



Dan Mack,
Mack Elevation

ARE YOU OPEN TO REINVENTION?

Summit highlights opportunities — for those brave enough to seize them

BY DAN MACK

Can your company remain viable in the digital age? More importantly, what are retailers and their suppliers doing to ensure that they are staying ahead of the curve in a rapidly changing environment, where a misstep or just a day off can result in being way behind the times?

McKinsey, the giant research firm, recently found that just 8% of leaders believe their companies will remain viable if digital technology continues at its current pace. Furthermore, they found that only 5% reported having met their digital transformation goals.

In mid-April, *Drug Store News* and Mack Elevation co-produced an experiential event: The Digital Disruption Innovation Summit, highlighting ideas shared by Walgreens, Google, Facebook, IBM Watson, Bain, Kantar, One Click Retail and L2, a division of Gartner. The goal was to offer candid discussions on today's business challenges and the new rules for creating competitive advantage brought on by the power of digital retailing.

Speakers at the event, held in Schaumburg, Ill., were quick to note that many larger brands have stalled growth, while smaller, niche, digitally native brands are on track to outperform in most industries. Digital and brick-and-mortar have become one; the very best eliminate buying friction, which is why price is less important to their customers, many said.

What the meeting — which drew more than 200 retailers and suppliers — found is that retailers and the manufacturing community definitely have their work to do to stay ahead of the digital retailing curve. More than half of all shopping trips begin with a search on Amazon. That means that all brands must honestly look in the mirror to ensure their value proposition is right.

Yes, the stakes are high and addressing the key issues seemed to be on everyone's agenda. For example, Kantar's Bryan Gildenberg shared that 50% of all future sales will come from digital. Retailers cannot run from the weekly circular, but they must transform it within the customer journey. Gildenberg challenged attendees to better understand their brand's role in the category and whether the brand, and the company, are truly relevant.

IBM's Steve Laughlin chimed in, as well. He shared that incumbent brands still have legacy and advantage, but they must move quickly, creating customization and personalized solutions. More than 80% of millennials expect personalized offers, which are a necessity, not an opportunity.

"Are you able to grab another's eight-second attention span?" asked Google's Ryan Olohan. Today's consumer expects extreme service, agility, speed, adaptability and a start-up mindset from their service providers. B-to-B relationships are still about one idea: "Can I Trust You?" Brands must be able to tell emotional stories, creating memories that inspire others to act.

Facebook's Carlos Garcia shared that 21% of ad investment is mobile, and consumers prefer video to most other content forms. And, he said, 20% of all searches are now done by voice, with this growth expected to escalate.

Though speakers said the price game is won through such intangibles as social responsibility, design, esthetics, reputational assurance, vision, reduced anxiety, flexibility and expertise, the brand's website is still the most persuasive influencer. One Click Retail's Nathan Rigby stated that 90% of purchases begin with search, 80% stay on page one and 64% focused on the top three items. Interestingly, 79% of consumers would rather learn through video versus the written word.

L2's Chad Bright added that brands that have scaled social content across digital touchpoints and retailer partners have consistently shown higher level of engagement and awareness than going it alone. Bain's Jamie Cleghorn, meanwhile, shared the 36 elements that create value in the B-to-B world.

What the one-day event found is that the new rules require reimagining everything through a wider lens, so opportunities are not missed. And the various speakers called on attendees to embrace the excitement and ambiguity of the moment.

In the end, it is clear that now it a pretty good time to be comfortable being uncomfortable. **dsn**

POWERFUL ALLERGY RELIEF



Use products only as directed.

WORKS FAST* AND STAYS STRONG

*Starts working at hour 1 and works
2x as hard when taken the next day

POWERFULLY CLEARS YOUR BLOCKED NOSE

Find it behind the Pharmacy
counter in most states



Joe Hartsig,
Walgreens

and retail industry observers during the opening address of the one-day event, held in Schaumburg, Ill., in mid-April. "I quickly came around to see the most important thing we face right now is digital disruption. Let's talk about digital because it's coming like a freight train. You can't avoid it."

But Hartsig was quick to add that Walgreens is doing its part to stay ahead of the digital revolution, and it is not an easy process. The company, he said, has instituted a number of successful digital programs to capture the consumer's attention online. "We're pretty proud of the work that we've been doing. Through offerings such as personalized paperless coupons, free Ship to Store, and real-time store inventory, we're making it easier for our customers to find value and shop on their terms. But let's face it — there's a lot more we need to do," he said. "We're not delivering at every corner that we want to be at. So we're humble knowing that we have a lot to do and a lot more to learn."

Yet, having said that, Hartsig was quick to sum up the growing power of the chain. He noted that Walgreens Boots Alliance now operates in 25 countries and employs around 390,000 workers. It also just purchased a 40% stake in the largest pharmacy operation in China. The company has more than 13,000 stores worldwide and 8,100 stores in the United States — and that's not counting the 1,932 stores it purchased from Rite Aid, whose transfer was completed in late March.

"We're within five miles of 76% of the domestic population," he said. "We have more than 235,000 employees that serve around eight million people daily. We have one of the largest loyalty programs in the U.S., and the part that is interesting is that we are rich with data. And, we have a brand-new partner called IRI who is helping us sift through this data."

Building consumer trust is another factor in the future of Walgreens, he said, especially when it comes to digital retailing. "Our mission is really clear," Hartsig said. "Our brand purpose is to help people feel good, and it starts with the pharmacist. That's the heritage of the white coat. But it is also with our 3,000 beauty consultants, who are helping our shoppers look and feel better about themselves. It's also with our photo team, who not only produces pictures and makes frames, but they curate someone's memories so they can help them feel good. And it ends with the cashier, who, when the customer walks out of the store, she is met with a smile because that makes them feel good. That's something we can own. We need to own it and that's what we're doing."

It is that combination of the traditional brick-and-mortar business and the growing digital business that has Hartsig and his colleagues so excited. "How do we use digital technology to create better displays in our stores?" he said. "We're moving fast, and we know that we can do more as we build out differentiated health, as we build out additional beauty experiences, and as we look at immediate consumption at the front end. We know that digital will play a massive role."

