

PROMO

May 1, 2003

Better than the Real Thing

By Matt Kinsman

A new service from a UK-based research company could give U.S. marketers more leverage when it comes to dealing with retailers and Purchase, NY-based PepsiCo is putting the service to the test.

With more products trying to cram into less retail space, marketers have their hands full trying to convince retailers why their brand should take up valuable real estate. Pepsi is working with England's The Fifth Dimension on a program called Discovery that enables the soft drink giant to create a virtual retail environment and demonstrate how changes in price and product location will play out in the real world.

Interactive retail tests aren't necessarily new, but they have been limited in what they can accomplish. Most tests can show specific changes (such as price) but don't predict the ramifications for other parts of the store. In the frenzied world of retail, it's not that simple.

"Changing the landscape in retail is like Newton's Law — for every action there is an equal and opposite reaction," says Pepsi "brand guru" Wayne Link. "You can make the case that if you increase the retail space for a specific category, that sales will go up. But what happens to the category that's getting four feet less of space because of it?"

First contact

The Fifth Dimension was first introduced to Pepsi in 2001 through Chicago-based market researcher IRI. Link was trying to develop a virtual reality retail test with another company, and falling short. At the time, Link's demands exceeded what The Fifth Dimension could offer as well. "[Pepsi's] needs were more sophisticated," says Fifth Dimension chairman and CEO Mike Letchford. "They needed to do field work simultaneously at several different locations in the U.S., each with their respective pricing regimes for all the products in the store."

That meant considerable development work to make Discovery compatible with the relatively basic laptop computers that Pepsi reps would be toting in the field. Pepsi also needed to capture a wider range of data, ranging from consumer store traffic, to shopping basket data, to how consumers shopped in different parts of the store.

The Discovery model was designed to let marketers create a realistic store environment without the huge time and financial commitment of building a physical store. "It was felt that conducting research in the traditional way, by building a 'mock-store' and creating dummy products to merchandise it, would be too expensive and time-consuming, so we were invited to build a three-roomed, medium-sized Virtual Store environment and populate it with the new ranges," says Letchford. "We were also asked if it would be possible to allow the consumers to select the products from the shelf, review product details and then 'purchase' whichever products they were interested in using."

Discovery also gave Pepsi the option of conducting multiple in-store promotions at once and observing how they played off each other. "Other programs only do a shelf at a time, which works great if you want to measure something very specific, like changing the price," Link said. "We wanted to go beyond that."

Using Discovery, Pepsi has designed three different virtual retail environments: grocery store, convenience store, and quick-service restaurant. The company can vary the layout of the store, the layout of the aisles, the adjacencies of the sections, the merchandising of the shelves, end caps, the pricing of the products and the type and availability of a wide variety of promotional activity. Want to change a display? Done. Want to see how that change effects everything else in the aisle? Done.

"A lot of other promotions can show you results but they do it after the fact. This shows what you're going to get before it happens," says Link.

Pepsi is just starting to share the service with partners (such as Midwest retail chain Meijer) and plans to execute the first campaign based on Discovery tests with next year's March Madness tie-in.

Pepsi has also conducted several tests using Discovery to bear out marketing theories that it felt confident about but couldn't before prove. "We don't share our plans with the retailer until we're sure it's going to work," says Link. Pepsi used Discovery to test consolidating all non-carbonated products together in the store and demonstrated that transactions would rise 6%. "If you make it easier for the consumer, they will buy more," says Link. "But this is something that's very intrusive to a retailer's setup. You're not going to convince them to do it just on a hunch."

And if Pepsi's word isn't enough, Discovery can also weigh in from the consumer angle. "Discovery allows consumers to shop normally," says Letchford. "While the customer is shopping we capture all their behaviors, such as where they go in the store, how long they spend at each fixture, which products they interact with and which products they purchase."

Pepsi adds actual consumers to the equation with what Link dubs "individual consumer-intercept interviews."

Instead of a focus group, Pepsi will recruit random individuals at a mall. "We don't have any preconceptions about how they grocery shop and they don't have any preconceptions about the brand or what they're going to be doing, other than testing a virtual reality service," says Link.

Pepsi asks consumers how they shop and tries to match their patterns as closely as possible. If a consumer uses a shopping list, Pepsi asks them to create one. If a consumer uses a circular, Pepsi gives them one. Pepsi will use a test group of consumers for specific promotions and a control group with no specific promotions to gauge their reaction to shopping in Discovery.

While Pepsi is the charter U.S. client for Discovery, each prospective client invests and co-owns the Virtual Store models for their exclusive use (so Coca-Cola won't be snapping up Pepsi-created storefronts). Fifth Dimension licenses Discovery to clients for fieldwork then carried out using their virtual test environments. Pricing varies according to what the client wants to do, and extra charges apply for additional data analysis work.

Now that's getting back to reality.



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