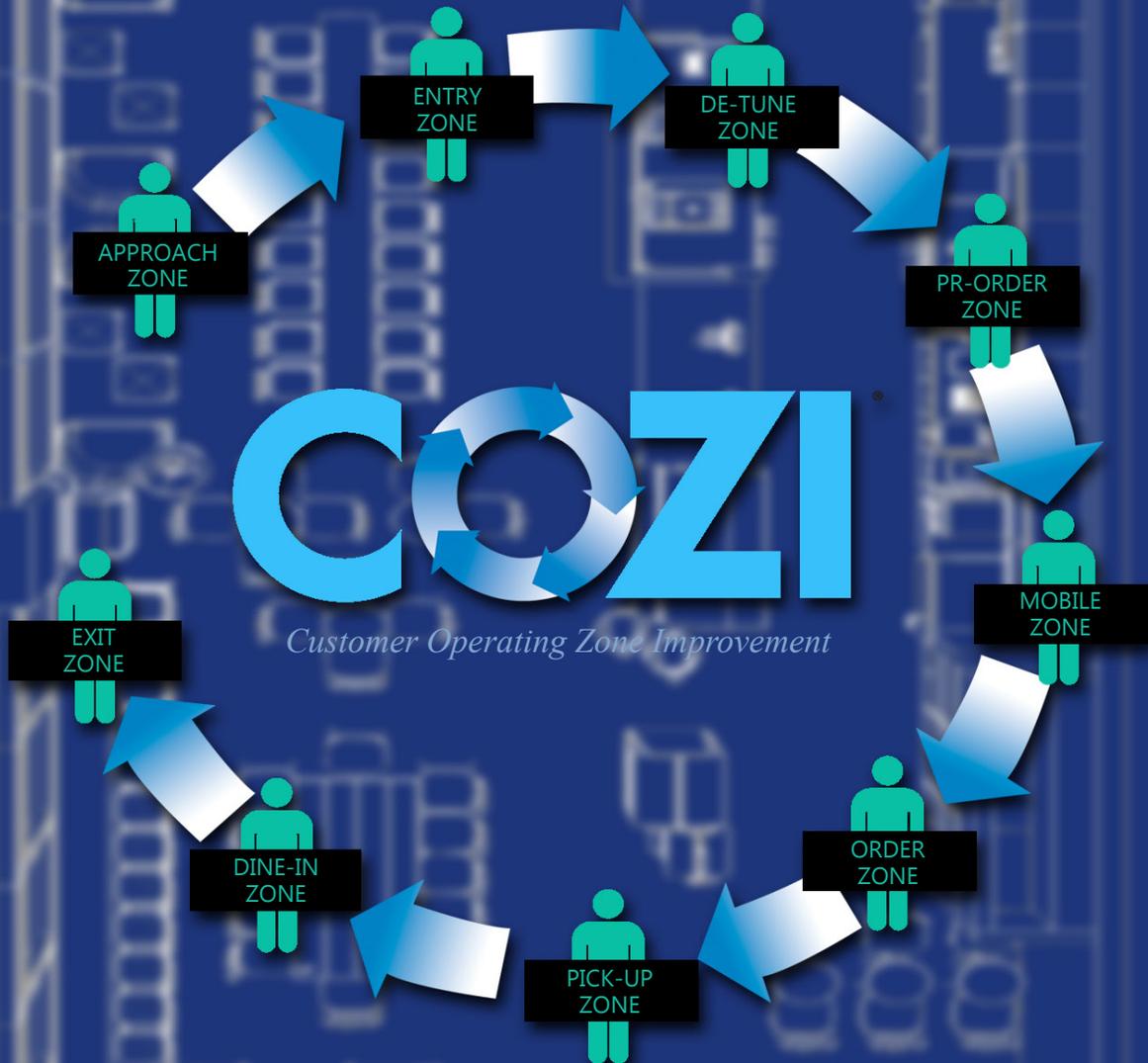


KING-CASEY *Insights & Trends in Foodservice Merchandising & Design*

REPORT



Customer Zone Merchandising

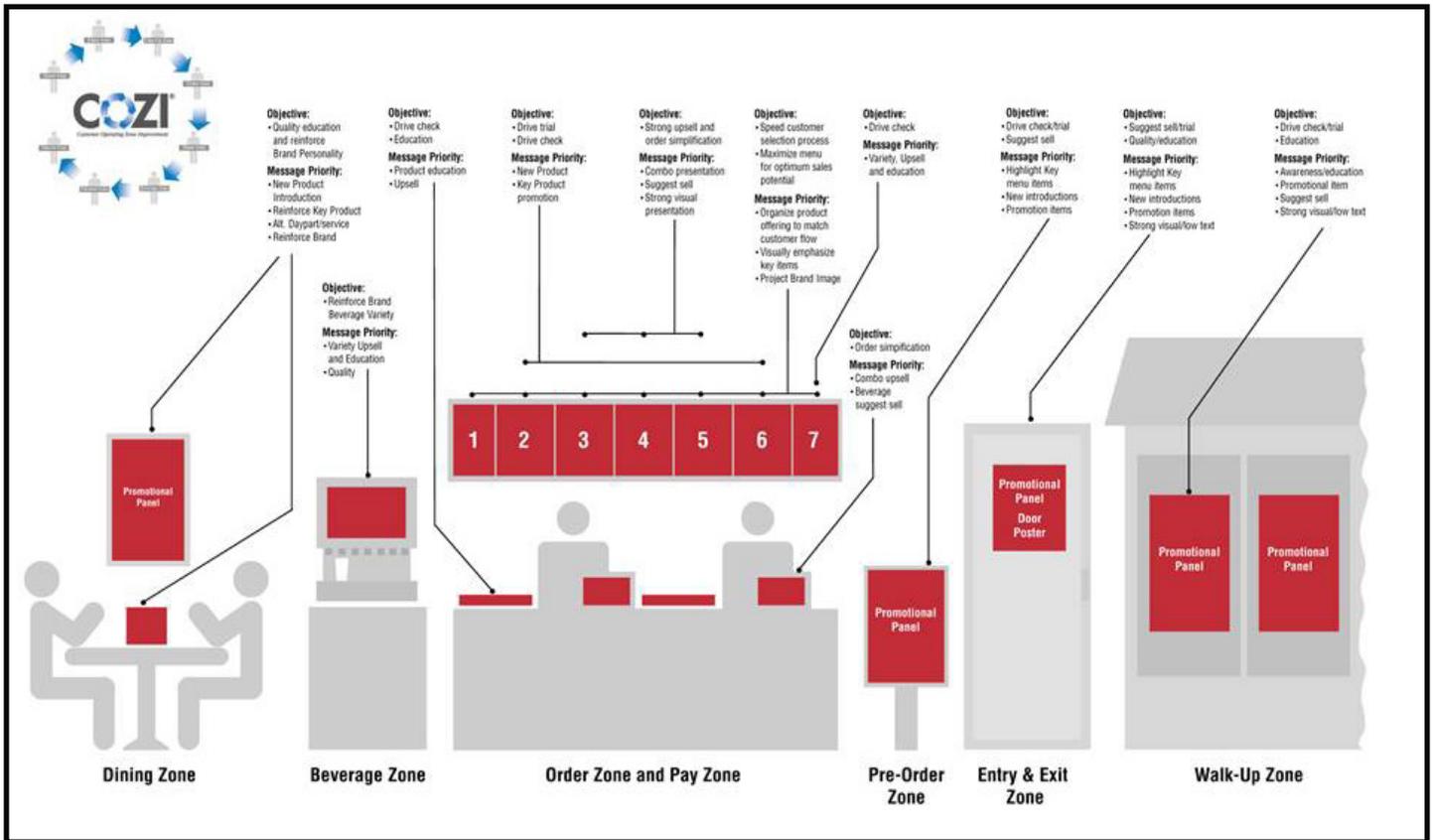
Developing Path-to-Purchase Communications Strategies That are Responsive to Consumer Attitudes & Behaviors

Most Merchandising Strategies Aren't Strategic

That's because many retail stores, QSR's, Fast-Casual Restaurants, C-Stores and Grocerants tend to think "holistically" about their environments. Just one space, just one strategy. They develop broad communications and merchandising strategies that are designed to be used throughout their stores. Customer communications are posted here, there and everywhere. Banners, posters, danglers, wobblers - you name it. Up they go throughout the store, and management waits and hopes for the best.