"I think this time calls for calm leadership. This is an opportunity for change, and we ask that our partners help us engage and further prepare for what's to come." **dsn**

RICH IN DATA

Walgreens' Joe Hartsig shares how Walgreens balances the traditional with digital

BY SETH MENDELSON

Joe Hartsig leaves little to chance when discussing the future of retail and the role digital will play in it. In fact, if you were one of the several hundred attendees at the Digital Disruption Innovation Summit, put on by Walgreens, *Drug Store News* and Mack Elevation, Hartsig made it quite clear what his views are on the digital revolution.

"When I was thinking about what subject I should focus on for this meeting, I wondered whether we should talk about health and wellness, or should we talk about beauty or our stores?" Hartsig told the audience of more than 200 fellow Walgreens executives

Trusted
products
from our
family
to yours.



Walgreens



Carlos Garcia,
Facebook

RETAIL ON THE GO

Facebook's Carlos Garcia emphasizes leveraging mobile

BY MARK HAMSTRA

Retailers and their CPG trading partners have a tremendous opportunity to use mobile tools to drive sales both online and in physical stores, according to Carlos Garcia, industry manager of global marketing at Facebook.

Garcia spoke at this year's Digital Disruption Innovation Summit in Schaumburg, Ill., presented by Walgreens, *Drug Store News* and Mack Elevation.

While consumers are spending 28% of their time engaged with mobile devices, only 21% of ad spending is directed at mobile channels, he said, citing research from Kleiner Perkins Caufield Byers' 2017 Internet Trends report.

"Every year, that gap closes a little bit, but it's still a very significant gap," Garcia said. "It's a \$16 billion gap, to be specific. That gap is also the opportunity for the companies that learn how to integrate mobile and digital into their businesses and into their marketing, and do it an effective way."

Garcia outlined several strategies for engaging consumers via their mobile devices.

One key strategy involves delivering more personalized offers

to shoppers by leveraging data to customize marketing content. Eighty percent of millennial and Gen Z consumers said they expect mobile ads to target their location, interest and habits, Garcia said, citing a Verve report.

Facebook works with retailers to layer loyalty program data on top of Facebook's rich targeting abilities based on users' online behavior. It can then incorporate machine learning to refine targeting based on past results.

"Your product starts to search for the right people based on all that information," Garcia said.

Clothing retailer American Eagle saw a fourfold increase in its return on ad spending in a test of this strategy, which Facebook calls dynamic advertising, he said.

Retailers also have been working with Facebook to create targeted, digital experiences through what Facebook calls its canvas infrastructure — essentially microsites within Facebook that can be personalized for each user. Home furnishings retailer Ikea, for example, uses this canvas infrastructure to display tabs for its different departments that lead users to personalized experiences.

Tying Mobile to In-Store Sales

While these efforts around personalization can be used to help drive both online and offline sales, Garcia also described strategies that specifically focus on driving sales in the physical store.

For example, he said Walgreens had success with a "Coke Happy Hour" campaign in which the retailer partnered with Coca-Cola to target consumers with a buy-one, get-one-free offer for a 20-oz. Coke at a store in Chicago.

Another location-specific campaign in which Facebook worked with a large, unidentified supermarket chain last year tripled the retailer's return on ad spending, compared with a control group that did not see the ads. The ads targeted adults who lived near a store with a carousel of images containing text overlays of local offers. The ads also included a call-to-action button for directions to the nearest store.

"This new store visits capability is starting to become a very commonly used practice in retail," Garcia said.

In another example, during the fourth quarter last year, clothing and accessories retailer Michael Kors saw an 11% increase in incremental store sales using ads that were optimized using Facebook's data algorithms, he said.

Video is another mobile tool that has become increasingly important in reaching consumers, Garcia said. Seventy-eight percent of total mobile traffic will be driven by video by 2021, he said, citing data from the Cisco Visual Networking Index. In addition, research from Wyzowl found that 79% of consumers would rather learn about products from watching videos instead of reading text on a screen.

"Brands are starting to follow this consumer trend in using video as a merchandising tool," Garcia said. "We're seeing retailers doing this, we're seeing CPGs doing this, we're seeing lots of different companies doing this and truly becoming video-first in their approach." **dsn**

**DELICIOUS
IMMUNE SUPPORT*
NOW IN A GUMMY!**



EMERGE AND SEE

©2018 Alacer Corp. * These statements have not been evaluated by the Food and Drug Administration. These products are not intended to diagnose, treat, cure or prevent any disease.



**GREAT-TASTING &
EASY-TO-TAKE
MULTIGUMMIES®**



©2018 Pfizer Inc. * These statements have not been evaluated by the Food and Drug Administration. These products are not intended to diagnose, treat, cure or prevent any disease.



taking steps to ensure that their websites are optimized for mobile viewing, he said.

Consumers have grown increasingly impatient when it comes to shopping online, and, in fact, health and beauty brands have a bounce rate of 53% — meaning more than half of users leave a website almost immediately, a figure Olohan attributed in part to the slow load time for many of these sites. The average health and beauty website takes six seconds to load, he said, and this sluggishness has a direct impact on sales.

Even Walgreens, which has a relatively fast mobile load time of three seconds, could drive incremental sales by cutting that in half, Olohan said.

One simple way to speed up website loading is by compressing images, he said, which can often be done without sacrificing image quality. He cited one example in which an image was reduced by 78%, from 2.3 MB to 500 KB, which reduced load time to 6.5 seconds from 11 seconds.

Understanding how health and beauty shoppers conduct searches also can help optimize a brand's web presence, Olohan said. Consumers conducted 160 billion health-related searches on Google in 2017, he said, noting that 9-of-10 people go online when they experience new symptoms.

Interestingly, however, searches actually increase after patients have been diagnosed and are prescribed medication, and when they are experiencing a reaction medication they are taking, Olohan said.

At Walgreens, most people visit the website early in the mornings, and the most common search is for store hours of operation, he said.

"They're looking at what time your store opens, because in the night something went on — their kid got sick — and they're trying to go to the store," Olohan said. "How does that change everything you're doing trying to communicate to someone at seven in the morning versus another time of day?"

The second most popular search is for a "Walgreens near me" or a "pharmacy near me."

Using AI and Voice

Using artificial intelligence to generate relevant online content is another opportunity for brands. Campbell Soup saw a 24.7% increase in ad recall and a 55.6% increase in Campbell's Simply Soup sales through a campaign it ran in which it served up 1,700 different versions of an online video ad based on the context of the viewer, Olohan said.

Brands also need to consider the implications of the growing use of voice-based search, he said. About 20% of Google searches are now done using voice-based search, thanks to the increasing adoption of such devices as Google Home.

