VIEW POINT

Stores Must Evolve To Meet New Needs of Consumers
When retailers and CPG companies team up and use the right sales solutions, their customers win

It's true that people love buying books online, but for much of what they consume and use each day – from groceries to laundry detergent – they continue to prefer brick-and-mortar stores by an overwhelming margin.

For consumers, however, the in-store experience has not changed over the past few decades. Consumers are responsive to special in-store promotions … but often they can't readily find them. Many of them carry smartphones … but retailers aren't engaging them online. And although half of all consumers have seen self-payment systems in stores, fewer than one in ten have used them.

Why the disconnect? Hasn't the advent of high-tech inventory management systems, internet marketing, and sales force automation tools made the in-store experience close to perfect? No doubt the technology is amazing. But Retailers and Consumer Packaged Goods (CPG) companies are only just beginning to collaborate and use those tools to their fullest potential.

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Karmesh Vaswani, Vice President and Head of Europe for Retail, CPG and Logistics with Infosys, says it's not uncommon to hear from retailers and CPGs alike that it is relatively easier to strategise and plan a winning promotion but it is far more difficult to execute collaboratively. "They'll describe a promotion as a hit-or-miss proposition," says Vaswani. "If you're spending € 5 million on a special promotion and you only see a slight uptick in sales, you better start taking some major corrective actions."

In its new **State of the Store** study, Infosys found that over two thirds of consumers are unable to find something they're shopping for because the product is out of stock. More alarming is how systemic this issue can be: The product in question is often unavailable up to three times over the course of three months. Seventeen percent of the respondents dealt with the product being out-of-stock a whopping four to nine times in a three-month span.

That's why Infosys offers an array of retail execution solutions to drive efficiency and effectiveness that is helping empower stores in the last mile of the value chain. A sales representative from a CPG can tell immediately if a promotion is working in a particular store. If not, the sales teams can take corrective action at that store and also other stores across the region. By improving the return on promotional spend and cutting back on wasteful expenditures, CPGs are giving their products distinct advantages over their competitors. "At a granular level you need a system that generates enough near real-time data and actionable insights to track performance of promotions," says Vaswani. "And you can make course corrections or take corrective action if it's not working."

Life was simple in the old days. Stores were relatively small, Internet retailing didn't exist, and there were just a handful of major suppliers. Every six months or so, retailers and CPGs would agree upon general layouts for products. Store managers had a reasonable idea of what they would need to keep shelves stocked. And consumers hadn't had first-hand experience of the kind of personalized offers and promotions now commonplace on the web.

Today the story is a lot different. Retailers typically work with multiple CPGs. And they need to establish an integrated value chain with each and every one. To create the ideal store, retailers and CPGs must acknowledge three facts of life, says Prateek Sinha, Associate Partner, Retail and CPG with Infosys. First, not all stores are created equal. Many CPG companies operate under the assumption that their sales representatives should spend the same amount of time in each store. Instead, the sales representative should spend time in each store in proportion to the potential of that store, says Sinha.

That leads to the second fact: Not all in-store activities are created equal. Rolling out a new product in the top national retail store will potentially deliver a ROI that's different to introducing the same product in the nearest competing retailer's store. More importantly, a planogram audit will generate a different ROI than building a display in the same store. The third fact of life is that sales representatives themselves are not all the same. "If you share information with sales reps that is open to interpretation, an experienced

sales rep may make choices that are more aligned with their enterprise's strategy compared to the decisions made by a new reps," Sinha.

That realization that stores, activities, and sales reps are unique is driving a new spirit of collaboration between CPGs and retailers. The result is that consumers get better deals, a wider selection of products, and are more likely to pay for certain items when they encounter customized, targeted promotions. Retailers would do well to understand these evolving consumer trends: One third of respondents in the State of the Store study said they're not very satisfied with targeted or personalized promotions.

Retailers know that despite all the data at their disposal, they can view promotions and stock levels subjectively. So their collaboration with CPGs is vital. In fact, some 63 percent of consumers said the ease of finding new products is critically important to them. Being able to test product samples in the store as well as the sheer simplicity of offers are also popular reasons for considering new products and brands, say consumers polled in the study.

With sales solutions from Infosys, retailers and CPGs are able to get a wide-screen view of their consumers, products, and marketing efforts. "Traditional data sources are missing the full picture on retail insights," says Santhanakrishnan.R., Senior Principal, Retail and CPG with Infosys. "A closer look at traditional sources of insights such as the sales force audit, point-of-sale data, and consumer panel data will tell you what their vulnerabilities are."

Retailers are achieving high levels of customer service by collaborating with CPGs and sharing relevant information about consumers. In the study, only 20 percent of retailers have not collaborated with CPGs in the past two years, but 75 percent want promotion co-creation going forward. Nearly 75 percent of retailers say they want to engage CPGs in promotion co-creation and nearly half of the retailers are looking for support to develop store specific programmes. "Stores would like to see more CPG data in order to ensure promotion execution. That leads to better product availability," says Evagelos Mpilanakis, Client Relationship Manager for Retail and CPG with Infosys.

If a CPG sales representative provides better, more actionable information about how long something might be out of stock, the store can respond by ordering more in advance. The chain might also bombard consumers with coupons, Internet offers, and fetching in-store displays that drive demand for products and create more incentives for CPGs to maintain a steady flow of inventory. Prateek Sinha likens these collaborations to in effect completing each customer's shopping experience. "The stores and the CPGs are engaging in co-creation in such a way that their combined shopper insights become exponentially more effective," he says. "In turn, each consumer's visit becomes more valuable."

Once they have all their in-store aisles covered, retailers and CPGs need to focus on Internet sales channels as well. Some 72 percent of consumers said they don't use any Web sites or tools to interact with CPG brands, and 74 percent of them don't use digital tools to interact with retailers. Nearly half of respondents have never even shopped for groceries online. "Ironically part of building the ideal store is to capture as much online business as you can," says Sinha. "And for some retailers that's just not happening yet."

The **State of the Store** study by Infosys reveals that evolving consumer behavior is having as profound an effect on modern retailing as is the technology designed to help stores and their suppliers. The challenge is to harness the power of retail solutions in order to get a high-definition view of your new consumer base. If retailers and CPGs align their activities in order to address the expectations of the modern consumer, they'll be on their way to dominating the new marketplace.

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