That's a sure-fire way to sub-optimize your merchandising strategies.

The proven approach outlined in this issue of the *King-Casey Report* is applicable to all foodservice operators, including restaurants, C-Stores and Grocerants. It's an approach pioneered by King-Casey and used by many of today's leading brands.



Customer Zone Merchandising

Developing Path-to-Purchase Communications Strategies That are Responsive to Consumer Attitudes and Behaviors

by Howland Blackiston, Principal, King-Casey

Start Thinking Zones

The most successful brands have recognized that their stores are not just big branded boxes. Each store or restaurant is actually a collection of many individual “customer operating zones”. Customers operate differently in different zones, they behave differently in each zone. Their needs, expectations and attitudes are different. On top of that, your business objectives likely

differ on a zone-to-zone basis. So each of these unique zones turns out to be right for one merchandising strategy, and dead wrong for another. By identifying these zones and understanding how customers behave in each zone, you can craft zone-specific communications and merchandising strategies that are keenly responsive to how customers use these zones, and more effective at realizing your desired

business objectives. The customer experience is faster, easier, and more enjoyable, while maximizing your desired business results (grow ticket, increase profitability, ensure loyalty).

The concept of developing merchandising and communications strategies based on “customer operating zones” was pioneered by King-Casey decades ago. This blend of science and creativity is

used to help clients manage the entire customer experience. A curb to curb journey. The acronym “COZI®” (Customer Operating Zone Improvement) captures the multi-step process, as follows:

COZI® Strategic Discipline

1. Zone Assessment. Understand your environment and your customers. Begin by identifying all of the COZI® zones along the path-to-purchase. What are your “zones of opportunity”? Using a QSR or Fast Casual restaurant as one example, these zones along the path-to-purchase typically include the following:

- * Entry Zone
- * Line-Up Zone
- * Order Zone
- * Pay Zone
- * Beverage Zone
- * Pick-up Zone
- * Dine-In Zone
- * Exit Zone

And there are certainly others, such as take-out, self-service, restrooms, parking, etc.

Note how customers use and interact with these zones. Measure the time they spend in each zone. For each zone probe to discover customer needs, expectations, attitude and behavior. What problems do they encounter in these zones? Do they understand what’s being communicated to them? Here’s where objective focus groups, interviews and video tracking studies can be very helpful.

Now walk around the store and do an assessment of your current merchandising and communications. Are your message strategies appropriate for the zones they call home? Do you have the right message for the right zone? How can messages in this zone be optimized to drive sales?

2. Zone Strategy. This step consists of three elements: what is it that you want to achieve; what is it that you want to say; and how you are going to say it?

Business Objective. We begin by identifying the business strategy for each of the zones. What is it that you hope to achieve in this zone? How will you measure improvement? Note that your business objectives may vary from zone to zone.

Message Content. What is it that you must communicate to achieve your business objectives for this zone? The message should be responsive to how customers use this zone (i.e., you don’t want a long and detailed message in the entry zone, as research tells us that customers only take 2- 3 seconds to view this message)

Physical Element. What is the physical nature of communications in this zone that will best communicate your message? What would work best in this zone? A poster? A window decal? Tray liner?

Menuboard footer?

Design Development. Note that the last step in the zone strategy process is “design” (the creation

