# Rapid Virtual Prototyping for 21st Century Shopper Insights

Tomorrow's retail success requires foresight, not hindsight

**To say that CPG and retail professionals have a lot on their plates right now might be the understatement of the year. The industry is in a state of transition, and they're under pressure to figure out what will improve customer engagement and boost sales—all while working with dwindling budgets and simultaneously elbowing for space in an increasingly competitive market.**

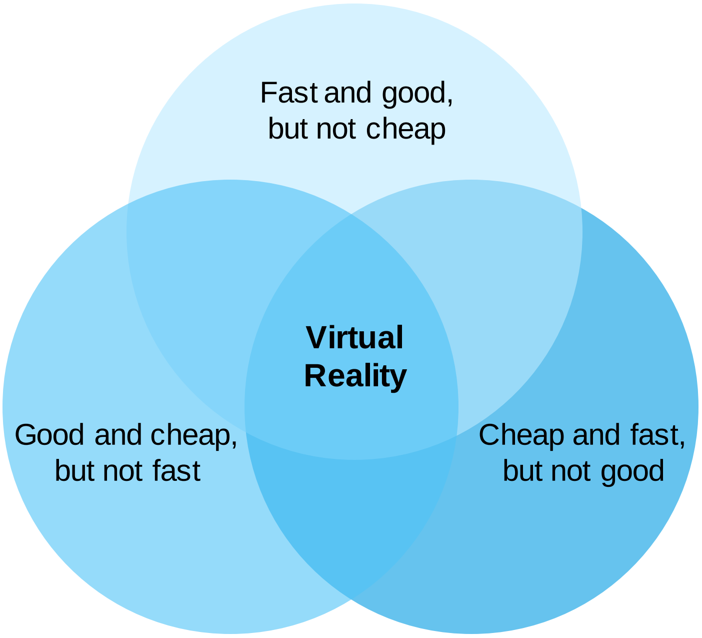
To help ease some of that load, brands and retailers have turned to mobile apps, rewards cards and geolocation tracking to collect valuable customer data that helps them stay in tune with the modern shopper. But interpreting that data can easily become burdensome, and it still leaves out key components when it comes to shopper behavior. According to a recent survey by JDA Software Group Inc., 45% of respondents from both the manufacturing and retail sectors felt they were lagging when it came to analyzing big data to recognize consumer preferences and demand trends, and nearly 70% felt they were most behind on predictive analytics for improved pricing and merchandising.

"There's a lot of data, but there's not a lot of good analytics," says Bob Mariano, founder and former CEO of Mariano's grocery chain. "As I reflect back, one of the biggest failings of the retail industry is the lack of understanding of what the data was there to do, and to use it to make better decisions. It was used as a profit driver. At the end of the day, there was no insight being driven to teach people how to better serve customers."

But—as any category management, shopper marketing, and brand team can attest to—there's not one silver bullet concept that will spark shopper engagement. Learning customer behavior from loyalty card data and mobile apps only goes so far. Spurring category growth and increasing sales hinges on understanding your shopper, and it takes trial and error, and agility. The good news is, technology—specifically virtual reality—is making the process of gathering and interpreting shopper data much, much easier.

## Today's Problems, Tomorrow's Opportunity

As in-store traffic continues to shift from the center of the store to the perimeter, CPG category leaders and managers have their work cut out for them when it comes to learning what optimal arrangement will attract shoppers. We've said it before, and we'll say it again: 85% of the time just shifting shelf arrangement results in zero, or negative, category growth. That's because, traditionally, decisions are made based on historical data, unreliable purchase intent metrics, and gut instinct.


And that's far from the only pain point retailers and manufacturers face today. Speed to market is more important than ever. With more players getting in the game—you may have heard of AmazonFresh, or the new startup Brandless— manufacturers and retailers can't be bogged down by lengthy research projects and multiple concept iterations—they need to be able to make fact-based decisions quickly.

Risk mitigation is another area manufactures and retailers need to be addressing. They need to learn what in-store concepts will ultimately increase sales for their brand, yet doing so means spending money on multiple concept iterations to test which ones might work and which ones will fall flat. Or, save the time and money and take a guess, but risk failure.

