

# STORES

## A Data-Driven Business

Ahold's focus on information and analytics propels decision making by **LEN LEWIS**

It's easy to collect data. What really makes a difference is how well retailers can turn it into usable, measurable information. That's not always an easy task.

"Retailers understand the promise of big data, but many still don't understand the complexities," says Channie Mize, general manager of the retail sector with Periscope, a McKinsey Solution.

"They might not be making the right investments so they're not getting the results they expect. It requires a combination of having the right people, processes and technologies to get the most out of the data."

One of Periscope's key industry partners agrees. Nick Bertram is senior vice president of merchandising strategy and support for Ahold USA, the U.S. arm of Netherlands-based supermarket chain Ahold, whose stateside banners include Stop and Shop, Giant Food and Peapod. The company is in the process of merging with Belgium-based Delhaize, which has a significant supermarket presence in the United States through Food Lion and Hannaford Bros.

"There's still a lot of data to be collected from transactions and other inputs," Bertram says. "Finding ways to turn it into something that helps us drive the business is very much a challenge."

### PROMOTIONAL CHOICES

One of the worst mistakes a retailer can make, according to Mize, is trying to find the shortest path to the biggest return on investment.

"You have to think of it as a journey — not something that happens overnight. Marketing tends to focus on customers, pricing and what the competition is doing. Retailers can be so siloed that they don't get the overall holistic view of who is actually shopping their stores," she says.

"But look at a company like Kroger. They're on a 15-year journey with comp-store increases every quarter. They started with getting the data right, investing in the right talent and putting a strategy in place."

Ahold has a similar strategy. "We have a



number of partners in different spaces that help us maximize our decision-making,” Bertram says. “Suffice it to say that with 800 stores along with Peapod, the number of transactions makes it a big task.”

Much of the data the retailer is analyzing relates to promotional activity in different markets. “Periscope really rose to the top when we were looking for a partner in planning analytics and work flow,” says Bertram. “And it’s not just data. It’s also a matter of managing the workflow all the way from an idea meeting with a [consumer packaged goods] partner to store-level execution.

“It’s a complex process because there are so many different stakeholders, and getting the right data for predictions as well as after the fact is only part of it,” he says. The company has been working with Periscope for about 18 months, long before the proposed Delhaize merger was announced.

Ahold, which has carved out a significant piece of grocery industry sales in the Northeast, aspires to make smarter decisions for its various customer groups. “The best way to do that is to understand their purchasing behaviors, what types of items and programs they are looking for,” says Bertram.

“Analyzing the past helps inform us about how to market ourselves for their future choices and how to communicate it. We picked the partner who could present information to the category management team specifically as it relates to promotions. Periscope has been able to take transaction and other information from our internal data warehouse that enables category managers to make smarter choices on what to promote during a given event.”

He cites forecasting the unit lift on specific items prior to a promotion. “In the past, that was done manually or it was based on institutional knowledge. Our promotion advisor tool enables us to see the historic trends. It lets us model what could take place if

we did things differently, and it’s given us information in a readily available and understandable application environment.”

### A CUSTOMIZED APPROACH

When it comes to merchandising, Ahold has become much more targeted in terms of assortment and price.

“In the past, we did things that mattered to the biggest bulk of customers. ... However, by going deeper into geography and demography, we have been able to understand smaller customer groups and customize store assortment and pricing,” Bertram says, noting that Ahold’s territory is comprised of both urban and rural markets with radically different customers.

“One of the things I like about Periscope is that they customize their approach to our needs, and our relationship with them is continuing to evolve. We’re getting better at customization and promotions of fresh products. Variable weight products are more complex than packaged goods,” he says.

Asked what customers are looking for in terms of promotional activity, Bertram says that, in general, shopping patterns among Millennials are mimicking the generation that came before them.

Mize notes that Generation Z and the Millennials are changing the analytics game. Since these consumers shift so quickly because they have access to more information, retailers have to dive deeper.

Millennials “still want to cook and learn, and many times their decision on where to shop is generated by our digital circulars and custom promotions,” Bertram says.

“We also have this new meal platform called Savory. It’s a magazine, an app and a website and has lots of recipes to help them save time and eat well, and the promotion part helps them save money.”

While digital platforms have become increasingly important, Ahold simply wants to be where its customers are.

“Customers aren’t in one spot. They are omnichannel, and they need to see us in print, online, in their phones and everywhere they go. We’re not limiting ourselves. We’re just trying to be smarter in every place we play in,” Bertram says.

That means promotions are more than just money-saving tools for customers. “They are looking for solutions for the moment, so often our promotions are linked to all customer aspirations.”



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That includes promotion of Ahold’s private-label brand, Nature’s Promise.

“We are doing a better job of creating and highlighting new products,” he says. “We intend to make Nature’s Promise a \$1 billion brand by the end of 2017, and we’re on track to do that with product innovations and the way we’re integrating it into our circulars and online.” **STORES**

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