Olohan also offered a glimpse into a potential future world of health care, in which artificial intelligence can be used to remotely detect health conditions. While exploring computer-aided diagnostic screening for an eye disease called diabetic retinopathy — the fastest-growing cause of preventable blindness globally — Google discovered that its test also could be used to predict heart disease, among other ailments. **dsn**

INCREMENTAL RESULTS

Google's Ryan Olohan highlights impact of small efforts over time

BY MARK HAMSTRA

Implementing small changes in the way companies approach their digital marketing and commerce operations can drive significant results, said Ryan Olohan, managing director of health care at Google Health, in a talk at the 2018 Digital Disruption Innovation Summit in Schaumburg, Ill., presented by Walgreens, *Drug Store News* and Mack Elevation.

"Imagine, instead of saying, 'I have to be the best,' — that is, an optimist — we simply said we're going to be 'meliorists,'" he said, using a term that simply means striving to be better and improve each day.

Mobile platforms in particular may be an area ripe for changes that drive results, Olohan said. With 57% of health searches conducted via mobile devices, retailers and CPG brands should be



SIGNATURE

DISTINCTLY HALLMARK. DISTINCTLY YOU.



Nothing short of

FABULOUS

With splendid detail and spectacular features, Hallmark Signature cards give your shoppers an upscale way to celebrate their most important relationships.

Learn more at HallmarkGreetings.com



really drive and fuel a lot of that personalization," he said.

The data that is captured also must be used effectively, he said.

"You can do all the data capture in the world, but if you're not actually putting that to work and really giving consumers that personalized experience, it's really all for naught," Bright said.

It also is important to provide content for consumers through websites, social media and other digital channels, and ensure that the content connects to commerce.

Citing the 2018 Adobe Consumer Content Survey, Bright said 48% of consumers visit a brand's website when researching a purchase, versus 40% who check out the product in-store. Thirty-eight percent look to reviews from family and peers; 22% visit social networking sites; 19% visit video channels; and 18% visit online blogs, forums and news.

Retailers and CPG brands have a particular opportunity to partner on trade spending that yields secondary search results for brands on retailers' websites, Bright said. Consumers who are seeking solutions online often are directed to the websites of retailers, but once they are there, brands can capitalize by providing compelling content, he said.

"Brands have to think about how do you develop that content to really appeal to those consumers now that are looking to Google for how to actually do things," Bright said.

Less than 20% of the brands that L2 examined in its recent Content and Commerce Intelligence Report were classified as "leaders," meaning they had compelling inbound marketing and content, and they were able to translate that into product sales.

Bright suggested that retailers and brands look for inspiration outside their own categories, citing home electronics company Sonos as an example of a company that "is doing a fantastic job" combining content and commerce online.

Brands Winnow Marketing Platforms

Meanwhile, Bright said that brands are becoming increasingly selective about where they advertise. For example, the number of websites where big home care product brands serve impressions fell precipitously in the 12-month span ending in October, with Procter & Gamble down 68%, Kimberly-Clark down 92% and S.C. Johnson & Son down 93%.

Many brands are shifting their online focus to retail websites — Amazon and Walmart in particular — and away from media websites, he said.

"We've seen over 200% growth in the number of impressions that are landing on a retailer site, while media sites — traditionally where the majority of those impressions have landed — have declined by 40%," Bright said, referring to the home care category. "The challenge is that they're all going to Amazon and Walmart."

Many of the digitally driven partnerships that have cropped up in the past year have involved logistics, particularly as Instacart has inked deals with food retailers at a rapid pace in the wake of Amazon's acquisition of Whole Foods Market.

"I think retailers continue to look for ways to partner to go head-to-head with Amazon," Bright said. [dsn](#)

BENEFITS OF PARTNERSHIP

L2's Chad Bright focuses on key insights data can offer retailers, suppliers

BY MARK HAMSTRA

The world of digital commerce has opened up opportunities for creative new partnerships among retailers, CPG brands and other parties, according to a speaker at this year's Digital Disruption Innovation Summit in Schaumburg, Ill., presented by *Drug Store News* and Mack Elevation in partnership with Walgreens.

Chad Bright, sector leader for big-box stores, department stores and CPG companies at New York-based data benchmarking firm L2, said several areas exist where retailers can build a foundation for working with their suppliers to grow their e-commerce business together.

One area is through the effective use of data analytics to drive personalized experiences. Many brands are falling short when it comes to collecting even the most basic data points from customers online, such as gender and age — "very simple data points that can



Nathan Rigby,
One Click Retail

BRINGING THE FIGHT TO AMAZON

One Click Retail's Nathan Rigby encourages investments in talent, logistics

BY DAVID SALAZAR

The rumors of the death of retail at the hands of e-commerce has been greatly exaggerated. The need for retailers to develop strategies that allow them to compete with Amazon is not. At the recent Digital Disruption Innovation Summit, organized by Walgreens, *Drug Store News* and Mack Elevation, Nathan Rigby, vice president of sales and marketing at One Click Retail, which delivers actionable e-commerce insights, highlighted the areas where Amazon stands out and how such retailers as Walgreens can take lessons from the e-tail giant to succeed online.

Rigby noted that Amazon's growth outstripped the growth of e-commerce overall in 2017 — growing at 26% in North America as the broader e-commerce market grew 14%, with similar growth in overseas markets. Additionally in 2017, Amazon saw 41% year-over-year growth in both consumables and beauty, as well as 44% year-over-year growth in health and personal care.

The source of the growth, he said, is where Amazon and other

digital-native companies invest money and resources in comparison with legacy companies.

"Incumbents have every reason to win and to have first-mover advantage in the e-commerce space — and there are many partners in this room that are doing that very thing and doing it remarkably well," Rigby said. "Yet, many of the incumbent brands are equally not investing the same amount of time and attention and money that these digitally native brands are able to invest."

Rigby said that Amazon drives its growth through smartly using data around search to influence price, promotions and product placement. In particular, when it comes to search, Rigby said that 80% of purchases begin with search, and companies' investments should aim to invest a commensurate amount of resources in search.

"[Amazon CEO Jeff Bezos] has explicitly taken the human out of the process, and he's inserted an algorithm," he said. "You can't shake hands with an algorithm, but you can influence it through data, and data is really the differentiator now of how Amazon has built their platform."