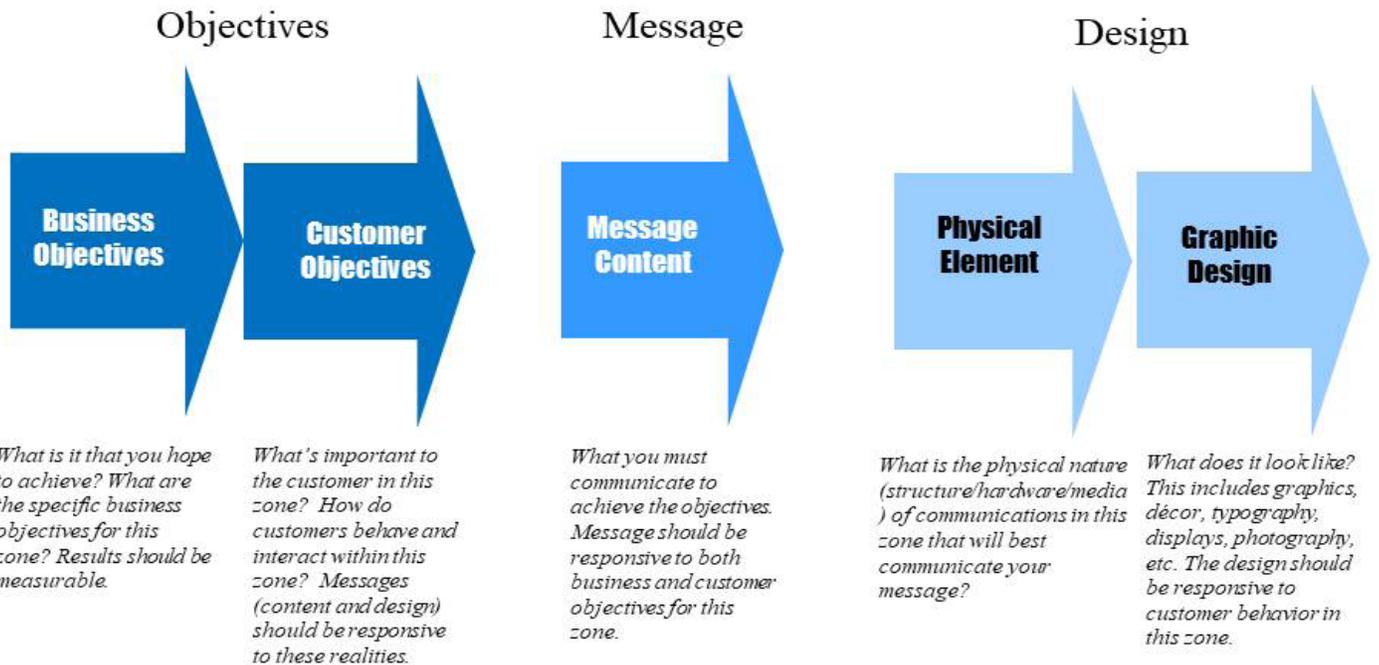
of graphics, images, typography, branding, etc.). This is what the communication will look like. It’s tempting to jump straight to this step.

Many well-meaning design firms do. But don’t fall into this trap. Design should be driven by thoughtful analysis and strategy development. Attractive images do not necessarily result in attractive business improvement.

3. Zone Implementation. By now you have identified your business objectives, you know what you want to say, and you know how you are going to say it. During this step you fine-tune and finalize your zone merchandising elements. By all means evaluate the concepts and get team consensus. Keep things objective by using focus groups to validate the concepts with customers, lapsed customers and non-customers. Make modifications as necessary and create digital artwork for production. Select several stores that will serve as pilots for the new initiative. Monitor results during the test period. Measure sales increases, customer flow, thru-put, and return on investment. The success of these tests convinces other franchisees that this is worth the time, effort and investment.

4. Improvement and Roll-Out. Continue to monitor key measures of success to identify opportunities for improvement. What’s working? What’s not? Why? Make tweaks to optimize business results. Feed these “lessons learned” back into the planning process (the next

The COZI Approach to Visual Merchandising



Strategy for Developing Customer Zone Communications. Once you've identified all the zones along your customers' path-to-purchase, it's time to develop a communication strategy for each and every zone. Developing a strategy involves a multi-step process. This ensures that the resulting merchandising and customer communication pieces work effectively within specific zones. Note that the actual "design" is the last step. **BE CAREFULL:** It's a common mistake to develop promotional materials without taking into consideration all of these questions: What's our business objective in this particular zone; what are our customers' objectives in this zone (needs, attitudes and behaviors); what must we say or communicate to realize the business objectives and the customers' objectives; and...finally...what will this merchandising element look like?

round of efforts will benefit from what you learned). Use research to find out from customers what's working and what's not. Finally, roll-out your enhanced strategy to other stores in the system.