Sounding familiar? It's the Iron Triangle conundrum—companies often have to decide between solutions that are fast and good, but not cheap; or good and cheap, but not fast; or cheap and fast, but not good. Working in virtual reality eliminates these real world obstacles, so there's no need to choose which one or two pain points to solve based on budget and time constraints; yet it yields the same—and often better— insights than lengthy, laborious studies can provide.

"Companies no longer need to take over an existing store or create a mock center, develop prototypes, then wait six months to see what works," says Mark Hardy, CEO of InContext Solutions. "VR lets you get to market faster, smarter, and for less money, all with the confidence that your concept will engage customers and provide a competitive advantage."

The changes happening within the industry might seem daunting, but they actually present a huge opportunity for retailers and manufacturers to step out from the pack, and take chances with some disruptive new ideas.

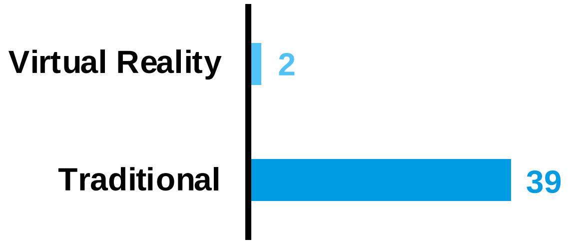
## Instant Insights

But where to start? Shopper marketing, category and sales teams should first take a step back, evaluate the issues they keep running into, and ask themselves some questions: do new arrangements or assortments create a positive impact? What about brand blocking? What happens to the category when a new product is introduced or SKUs are removed? Does a display lead to an incremental lift in sales for the brand featured? Traditional research methods involve outdated or inaccurate metrics, including purchase intent, historical data, and surveys—and they don't dig into the reason shoppers make the choices they make in the store.

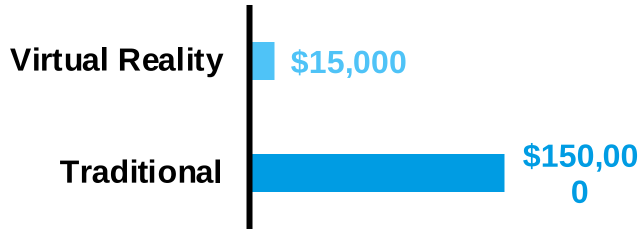
These are the types of specific areas that can be addressed with virtual reality solutions. ShopperMX™ Indicators reduce the risk of introducing new retail executions by rapidly testing prototypes with shoppers in near real time—on budget and on deadline. Plus, virtual correlates at 0.9 compared to real world results, so users can be confident in the outcome.

**Virtual reality is disrupting that notion, because it sits squarely in the sweet spot of the Venn diagram of decision making.**

**AVERAGE NUMBER OF WEEKS REQUIRED DESIGN-TO DECISION**




**AVERAGE TOTAL COST FOR TWO-CONCEPT STORE TEST**




InContext offers five different Indicator tests, each one specifically templated to measure different areas of shopper engagement:

- **Shelf Indicators** evaluate changes in assortment, arrangement or new product concepts.
- **Signage Indicators** capture purchase data and shopper attitudes towards a new campaign.
- **Display Indicators** measure the impact of secondary product displays.
- **Awareness Indicators** evaluate how signage and display concepts resonate with shoppers, through videos and direct shopper feedback.
- **Packaging Indicators** test reaction to packaging changes or new designs.

ShopperMX™ users test concepts with real shoppers through a virtual shopping exercise, based on virtual research best practices established by InContext's insights team. Once you know the business question you need answered, the first step is to select the Indicator and sampling criteria to best meet your needs. Next, you build your concepts in ShopperMX™, and then make sure test variables are isolated for each concept. Then, prepare metadata, confirm sales data cuts, and design your survey.

