "Yeah I need to make sure that I have a bank of personalized offers, right? That are going to be relevant to the broad spectrum of customers that I'm serviced." The thing that I always say is the best starting point for retailers, is the data. Now I know that's going to sound self-serving, because I'm from Nielsen, but it's not just, the thing that retailers have done as they have really embraced the idea of loyalty, loyalty programs, is they developed these programs, and we're all members on them, as we said before, all of us are a part of every single loyalty program of a store we walk into, right? They take our phone number and therefore I'm part of their loyalty program.

Julie Currie: [44:37](#)

So retailers become really dependent on that data, or at least that's the first step in their journey of becoming kind of consumer centered. But kind of our hypothesis is, is that that data, that you get about your customers, that are part of those loyalty programs. You'll get about seven variables on them. You'll know kind of their demographics, you'll be able to see what their shopping. So often you'll be able to see a new life phase, that's transitioning into a new life phase when they're starting to have babies, you'll be able to see baby items in their basket.

Julie Currie: [45:12](#)

But when you think about the wealth of data that's out there, there's so much more that if you then think about taking that data that you have about your customers in your store, and upending it with data we, or information we have and can get on folks. And retailers really do need to



embrace a little bit more of a 360 degree view of what their customers are doing not only in their store, but out of their store.

- Julie Currie: [45:38](#) So while we go to technology pretty quickly, technology's only as good as the data that feeds it. So the best starting place is just being curious about, "Okay, I've got a lot of information about my customers in their store. What are they doing when they leave?"
- Katie: [45:54](#) So I know you guys have this concept of being a selfless retailer, and it kind of sounds like what you're talking about Julie, but can you sort of talk to us a little bit about that? What do we mean by that?
- Julie Currie: [46:03](#) Yeah it's exactly that point that I was saying around if you're a selfless retailer, you can't just look at your own stores, and the products that are on the shelf. You really have to embrace the fact that if your selfless, you're really looking at it from a customer lens, right? You're trying to figure out what makes that customer tick. And what most importantly, what makes that customer shop and buy. And so as a selfless retailer it's really about migrating from a very store centered way of running your business, and making decisions, to a very customer oriented way of making those same decisions.
- Bill: [46:41](#) How much of a shift from a mindset perspective is that for our retail clients and folks that are out there? That sounds like a pretty distinct change.
- Julie Currie: [46:53](#) I think it's a distinct change because it requires you, as a retailer, who often are every large organizations to examine your existing business processes in ways of, like I said, making decision. So I don't think it's a hard transition to make, conceptually. I think it's a hard transition to make practically.
- Joel Percy: [47:18](#) To add onto to what Julie's saying, I think there are a couple of places where I see the selfless retailer dynamic, playing out. So one is this idea we talked about already of giving customers what they actually want, which sounds like such a simple concept. But we need to remember that there are really armies of category managers in these retailers, who have sort of for years had drilled into them, not to waste money on promotions for people who would have bought things anyway. And so there's this sort of organizational



fear that says, "Promotional money is wasted, because I'm giving customers the things they already buy."

Joel Percy: [47:59](#)

And of course, the fallacy in that is that they are buying those things, but they might be buying them sometimes with you, sometimes with competitors, and you just don't know. That speaks to, as Julie was talking about, we need to look beyond the four walls of our store. So I think that's one place where it really plays out. That's a tough mindset shift for the individual category manager, who's trying to make her numbers for that week, for that period, for that quarter, and is measured on a specific category, right? Remember she's not incented when the basket gets bigger, she's just incented when her items sell more.

Joel Percy: [48:33](#)

And so to deliver a promotion to a customer on something that she's already going to buy, seems like a real risk. And I think that's one place where retailers need to kind of have that overarching, driving strategy to help people make those customer centered decisions, because it won't happen automatically.

Joel Percy: [48:51](#)

I think another place where we really see it, is in this idea of supplier collaboration and sharing data with suppliers. And the old school mentality, which is still very much prevalent is, "I'm going to hold my cards close to my chest, I'm not going to share anything with you as a supplier that I don't have to, because you're going to turn around and use it against me. And that's very much been the mindset in the industry for decades. Now that's changing, but as we've said, change is hard. It changes slowly. The retailers that are winning, though, are the ones who are saying, "Let's open up this customer data. We've got access to it, you as our suppliers have access to it, and we're looking at the same data together. We can make smarter decision, we can make smarter decisions about assortment and occurring and promotions and all of those things, when we've got more eyes on it, and different perspectives."

Julie Currie: [49:42](#)

That's kind of the concept of what we call democratizing the data, right? As Joel said setting it free. And the one thing that we see with retailers, who are really good at, what I'll call their sharing practices, is that you can see this concept of like a network effect coming about in their organizations, around customer knowledge, right? That the more folks are sharing and the more questions that people begin to ask about how to entice a customer, or how to grow a customer share wallet, than it just starts permeating through



organizational functions. And so this concept of a network effect, is really an artificial of customer, retailers who are really good about this concept of democratizing their data.