However, Amazon isn't the only company that can use data to capture sales and entice consumers. Companies that can figure out how to position themselves — and their data — as a partner will be the ones that stand out.

"As a brand you have to say 'OK, how do we understand data in a way that allows us a first-mover advantage versus our competitors?'" he said. "Is there a way that you can use data to transform that conversation in a partnership type of scenario so it truly allows you to succeed?"

Rigby noted that to properly harness data, companies will need to properly invest in talent that will be able to thrive in a constantly changing retail environment. This often means stepping outside of more traditional candidate pools to find "hackers, hipsters and hustlers."

"It truly requires a different mindset — a curiosity with data and an empowerment around it to truly start to do A-B testing that might not be really traditionally acceptable within your brand organization's process," Rigby said. "But with the speed of e-commerce, it's required. You have to find people who are naturally curious, who are willing to take risks, who have a passion for data around trends and insights."

Besides investing in talent, companies also must focus on innovation over the long-term. At Amazon, Rigby said that the expectation around innovation is that their biggest initiatives exist on a seven-year time frame. But outside of long-term innovation, a key way for retailers to build up e-commerce operations is to focus on logistics around search, using data to deploy vendor coupons to the right shoppers and making sure products are in stock to position themselves as a true partner.

"The backbone of retail is logistics, and if you can understand how your logistics deliver more incremental value better than your competitors then you've got a competitive advantage," Rigby said. "It's pretty simple, yet, all too often, it quickly gets out of control because people are looking at the very basics of performance, of sales velocity, of promotional impact." **dsn**



Jamie Cleghorn,
Bain and Company

VALUED RELATIONSHIPS

Bain's Jamie Cleghorn focuses on value in consumer, business relationships

BY JENNA LOMELI

During April's Digital Disruption Innovation Summit, industry leaders met to discuss the brave new world of marketing in the digital age, and how best to adapt to it. Jamie Cleghorn, partner at Bain and Company, outlined how shifting values can be classified, and how lessons from consumer decision-making can help inform B-to-B relationships, as well.

"What is value?" Cleghorn asked. "What makes a customer or a consumer exchange perfectly good US. currency for whatever you're selling?"

The answer, it turns out, depends on a reconfigured hierarchy of needs for the modern consumer, and includes around 30 different elements. These elements, which he visualized as an updated version of Maslow's pyramid, begins with a base of such functional needs as whether or not something saves time or reduces effort.

Further up the pyramid are emotional elements, including wellness or entertainment value, followed by such life-changing

elements as hope, and finally, at the top of the pyramid, the social impact elements, i.e., whether or not an object provides self-transcendence. The more value elements a brand or object delivers, the higher their Net Promoter Score, which, according to Cleghorn, is "very highly correlated with future revenue growth."

Analyzing the ways in which brands cater to these values and comparing their scores, Cleghorn determined that incumbent brands are falling behind insurgent brands.

"In general, the insurgents outperform the incumbents on every dimension," Cleghorn said, adding that while incumbents are keeping up on quality, design and aesthetics, the insurgents surpass them by also performing well in such areas as sensory appeal, variety, cost reduction, life simplification and wellness.

Cleghorn compared incumbent brands Gillette and Schick with such insurgent brands as Harry's and Dollar Shave Club. He pointed out that the blades could be coming from the exact same factory, but the perceived brand differences remain, as does the fact that insurgent companies are approaching their branding and strategy differently than incumbents.

Cleghorn ascribed this difference to what he called the insurgent playbook, which includes memorable, authentic branding, as well as shopper visibility, and what he calls "hero SKUs" — brand-defining items that make up the bulk of sales with little differentiation to maintain production agility and focus on household penetration.

Using the learnings from his analysis of delivering on value for consumers, Cleghorn highlighted how breaking value down into elements also can be used to improve business-to-business relationships. "B-to-B decisions are more multifaceted," Cleghorn said, adding that the amount of people involved in decision-making and the higher stakes of B-to-B business complicate these sales. But underlying those complexities is the fact that most B-to-B sales are made because of price and quality.

That being said, he identified 36 different elements of value in the B-to-B context, again adapting Maslow's pyramid, with the elements divided across four sections. At the base were such table stakes as meeting specifications, with such functional values as cost reduction and product quality, ease of doing business and such individual values as marketability growth.

According to Cleghorn, in the B-to-B context, multiple elements are required to work in concert to succeed.

"You can lose on function. In fact, the reason you lose is because you have bad product or bad price. And you can actually be brought down by being hard to do business with, absolutely. But you can't win on function alone — you can only win on being easy to do business with," he said, noting that ease of doing business is an area where technology could be brought to bear most effectively.

He noted technology can impact B-to-B relationships by simplifying such functions as monitoring stock on shelves in real time, and that these functions offer potential for strengthened relationships.

"We've talked a lot about digital as a media platform, as a communication platform, as an ad platform, and I think that is all true and that is all real," he said. "But don't forget about digital in the backend." **dsn**



Stephen Laughlin,
IBM Watson

THIS TIME, IT'S HYPER-PERSONAL

IBM Watson's Stephen Laughlin discusses de-averaging the in-store experience

BY DAVID SALAZAR

Personalization has become the name of the game. Consumers continue to shop in stores, but they now are looking for an experience, and as Stephen Laughlin, IBM Watson's general manager of consumer industry highlighted at the recent Digital Disruption Innovation Summit, the new focus of retailers should be de-averaging the trip to the store, and in the process making an impression and a sale.

"In the United States in particular, there's an awful lot of talk about apocalypse — and there's some data to support this," Laughlin said. "However, retail sales are up overall, so more importantly disruptor companies are grabbing share from established companies. We would argue that stores are the battleground — stores matter. But you have to make them matter."

In this environment, Laughlin said that the imperative for retailers is to personalize the in-store experience — to move past simply knowing a customer's demographics or even cursory behavioral analytics toward understanding various reasons a customer might step into a store. "Those journeys have different objectives or purposes, and when you understand those purposes, then you can understand how to interact across those journeys more effectively to capture loyalty and share across those journeys" he said. "That's how you de-average the experience."

De-averaging the consumer experience requires, at least partially, rethinking the store's function. Laughlin highlighted such brands as Bonobos, which demonstrated that the store can be used as a showroom, and Kohl's, which fulfilled almost a third of its online orders in-store this past holiday season, fueling additional, ancillary in-store sales. "The reality is that the store is where you deliver the brand promise — one of the key places," Laughlin said, noting that retailers and suppliers can use several strategies to bring shoppers into the store.

