THE MARKET RESEARCH EVENT 2011
lead in a new direction

**The Market Research Insider**
**Ruben Alcaraz, Manager of Consumer Insights, Meijer**

**Why don't we start with a little bit about your current role and responsibilities?**

Ruben: Sure. I am currently the Consumer Insights Manager for Meijer. My responsibility includes overseeing all of the primary research, while includes quantitative, qualitative, as well as the syndicated research, which is Nielsen, NPD, The Perishables Group and a secondary research and such and overlying it with analytics.

**Terrific. Before we really dive into the good stuff here, I want to point out to our listeners that your background, just for context, is pretty important here. Can you tell us briefly about where you've been and how those experiences have influenced how you approach consumer insights and research today at Meijer?**

Ruben: Sure. When I look at my career, I've realized that I've worked in a lot of different areas, all but for the same subject. I've worked in research and insights my entire career. I started in South America working in primary research for the big blue chip companies down there: Coca Cola, Unilever, etc. That was as a vendor.

Then I eventually moved back to the US and began working on more of the point-of-sale information or the syndicated data with the manufacturer and looking at promotions, activities and things like that. I had been with Nielsen for about five years and my biggest clients at the time were Kraft Foods and some of the Hollywood studios, such as Disney, Sony Pictures Home Entertainment, etc.

Eventually, I also began working in research on the manufacturer side. And now I've been working for the past three years on the retail side, which has allowed me to look at information from all of these different areas and aspects. So, when I look at information, I see: “Well, what did I look at when I was a supplier?” “What did I look at when I was in manufacturing?” “How do I look at it now that I’m a retailer?”

**You’ve really got what I’ll call the “trifecta” of experience. You’ve got all three key perspectives.**

**I want to focus now on research from the retailer’s perspective—your current perspective—because based on our previous conversation, it appears that there are some disconnects that both manufacturers and research providers need to be aware of when engaging retailers in the research process.**

**First of all, let’s talk about project scope because that seems to be an opportunity, especially where manufacturers are concerned. Can you please tell us why this is important to a retailer and what can be done to close the gap?**

Ruben: When manufacturers begin thinking about the research process—and they actually follow the right approach—but frequently the execution is not well thought out because they begin working either internally or they work with third parties that don’t realize that the retail environment is a living, breathing environment.

For example, it’s common for me to get requests to do research in 20 stores or so which, for us, is actually prohibitive. We couldn’t do that just because it would be too much of a disruption to our customers. Also, the research typically tends to be done during the key shopping hours, which are mid-day and the afternoon. Sometimes they even want to do it on the weekend, which is when most customers tend to shop the store. But again, they need to remember that customers are not there to take surveys; they are there to shop. So, the inconvenience can be counterproductive for the retailer.

**In our earlier conversation, you also referenced execution/ logistical detail as an area of disconnect. For example, it’s not uncommon for you to receive project specs that may involve, say, as many as 30 stores. At**

**face value this might seem reasonable to someone else but, in fact, it can pose a huge problem for you. What do manufacturers need to take into account when they make these sorts of requests?**

Ruben: I believe they need to put themselves in the other side's shoes. For example, from the operational standpoint, to make concessions and allow researchers into the stores, there are actually quite a lot of steps that need to be followed from legal and other standpoints. For example, we can't just turn loose people talking to our customers around the stores or have them walking around with those eye glasses measuring what's going on. It's too disruptive. Also, they may take a lot of space in the aisles and also where they set up within the store could be a hindrance to other customers who are there to shop and who are not currently participating in the study.

The amount of time that it takes to go through each one and I'm thinking specifically shop-alongs right now and not just intercepts. I'll give you an example where we had a manufacturer who was doing research and we set up a time window for, let's say, 11 – 2. Well, they didn't show up at the store until 4:00 in the afternoon. For us, we can't just adapt to that just because now they are hitting on a key time of the day for our customer.

**Just to take a step back quickly. Logistics. So, if someone requests to do research in 30 stores, why is scale an issue for you?**

Ruben: Scale is an issue for us just from the standpoint that we are a regional player. So, for us to allow research on 30 stores takes a lot of coordination and we have to talk to different market directors and we've got to communicate to the specific store directors. We have to get all of the legalities for each of the states that may be in play all aligned. It's not a turnkey operation. Also, again, what often tends to happen is the manufacturer may contract the company to do the research and the company could potentially sub-contract other companies to come to the store, which means now we have to do all the paperwork and everything for each of those individual companies that are going to be coming in to our stores and talking to our customers.