Respondents are screened based on chosen parameters, and they are given a shopping mission for a chosen category or aisle that includes your new concept. They can walk the aisles, view and pick up detailed, 3D virtual products, and look at things like nutritional information and package design. They see your concept within the context of the store, and behave as they would in the real world. Afterward, they are given a questionnaire to assess their shopping experience and answer demographic questions. From this, you're given a scorecard that easily allows you to discern what works, what doesn't, and why. These Indicator Reports provide a quantifiable impact on sales, along with an attitudinal impact from the shopper perspective.

This is all done in a matter of weeks, compared to the many months it takes to run a comprehensive study like this in the physical world. These quick, iterative tests allow you to understand both what respondents bought, and why they bought it. If a new idea falls flat, you'll get feedback direct from the shopper on what they didn't like or why it didn't resonate, allowing you to make confident changes before going to market.

## Return on Investment

What's more, a virtual, rapid prototyping tool like ShopperMX™ Indicators allow manufactures and retailers to realize true ROI. Let's look at an example.

An alcohol company wanted to implement a new display design for a brand of liquor. They decided to test the current standard display of bottled liquor in case stacks compared to a new display concept that would pair the bottles with mixes. The new display would be a substantial investment, and the client wanted to first make sure it would result in positive sales.

Using ShopperMX™, the client set up two different concepts using the same planogram but different product displays. Displays were placed at the head of the aisle. The client then ran a ShopperMX™ Display Indicator, where each concept was shopped by 300 different respondents who were then given follow-up questions.

The resulting Indicator report showed that the new concept performed better than the current display. Both the client sales and category sales improved, with significant increases in total units and penetration rates (percent of shoppers buying), and a directional lift in total sales. Data collection for this test took eight days, and the client was able to make an informed decision to invest in new display units, while also securing buy-in from retail partners to implement the new concept.


In another example, a category captain presented a new shelf arrangement that was projected to improve penetration while maintaining or growing sales—a mutual goal for both the retailer and manufacturer. The category captain wanted to also address the retailer's own brand objectives as well, so a hybrid shelf concept was also developed, with the intent to grow own brand sales.

The category buyer worked with a cross-functional team to visualize the current planogram, the captain's initial recommendation and the buyer's hybrid own brand planogram, all in a virtual environment. Then, a Shelf Indicator was used to evaluate the two new versions relative to the current concept. The resulting Indicator scorecard showed the captain's recommendation increased penetration by 1.4%, but the hybrid concept showed a 1.6% increase. The hybrid concept also performed better when it came to category sales (7% increase), private label sales (14% increase) and units per buyer (5% increase.) Implementing the hybrid shelf resulted in **$920,000 in incremental sales, and $275,000 in category margin** for the retailer. Win-win.

## Setting Up for Success

Besides the obvious cost and time savings, the point here is that through these quick virtual evaluations, your shoppers are given a voice. It's their preferences that are providing the feedback, rather than gut instinct or historical data. As Danny Lange, Vice President of AI at Unity Technologies, told the audience at Money 2020: "VR is the closest we can get to wiring the brain directly to the purchase experience." Shopper behaviors change with time, technology, and trends, and it's becoming more important than ever to be able to confidently analyze shopper data and make decisions based on that data—making blind changes just for the sake of change isn't the answer.

Yet, investing in VR deviates from the status quo—it's not the method of operation most companies are at all accustomed to. ShopperMX™ Indicators throw the current process of evaluation on its head, providing foresight instead of hindsight. That's a huge win for the industry, but it will take change management from forward thinking leadership willing to implement innovative technology into business practices, in order achieve true ROI.

**"The companies we'll be seeing 50 years from now are the ones who are good at change management," says Hardy. "It's about doing the same things, differently. Millennials get that, but the previous generation is slow to adapt, and that can be the challenge in our industry."**

Virtual offers that sweet spot that leverages both behavioral and attitudinal data—without breaking the budget. And when time is of the essence, ShopperMX™ Indicators offer a unique opportunity for companies to disrupt their same old shelves and aisles, try something fresh and new, and create engaging store environments for the 21st century shopper. By realigning your in-store concepts based on what your shoppers want, you're setting your company up to be the go-to brand in the future.

**For more information,**
**email solutions@incontextsolutions.com**
**or call us at 312.462.4198.**