One of the strengths that stores have is their location in relation to other elements — schools, sporting events, churches and foot traffic, among other elements. Laughlin said that these elements, which also include weather and such seasonal events as allergies, present an opportunity for retailers to use proximity marketing to drive store traffic. It also can be used in-store, Laughlin said, pointing to Kroger's use of its Kroger Edge digital shelf labels, which, in concert with the retailer's mobile app, can use in-store location to help guide shoppers on their journey, delivering personalized ads and product suggestions.

Laughlin said that, though in the aftermath of Cambridge Analytica, consumers might be wary about using data, what matters is how the data is used. Indeed, he said, "They're comfortable in general with you using it if you use it in a way that provides value to them. And so there's tremendous opportunity to use this dark data — dark meaning simply you've never turned the lights to it — to further de-average the experience."

Beyond data, retailers can use other tools to appeal to consumers, including the use of AI chatbots for guided selling — with such companies as L'Oréal in Europe and global hospitality and retail giant Lotte trying out AI-powered chatbots to offer personalized product recommendations.

"These opportunities to do guided selling — they're right there. I always say, 'Can you explain things to your mom?' or 'Have you taken your mom into a store to see if she can shop it?' I think sometimes for those of us in the industry and in stores regularly, we don't always realize the opportunities to simplify."

And then there are associates, who Laughlin said have the opportunity to be in-store brand ambassadors. He highlighted Boots' beauty advisors and IBM Watson's work with City Furniture, whose associates now work off of tablets. "The opportunity exists to allow associates to engage with customers; perhaps it is a novel idea that associates aren't supposed to do check out or stock shelves, but that they can actually be the brand ambassador again if we put information in their hands." **dsn**



Bryan Gildenberg,
Kantar Retail

FUTURE TENSE

Kantar's Bryan Gildenberg examines where retail will be in 2025

BY SETH MENDELSON

Capturing the consumer of 2025 — just seven years from now — could be a lot different than capturing the consumer of 2018.

So theorizes Bryan Gildenberg, the chief knowledge officer at Kantar Retail, who spoke at the Digital Disruption Innovation Summit, held in Schaumburg, Ill., in mid-April. The conference, developed by *Drug Store News*, Mack Elevation and Walgreens, attracted more than 200 retailers and industry officials.

“More than 100% of the growth in the U.S. population now in 2025 is going to come from people over the age of 65,” Gildenberg said during his 30-minute presentation at the event. “One of the ways in which you can tell that story is that from a demographic point of view, the drug channel is very much on the right side of history. Right now, the U.S. has the income polarization of a developing country, not a developed one. And understanding that and being able to merchandise for that scenario is important.”

Gildenberg said that the demographic makeup of the domestic consumer is extremely different based on age. For example, he said that about 78% of Americans over the age of 50 years old are white, while just 52% of consumers under 30 years old are white.

“There are neighboring countries in the world that go to war with each other over ethnic differences that are not as ethnically different as under 30 America and over 50 America are.”

“So, if you ever wonder why there is so much confusion around culture in today's world a lot of it is just simple math,” he said. “But being able to understand and unpack how that math works is a big part of winning retail. This is the growth challenge.”

But while stressing demographics, Gildenberg was quick to point out that American retailers and suppliers live within a global marketplace and they must understand the dynamics of the market, both within U.S. borders and throughout the world.

“Large global brands will have gone from growing two-and-a-half times faster than the market in 2012 to two-and-a-half times slower than the market in 2018,” he said. “There are a number of reasons for that. One of which is that, other things being equal, big companies don't master the digital world as well as small ones do. And, there is no reason for this, save the fact the choices that large companies have made around how they organize the work and how they measure success. That's it. Moses didn't come down from the mountain with the tablet saying big companies will suck at the Internet.”

In addition to rethinking their benchmarks, Gildenberg said retailers and suppliers should know the big growth opportunities. “When we look at this, we should try to understand that about 45% of all the growth in the world is going to come from non-store retail. Of the remaining 55%, a big chunk of that is going to come from prescriptions, which are still one of the key growth drivers in the U.S. retail landscape.”

Furthermore, Gildenberg said that much of the growth is coming from club stores, deep discount chains and the convenience store industry. “So when you start to think about where growth is coming from outside of the drug ecosystem, it is not coming from the conveniently measured universe,” he said. “It's coming from places that are harder to see and harder to understand, and that's where the wide-angle lens becomes really critical.”

Thinking outside the box is vital for suppliers and retailers. Using Coca-Cola's new beverage dispensing machines, where the consumer can mix dozens of different flavors into one unique drink, Gildenberg stressed that retailers must understand that they must satisfy the shoppers' unique tastes. “The machine is brilliant in that it is a commercially viable point of difference — at food service venues,” he said. “It has the ability to personalize, and it's fun. Kids want to go to the fast-food establishments that have the Coke machine because nothing appeals to a 9-year-old more than putting 37 different flavors of soda in a cup and saying, ‘wow, this tastes great.’”

The key for suppliers is not only coming up with a story, but also backing it up with strong sales and profit figures. “I think that is going to be essential that if you are one of the large brands in categories where growth is coming from other places, you've got to get better at telling that genuine category story,” he said. “They have to understand the role that your brand's story plays, whether with building traffic or profits.” **dsn**

FASHION FORWARD ELECTRONICS ACCESSORIES STORAGE



INCREASE SALES BY FILLING WHITE SPACE IN THE ELECTRONIC ACCESSORIES CATEGORY

CONTACT ALLEGRO CREATIVE: 800-833-5562 | HELLO@PORTEPLAY.COM | WWW.PORTEPLAY.COM



Dan Mack moderates the OTC Panel at the Walgreens Digital Disruption Innovation Summit.

NEW RETAIL FRONTIERS

OTC panelists cite digital opportunities for Walgreens

BY MARK HAMSTRA

Walgreens may be able to drive product sales and improve the customer experience through digital collaboration with manufacturers, according to a panel of OTC executives at the recent Digital Disruption Innovation Summit in Schaumburg, Ill.

While the world of digital commerce is evolving rapidly, and there's no one silver bullet that answers the question of how to meld the online and offline shopping journeys, it all starts with an understanding of the consumer, said Dan Mack of Mack Elevation, who moderated the panel and presented the Innovation Summit in partnership with *Drug Store News*.