COZI® Absolutes

From our experience with many hundreds of COZI® initiatives, we can identify the key things that you should absolutely do:

- * Avoid "holistic" merchandis-

ing strategies by recognizing that a store is a collection of many different customer zones along the path-to-purchase.

- * Understand exactly how customers make use of each zone. Customer research helps objectively evaluate customer behavior and identify opportunities for improvement (see next page for a range of research techniques that are helpful in this process).

- * Develop merchandising and communications strategies that are

responsive to each of these zones.

- * Develop strategies that are designed to achieve specific business objectives while at the same time are also responsive to customers' objectives and behavior in these zones.

- * Develop measures of success and monitor results. Measures will help determine ROI.

- * Based on results, enhance your strategies to continually improve outcomes and customer satisfaction.

Using Research to Develop Your COZI® Strategy



Ethnographic and Qualitative Research

Simply observing customer behavior is a helpful way to better understand what's working and what needs improvement along the customer path-to-purchase. Intercept interviews provide a more in-depth understanding of customers' impressions of the retail experience and is helpful identifying and understanding customers' attitudes, needs and objectives.



Mobile Eye-Tracking and Hidden Camera Research

Hidden camera studies can capture information regarding customer behaviors over a period of time and allow you to collect observational findings from many hundreds of customers. Mobile eye-tracking technology reveals where the customer is looking within the environment, what they are looking at and for how long. Eye-tracking is useful for identifying where to locate merchandising and better understanding what is and what isn't grabbing your customers' attention.

The Results Speak for Themselves

When you develop zone-specific messaging that is responsive to customer needs, behaviors and attitudes, while at the same time aligning customer needs with your business objectives, you have a winning formula. This approach has proven itself in many different retail environments, large and small.



Starbucks Drive Thru

Starbucks began making breakthrough improvements to their drive-thru path-to-purchase communications by embracing King-Casey's "customer zone" approach to merchandising (COZI). Starbucks has made unprecedented strides when it comes to growing drive-thru sales and optimizing the drive-thru experience. At stores with drive-thrus, 70% of their business comes from the window. Their improvements at the drive-thru have been so successful, they announced in 2018 that 80% of Starbucks new locations will include a drive-thru.



Richard Sandoval Restaurants

Latinicity is a celebrity-chef-driven food hall in downtown Chicago. Contributing to its popularity and growth, is a path-to-purchase messaging system that is fresh, urban, and modern, in addition to being strategically focused to optimize business performance and the customer experience. Latinicity offers guests authentic street food from 10 kitchens, a tapas restaurant, coffee cafe, full bar, market and lounge in a 22,000 square foot space. With so many F&B locations, King-Casey's well-thought-out P2P communications strategy helps customers navigate the environment and shop the offerings.



SABMiller

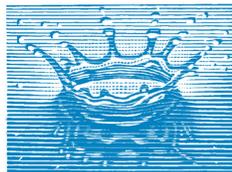
SABMiller has a strong share of the beer category in Colombia, but until recently it didn't have the consumer insights necessary to expand its success in the region. To gain this understanding, SABMiller partnered with King-Casey to clearly understand the consumer's path to purchase and discover how to emotionally connect with consumers. King-Casey conducted in-depth ethnographic research to identify needs, behaviors and attitudes with each zone along the path-to-purchase. From this, a zone merchandising program was developed that resulted in more consumers drinking SABMiller products and encouraging trade-up to SABMiller's premium beer brands.

Let Us Help With An Assessment of Your Current Zone Merchandising

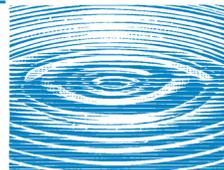
King-Casey can visit a representative sample of your retail locations, and conduct a proprietary COZI® assessment of your key customer zones. We will compare your zone merchandising strategies to best-practice examples, and identify your strengths and weaknesses. We will develop a report of our findings, and make specific, actionable recommendations on a zone-by-zone basis.

Since 1953 King-Casey has been helping leading brands improve their business performance by developing data-driven, customer centric solutions.

If you would like to discuss a path-to-purchase optimization initiative for your brand, please feel free to call Howland Blackiston, Principal, King-Casey at +1 (203) 571-1776. Or you can email Howland at: hblackiston@king-casey.com.



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