

by Jim Prevor, Editor-in-Chief

A Major Retail Opportunity

Sharon Olson and her Culinary Visions Panel are irreplaceable resources for the industry and in this month's cover story, *Captivating Today's Consumers*, they offer us unusually valuable information. Three key points stand out:

1. Focus on key consumers, not just big consumers.

As IT capabilities have grown, retailers have shifted the definition of "best" customer. Thirty years ago the best customer was the one who spent the most money, the one whose cart was overflowing with goods. As they gained the capability to more finely discern the value of various consumers, it became obvious this was not the whole story. The consumers who bought the highest dollar amounts often had the largest families and were under financial stress. They sought out bargains, used coupons, cherry picked for specials. These consumers were often acutely aware of pricing and waited for sales to stock up. In many cases, their overflowing shopping carts were not very profitable at all.

In contrast a young bachelor may buy much less — he is, after all, just one person. However, he selects the location at which he shops based primarily on convenience and is not particularly focused on conventional pricing — he buys what he wants and he wants it. A great deal of what he wants is high-margin prepared food from the deli. So the volume customer tends to be a much more profitable one to have in the store.

This issue has grown more important with the growth of supercenters and warehouse clubs and the pressure on supermarkets to compress margin on many of their in-store items to remain competitive. Large quantities of products sold as loss leaders or at low profit margins are not, of course, the goal. So with the use of analytics we have gradually learned to focus our efforts not simply getting more customers or big customers, but rather, on attracting profitable customers to our stores.

Now Sharon Olson, in an astute insight, is pointing to the next wave in customer valuation. She points out that two customers who spend the same dollar amount with a store, who even produce the same gross profit with the store, are not, in fact, created equal.

Because certain customers are opinion leaders, their family, friends and co-workers respect them for expertise on food and shopping. Their peers look to them for insight, information and recommendations.

Marketing to enthusiast sectors is not new. Automakers have long advertised heavily in enthusiast magazines, such as *Motor Trend* and *Car and Driver*, heavily read by teenage boys who don't buy any cars at all. But if they tell their parents that the engine in the new Buick they're thinking about buying is going to be nothing but trouble, the parents listen because their

sons know more about the subject than they do.

Sharon is suggesting there's an opportunity to focus our attention on presenting stores that will attract not only highly profitable customers but also customers who will, in effect, serve as ambassadors for our banners, convincing others the products and services we offer are superior and make us the place to shop.

2. Recognize that consumers differ dramatically by flavor preferences — not just income or ethnicity.

What an insight! Micromarketing is almost a cliché. Of course, we all know that in a country as diverse as the United States offering a uniform assortment across a disparate shopper base is a loser. Typically micromarketing efforts have focused on ethnicity or income as the differentiating factors; Sharon now establishes a third, independent variable: Irrespective of income or ethnicity, people value different taste profiles and the "foodies" likely to influence others as to shopping choices have distinct preferences for sour, bitter and umami flavor profiles rather than the mainstream preference for salty and sweet flavor profiles.

This means product development teams, product

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opportunity to differentiate and thus be a magnet for certain consumers.

This insightful piece of research points to the foodie culture as a major opportunity for retailers to attract loyal customers, create brand ambassadors and build business by embracing those customers and prospects who truly love food.

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