"The digital and physical worlds have become one. If we're not thinking of them as one, we are missing it," he said. "Behaviors have changed. We all need to be thinking about people from a

behavioral perspective, like ethnographers. All of us need to be living in the house of our consumers to understand their lives, their hearts and their true intentions, or we don't really know them."

Mack asked the panelists to address the opportunities they see for Walgreens in the digital space, and the answers yielded a broad-brush picture of the challenges facing both retailers and suppliers in today's interconnected world of digital and physical commerce.

Master the Basics

Sri Rajagopalan, vice president of e-commerce and digital sales at Johnson & Johnson, said one of the keys to excelling in the current environment involves mastering the basics of e-commerce before tackling such advanced technologies as chatbots and artificial intelligence.

"We can get overambitious and try to build amazing platforms and chase AI and things of that nature, or we can be better at getting the basics right," he said.

With its vast network of physical locations and its trove of customer data, Walgreens has an opportunity to focus on incremental changes that drive more visits, he said.

Rajagopalan said J&J thinks about digital fundamentals in five basic areas, represented by the acronym SCANR — search, content, available assortment at the right price, navigation, and ratings and reviews.

More than half of CPG product search is taking place on Amazon, he said, and to capture some share of the remaining

ONE A DAY[®] with Nature's Medley[™]

Life is Brighter with
Nutrients[‡] from Nature



The **ONLY^{††}** complete multivitamins with natural antioxidants[‡]
from one total serving[†] of fruits & vegetables.

^{††}Among Leading Brands [‡]Plant-Based Polyphenols (Antioxidants) [†]Based on USDA Serving Sizes

FREE OF

High Fructose
Corn Syrup

Artificial
Sweeteners

Artificial
Flavors





Gabe Mattingly of Bayer, Carrie Lovegren of GSK Consumer Healthcare and Rich Del Viscio of Kimberly-Clark

search opportunities, Walgreens needs to ensure that its site features the right search terms to drive visits through search engine optimization. And once these potential customers land on the site, they need to be presented with content that provides the information they are seeking.

“Is the content from your vendors engaging enough?” Rajagopalan asked. “Is your own content on your own brands engaging enough?”

Of course, the assortment has to be available in terms of the products that meet the consumers’ needs, at the right price and in the right package sizes. Shoppers might want the option of buying a larger pack size if they anticipate an ongoing need for the product, but they won’t appreciate being forced to purchase a large quantity in order to receive a delivery of the item, for example.

Navigation also is key, and should provide a frictionless path to checkout, Rajagopalan said.

“There’s a three-click rule,” he said. “Anything above three clicks to buy simply doesn’t work. What are the three clicks? First click: Launch the app. Second click: Type the search term. Third click: Buy. Anything above and beyond that — good luck.”

Paying close attention to how ratings and reviews come across to shoppers also is important, he said, as is a strategy that leverages other user-generated content, such as influencers on social media.

Need for Speed

Gabe Mattingly, vice president of e-commerce at Bayer, said companies need to rethink old processes and accelerate the pace of change within the corporate culture in today’s environment.

“Right now is the slowest pace of change any of us will experience for the rest of our careers,” he said. “It’s only getting faster.”

Companies that embrace that reality become “liberated” to think

about the business and the customer in new ways, he said.

“That in and of itself can be a big cultural unlock — to say the processes that we used to undertake yesterday were not the things that led us to success,” Mattingly said. “What led us to success was understanding the consumer and activating in the market.”

At Bayer, Mattingly said the company has been continually trying to speed up processes within the company. A process that once took four months might have a target of two months, for example.

“We’re not trying to wreak havoc within the organization and bypass processes,” he said. “We’re trying to optimize processes, and always finding new half-life so that we can move faster and benchmark ourselves against the market.”

It’s also important to try to understand the customer journey, acknowledging that it is not a linear progression.

“The consumer’s path to purchase is really like a bowl of spaghetti, because they’re undergoing hundreds — maybe thousands — of different paths to purchase or journeys to purchase at one time,” Mattingly said. “Unlocking this space with data and technology can go a long way to understanding your consumer.”

In addition, consumers are going to continue to expect more from the companies they do business with. Just as the pace of change will continue to accelerate, so will the demands and expectations of consumers, he said.

Mattingly cited late actress Carrie Fisher, who once quipped, “Instant gratification takes too long.”

“As good as we’re doing today, we have to get better tomorrow, because [customers] expect it, and they deserve it,” he said.

Online Peer Support

Carrie Lovegren, shopper marketing manager for Walgreens at GSK Consumer Healthcare, said Walgreens might have an opportunity to

Growth and Innovation



That's our focus at GSK Consumer Healthcare.
We build category defining brands our consumers love.

new



**BEAT SENSITIVITY
PAIN FAST**

**PROVEN PAIN
RELIEF IN
3 DAYS***
* WITH TWICE DAILY BRUSHING

Trademarks are owned by or licensed to the GSK group of companies.
©2018 GSK group of companies or its licensor.



Tandra Martin of Medline and Sri Rajagopalan of Johnson & Johnson

take a leadership position in creating online peer support groups for those dealing with such health issues as smoking cessation and diet.

Walgreens, she said, executes well against two pillars of its mission — trust and access, but the third pillar, care, can be difficult to achieve in the digital space.

“It comes alive really easily in-store,” Lovegren said. “We’ve got the pharmacist, the clinics, we’ve got store personnel walking around with iPads now, having one-on-one dialogues with shoppers. Care in-store is definitely very evident. But how does that one-on-one connection with shoppers come to life digitally and come to life on Walgreens.com?”

Walgreens does offer such digital services as Pharmacy Chat that are helping to provide that care, she said, but she questioned how many customers take advantage of these opportunities or are even aware of them.

“I think there’s a huge awareness play that could really be there,” she said.

She also noted that sometimes customers don’t want to speak with a medical expert, but would like to talk to other patients who have similar conditions. That’s where the opportunity for peer group digital forums comes in, she said.

“Sometimes to a shopper, the expert is somebody who’s going through the same journey as them, or has been through the same journey,” Lovegren said.

Digital Tools at the Shelf

Tandra Martin, vice president of marketing of DME at Medline, said there may be opportunities to improve the path to purchase for durable medical equipment in stores by using digital tools.

Fifty-eight percent of consumers conduct research online for these products, she said, and 70% actually are comfortable purchasing

online, but those who go into the stores to complete a purchase often find the category poorly merchandised and overwhelming.