- Katie: [50:31](#) As Julie mentioned earlier, loyalty cards and programs are very common. And brands and retailers collect massive amounts of information about their consumers. So are they staffed to process that data, so they can activate on it? And what type of tech do they need to do that?
- Julie Currie: [50:50](#) The more data and the more intelligence you bring to a particular organization around their customers, obviously the simpler you need make the process of getting to those insights. Once you have your data strategy in place, and once you actually have landed the data and are able to connect that data, then you do need technology and techniques to be able to make your simple, as Joel said, put that category manager who needs to make decisions every day, right? Whether we like it or not, retailers are a fast paced, business, right? They have a supply chain to manage, they got to make sure the products are on the shelf. If they're a brick and mortar retailer. The same thing, they got to be able to manage their website and their supply, if they're an E-com retailers.
- Julie Currie: [51:34](#) So whether they want to be as efficient as they can, they still have to deal with the supply chain and delivery of products, so therefore, insights, intelligence has to be easy for those folks that are still needing to manage the day to day operations of their organization. So being able to automatically come up with technology and machine learning and kind of the algorithms that you could bring into the data, you're able then to use that as a way making it really simple for a particular role at a retailer to understand, "Okay, which items should I put on the shelf? Which items should I put on my E-com site? What should they be priced at? Which offer should I be giving them?"
- Julie Currie: [52:22](#) That needs to be automated in today's world, for these retailers to be growing the way they want to be.
- Bill: [52:29](#) Cool, I'm thinking like millions of staff members, but it sounds like tech is the tool there.
- Julie Currie: [52:32](#) Absolutely. This is not going to be a people business in the future, right? There's always going to be a person who has to make the final decision, but the more tools and the more automation we can give that person, to be able to know



which decisions to make, when. And honestly, which decisions they can make a machine make. Can I automate some offer kind of pools to be able to say, "Okay the machine has actually told me this is the offer I should give to somebody, let me just press a button and send that offer." But we got a little ways to go between now and then. But that's definitely where the industry's going.

Katie: [53:13](#) And what role is some of these different types of tech play a role in the retailers being selfless, like we were talking about earlier?

Joel Percy: [53:22](#) Well I think one of the ways it plays into being selfless is that these new tools around AI and machine learning, we like to talk about them as really the new method that retailers have to listen to their customers, right? And so if you picture, kind of if you go way back to the good old days, there was a little shop. And there were people in the neighborhood, and the shopkeeper knew them. And if there was something that he didn't carry, that they wanted, they would tell him. And obviously the scale that we're operating at today, that doesn't work. And so it's actually, I mean yes you have a call center, where there's a small portion of customers are going to come in and some of them are going to talk at a customer service desk in the store.

Joel Percy: [54:02](#) The vast majority, are not going to say anything. And when they're disappointed or they're not getting what they want, or whatever it is. And so these technological tools, and especially those around machine learning, are really the ways that retailers can understand what their customers want, when they've got it right, when they've got it wrong. And if those things can be automatically, and without having someone to pour over some reports and make decisions, but automatically integrate it into next week's promotional campaign, or assortment decisions, or pricing decisions, or all of that, then those retailers have a huge leg up. And that isn't them pushing stuff on their customers, that's actually using technology to respond to what customers are telling them

Katie: [54:47](#) Are there any sort of downsides to being a selfless retailer? All the technology that sort of changing the industry? Retailers need to consider?

Bill: [54:54](#) Or risks, maybe?

Katie: [54:56](#) Yeah risks.



- Julie Currie: [54:58](#) I think the risks that you'll probably hear from retailers is the concept of having to change the tires on a moving bus. Right? It's that, retailers, as I said before, it's a very fast paced business, right? Just as relates to sourcing products, moving products through you're supply chain, and then being able to have those products on the shelf, the right price, the right promotion, to the right consumers, right? So and they're very low margin business. Retail is not a high margin business.
- Julie Currie: [55:29](#) So I think what you'll hear from retailers is that the biggest risks that they see, is kind of disrupting their ability to kind of move in today's way of working. I would actually though say it's quite the opposite, though. Right? Because all the statistics tell us, right? That consumers really have leverage. And so if you don't really being to figure out how to change the tires on a moving bus, right? And I hate to say it, the bus is going to run you over. There is no risk, long term, about becoming a more consumer oriented, vertical business. But I think you'll hear short term, this risk is how to do both? How to keep moving your items through the supply chain at the same time figuring out how to change your supply chain so it's more consumer centered.
- Bill Quinn: [56:22](#) I agree with Julie, I think she's said it perfectly. There is no risk in the long term to being customer centered. I think there are places as personalization becomes more and more a part of how business is done, where retailers need to step carefully. And there are certainly very heightened consumer awareness and it's in the media a lot around privacy and those kinds of issues. And I don't know that retailers are necessarily at the forefront of that, in terms of the privacy discussion, which is probably a good thing, you probably don't want to be at the forefront of that discussion right now.
- Bill Quinn: [56:58](#) But certainly there are places where retailers can make mistakes, and in today's world, those mistakes get very quickly shared with a lot of people on social media, or whatever it is. So you think of, if I'm a customer of a grocery store, and they are using data and AI to determine exactly the kind of breakfast cereal I like, and when I need it. That's great, no problem. Once you start getting into some things, like, you may think of weight loss products, or contraception, pregnancy tests, there are areas that are just more sensitive for people. And so just because the data tells the retailer what's going on in someone's life, doesn't mean that should be used.



Bill: [57:40](#) And so I think retailers need to make sure they've got really good checks and balances in place around some of those areas where it just might be more sensitive for the customer.

Katie: [57:52](#) If you're interested in more Nielsen data and insights, visit our website, nielsen.com, and subscribe to our newsletter. This episode was produced by Bill Quin, with production assistance by me, Katie Olsen. Sound and editing by Sonya Manalilli. Art by Alex Godionly. Special thanks to our guests this week, Scott McKenzie, Lauren Fernandes, Julie Currie, and Joel Percy. Talk to you soon.