“There’s a lack of clear communication in-store to finish the sale,” Martin said.

There’s an opportunity for Walgreens to connect that in-store and out-of-store experience using digital smart-shelf technology, she said. In-store connection beyond the shelf is a big differentiator, she said.

“Online e-tailers don’t have a connection with consumers,” Martin said. “They sell stuff. They sell it really well, but they don’t have a relationship with that consumer. Consumers can’t touch and feel the product they’re buying online. Walgreens needs to get the consumer to convert while they’re in the store, where they can personally experience the product or go online for more education or choices on Walgreens.com.”

Ordering and Fulfillment

Rich Del Viscio, vice president of sales at Kimberly-Clark, said Walgreens and its vendors need to plan out their digital road map together.

“There’s no wise old person out there in the space,” he said. “There’s no playbook that someone’s going to hand you. So, we’re going to have to do this together, and trust will be key.”

Del Viscio said Walgreens may have opportunities to encourage more product bundling at checkout to drive e-commerce sales, while at the same time generate logistics efficiencies. For example, new parents buying diapers also are interested in other wellness solutions for their children.

“It’s about getting that conversion, but I think also maximizing the basket, which not only drives more sales, but also will help with what we’re shipping in the supply chain,” he said.

Subscription-based e-commerce also is a potential growth area, Del Viscio said, citing Kantar research estimating that by 2025, 5% of all U.S. e-commerce transactions will include some type of auto-replenishment or subscription process.

“I do think there’s an opportunity for more activity here,” he said.

He also described predictive personalized and integrated replenishment as “the subscription of the future.”

Del Viscio cited the need to focus on solutions for the “last mile” — or getting the product from the store or delivery depot to consumers’ homes, as well. About 50% of consumers abandon their online shopping carts because their fulfillment needs are unmet, he said.

“All of that engagement, all of those touchpoints on the path to purchase — we’re going to lose all that if we don’t solve for that last mile,” he said, citing the growing number of such retailer-delivery service partnerships as Target and Shipt, and other delivery offerings, such as Amazon’s Prime Now.

“I think it’s important for Walgreens to continue to explore some of these third-party options, but work with the supplier community,” Del Viscio said. “We are very anxious at Kimberly-Clark to bring to bear some of the direct vendor shipping options we can offer, from our network of distribution and manufacturing sites to help close that hourly gap to delivery.” **dsn**

“Proud
sponsor
of the
Digital
Disruptors
event”



HEALTH ▸ HYGIENE ▸ HOME

www.rb.com

Matt Poli moderates the Beauty Panel at the Walgreens Digital Disruption Innovation Summit.



THE EXPERIENCE OF BEAUTY

Panel emphasizes experience, adaptability in beauty

BY JENNA LOMELI

The expectations of beauty consumers are changing, and digital innovation and in-store adaptability are key to meeting their shifting priorities, according to panelists on the Digital Disruption Innovation Summit Beauty Panel, which was organized by Walgreens, *Drug Store News* and Mack Elevation in mid-April in Schaumburg, Ill.

Anticipating the right way to handle these changing priorities is difficult, but industry leaders discussed the changes that have occurred over the past several years, the importance of adaptability and best practices for leveraging in-store and digital tools to improve customer experience and drive loyalty.

In many ways, the consumer shifts retailers have seen in recent years are demographic, as moderator Matt Poli, executive vice president of marketing at the Emerson Group, pointed out in his opening remarks, building on insights from Michael Dart's book, "Retail's Seismic Shift: How to Shift Faster, Respond Better, and Win Customer Loyalty."

"We have five generations living, people living longer," he said. "We have different tastes, different cultures, different races. Are we set up as an infrastructure to be able to create these millions of micro-communities as opposed to macro mass markets?"

The good news is that many retailers and suppliers already have the right tools. "We may not have all the answers, there may not be a clear path, but there is our ability to leverage our assets and our hearts to go and figure it out," Poli said.

While the question of who these consumers are, and how they identify themselves is important, many panelists underscored the fact that these changes in consumer behavior also are characterized by how consumers are beginning to prioritize time and convenience over cost.

"What used to be convenient to consumers — running to your corner drug store — is not enough today," said Allison Lauria, director of e-commerce at Maybelline, adding that institutions like Walgreens have the assets to be convenient, but that the challenge lies in creating a seamless experience that could set them apart.

The panel of industry leaders proposed many ways for Walgreens specifically and beauty brands at large to craft that coveted showroom beauty experience both digitally, through customer data and strategic online marketing, and in the real world, by utilizing the strength of the people who work in-store.

Facets of Digital Engagement

The digital revolution has brought many changes to the way beauty brands are doing business. From a marketing perspective, panelists said the way that companies pique interest and connect with consumers is entirely different.

BRINGING THE BEST IN BEAUTY

FROM THE
**THE #1 BEAUTY COMPANY
IN THE WORLD**

L'ORÉAL
PARIS

MAYBELLINE
NEW YORK

GARNIER





Amy McAnarney of Hallmark and Connie Chen of Markwins Beauty Brands.

“Years ago, it was about the celebrity, and getting the deal with the celebrity to endorse your products. That’s so over. Now, it’s about getting the right influencer and having them work with you to collaborate and create assortments,” said Ellen Slicklen, vice president of global licensing at Conair and vice president of marketing at HBA Scunci and Conair.

Yet marketing isn’t the only realm that the age of technology has turned on its head. E-commerce is growing, Poli pointed out, and in this changing landscape, it’s important to ensure that the online interface complements the in-store experience in order to remain competitive.

Many of the panelists discussed the importance of using customer data to both increase the efficacy of digital platforms and to encourage greater conversion by using those digital platforms in-store. Discussing possibilities for digital engagement, Amy McAnarney, vice president and general manager for key accounts and business development at Hallmark, suggested that loyalty data is crucial to predicting consumer needs and creating a more frictionless experience.

For example, the knowledge that a customer purchased birthday invitations can be used in concert with digital platforms, perhaps through a reminder email to buy a birthday card some weeks later, all with the aim of creating an even more convenient shopping experience.

McAnarney added that these simple digital reminders can cause a 2-to-3-point increase in sales, but that these reminders need to be well-timed. The question of “when,” however, also can be answered with user data. Clare Campbell, innovation and omnichannel operations at Procter & Gamble, discussed the importance of harnessing loyalty data in a way that allows for a more personalized transaction.

Achieving Personalization with Distinct Personalities

Variety is the spice of life, but as several beauty panelists indicated, the choices available to the modern beauty consumer can be overwhelming. Pair this abundance with shifting demographics, and it can seem easy to get lost in the crowd. The question then becomes **how to reach the consumer in-store** in spite of all that choice, and how retailers and suppliers can connect with and utilize these micro-communities that already exist. According to several panelists, one solution is working with influencers.

Bob Wiltz, chief customer officer at **Paris Presents**, said that one way to bring the coveted showroom feel to online spaces is through the **sincere individuality of influencers**, pointing to Samantha and Nicola Chapman, who serve as brand ambassadors for Paris Presents and who are the names behind the Real Techniques brand of makeup brushes.

“They connect with our consumer, with their consumer, because of the personality,” Wiltz said. “They’re genuine, they’re authentic, and even though they’re our brand ambassadors, we give them the liberty, contractually, to talk about any brand, and I think that’s what really gives them that authenticity.”

The down-to-earth, **trustworthy quality** of the Chapmans makes the content they create for Paris Presents not only more accessible to online customers, but according to Wiltz, it also sets the brand apart through the strength of the Chapman’s personalities.

Trustworthiness is an integral facet of a successful influencer, said **Conair’s** Ellen Slicklen, who stated that Instagram influencers are seven times more likely to be trusted than a Facebook-generated ad.

Slicklen pointed to Conair’s successful collaboration with Lisa Allen of **Salty Lashes**, a family lifestyle blog. Allen creates content for **Scunci**, a Conair brand, with her four daughters. In fact, one of Allen’s daughters creates content for Scunci on her own platform. So through one family, Conair is connecting with the markets for children, parents and teens. Slicklen also pointed out the versatility of influencers, noting that they bring trustworthiness to the table while allowing the brand to permeate specific existing markets.

As the Allens show, the reach of a given influencer is unique and must be considered strategically. Connie Chen of **Markwins Beauty Brands** described it as a binary of mega- and micro-influencers. Where a mega-influencer may have a following in the hundreds of thousands or millions, the micro-influencers may have tens of thousands of followers who are highly engaged.

“The people that have subscribed to their channels feel like they are part of a smaller, tight-knit community,” Chen said, noting that as a result, the influencers are viewed as more trustworthy and less commercialized.

wet n wild[®]
los angeles

Glow Fest



DYNAMIC COLORS DURING THE DAY OR A DEEP COSMIC LOOK AT NIGHT
FOR THE PERFECT SHOW STOPPING LOOK.



cruelty free

Available exclusively at
Walgreens



Allison Lauria of Maybelline, Bob Wiltz of Paris Presents, Ellen Slicklen of Conair and HBA Scunci, Jonathan Thompson Hill of Beiersdorf and Clare Campbell of Procter & Gamble

“We believe that big data can be used to deliver a genuine interaction at Walgreens,” she said, adding that implementing user data with canny website and mobile application design, combined with the irreplaceable care of human assets, can help the overwhelmed consumer feel in control of their lives once more. As a result, Walgreens will gain share of their customers’ lives and a lifetime of loyalty.

Reconsidering the In-store Experience

Mastering the digital side of business, however, is only half the battle, according to panelists. While it is important to create strong web applications, it’s also crucial to understand how the digital and physical can complement one another.

In the beauty category, one way of enhancing the in-store experience is curating a showroom experience for consumers. Bob Wiltz, chief customer officer at Paris Presents, said that fixturing — creating experiential in-store beauty spaces — is key to this. “They’re making the experience a true showroom. So, the question becomes then, ‘How do you make the online experience a showroom for Walgreens, as well, and what does that look like?’”

The answer may lie in ensuring that the shopping experience is truly omnichannel. “We know that a lot of people are using the app,” Maybelline’s Lauria said, discussing the in-store Walgreens shopping experience, “and she’s on her phone when she’s in the aisle. So how do we connect the dots to make her shopping experience as seamless and easy as possible while she’s in store?”

As McAnarney mentioned, a lot of what falls under the category of beauty products are impulse buys, and creating an in-store experience that minimizes friction and saves time is what helps to draw people into stores. There, within the store ecosystem, the consumer

has the benefit of whatever mobile app is at their fingertips, but also the crucial human element that resides at the heart of drug stores like Walgreens.

“The goal would be to have your people assets help drive toward solutions, and not the problem,” McAnarney said. “Thus, it is important to align incentives for in-store personnel to work with online infrastructure in order to best serve consumers when they’re in stores.” Another way panelists suggested helping create that special showroom environment in the drug store context is by turning product releases into events.

Connie Chen, director of marketing for Wet N’ Wild at Markwins Beauty Brands, discussed the importance of creating special collections that are released in limited numbers, and then holding launch events for those products in order to create buzz both online and in stores.

“Leading up to the collections, we’re doing countdowns, we have exclusive reviews and reveals with either media outlets or key influencers, and we’ve seen a lot of success with this,” Chen said, adding that hyping up and releasing products creates a lot of excitement and discussion around a product, so that by the time it’s actually released, a considerable amount of public knowledge is already circulating.

Finding out how best to balance the strengths and weakness that digital platforms create is a question that has a lot of possible paths forward, and it is hard to find one right answer for how best to cope, panelists said.

Jonathan Thompson Hill, vice president of sales at Beiersdorf said, suggested that adaptability is a key component of any industry-wide response.

“How do we get ready for tomorrow if we don’t really know what tomorrow is going to bring?” **dsn**



ecOTOOLS®

DRIVE CATEGORY GROWTH WITH THE BRAND THAT HAS THE
**HIGHEST CONSUMER
BRAND LOYALTY***

Baskets Are

30%



Larger Than Average

...and once these consumers come in
they are the most loyal in the category

*Source: Nielsen MY Panel Data 02.03.2016

CONNECT WITH US ON



NEW LOOK, ALWAYS ECO



*Source: LOYALTY (SHARE OF \$ REQ.) Nielson MY15 Data 9.21.15. Loyalty share of requirements= Among brand buyers, the percent of their category dollar volume that was satisfied by the brand. The remaining dollar volume went to competitive brands.

2017 Paris Presents Incorporated. All Right Reserved. • 1-800-431-5723 • Todd Shugarts • tshugarts@parispresents.com • 1-847-263-4125