**So, from your perspective, it's quite onerous, even though it might seem like a relatively reasonable request to a manufacturer. There are a lot of moving parts and considerations that need to be taken into account when you are undertaking something on that scale.**

Ruben: Absolutely.

**Let's switch gears. Cost is always top of mind when you're discussing research. But, for retailers, this is an especially important area. In our previous discussion, you had hinted that a one-size-fits-all cost structure does not work for retailers. Is the current model broken? How should a research provider go about thinking about this as they look at projects from a cost perspective?**

Ruben: I don't know if I would call the model broken so much as it needs to be tweaked; it needs to be more flexible. I've been having a lot of conversations around this topic lately. I think it is better to start answering by just giving you an example. Because of the scale of manufacturers who work globally and nationally, it is more cost effective for market research firms to develop a methodology that aligns to, let's say, 90% of what a manufacturer is looking for. Now, when you start flipping that model and try to bring it specifically to the retailer, particularly a regional one, the way we look at information, the way we slice our geography, the way we segment our customers may not be the same as the way the manufacturer looks at it. So, now suddenly that gap of when they were delivering that model to the manufacturers is only 10% off. When they get it to the retailer, it's now off by 40 or 50 points. At that point, you start questioning the validity. Combine that with the fact that the prices are not always aligned to what retailers are used to paying. For example, manufacturers see a lot of value if they're going to get answers that 9 out of 10 times are going to be okay, but as a retailer if I'm going to be charged the same amount of money, but I'm only going to be right half the time, then I need to start to questioning whether or not that investment is valid.

**So, it's not only a matter of scarce resources, comparatively speaking, but also prioritizing and also of homogenization, if you will, or getting uniform**

**standards, definitions, etc. on the table moving forward. Is that safe to say?**

Ruben: Right. Just to add a little bit more to your comment, that's where I really believe that the model needs to be flexible. Another example that I can provide to that is we do product development in-house. We develop quite a few products throughout the year where, for example, specific manufacturers, they may have business units or divisions that develop one or two per year. So, it is more cost effective for them to think in terms of, "Well, I'm going to have one or two this year. So, I'm going to spend upfront to make sure that I'm hitting all the toll gates and that everything is successful moving forward." But from our standpoint, it isn't cost effective to spend large sums of money across each individual product that we're developing.

**Right. So, the sheer number of products that you're developing vs. a manufacturer makes it untenable to devote those kinds of resources to each single product that you're looking at. And that's an area manufacturers need to really take that into consideration when they're talking to a retailer.**

**I want to shift gears to discuss usage and implementation of recommendations now.**

**Essentially, your partners frequently—and not surprisingly—recommend more displays, shelf space, promotional tactics, geographical distribution, etc. In a previous conversation that you and I had, you referenced what I'll refer to as an "hourglass model" and that this should be applied to recommendations coming your way. Can you tell our listeners a little bit more about what you mean by this hourglass model?**

Ruben: Sure. There is a lot of work that goes in from the manufacturer's side into creating a plan, performing the research and delivering the insights to the manufacturers. There's no doubt about that. But a lot of manufacturers fall short in the implementation of their insights from where I stand.

For example, they may come in with: “Okay. We’ve got this program. We really think it’s going to help you. These are the customers that you’re going to hit and these are the tactics that we believe you should use.”

Well, in an hourglass model—the way I think of it—that would be the top of the hourglass. So, you look at the “what,” the “what now,” the “so what,” and the “what do you do?” From the retail aspect, they need to go a step beyond and take the “what do you do?” and factor in potential operational limitations.

So, for example, if you say that “we do pallets,” is that going to take labor in the store? What is the space that you’re going to take away from? And the space that you’re taking from, are you going to bring in more revenue than the items that are being displaced? You need to look at it from all the different aspects.

One more thing: the ability to measure what the success was of all of these recommendations. Are they above and beyond just the straight baseline incremental that you typically get from, let’s say, just Nielsen?

For example, the insights sometimes may be that you’re going to bring in this type of customer. Well, when you deliver pallets or you deliver endcaps, how do we know that we’re going to get this type of customer? So, going above and beyond and adding the “This is how we propose that you look at and use this tool so that you can be sure that we are delivering not only on the insights and not only on the sales goals and not only on the margins and not only are we making your life easier from the operational aspect of things.” Going above and beyond: “Okay, here we think you should have more endcaps” or “Run this promotion during this time period.”

**So, essentially, taking everything into context. I think that labor and operations is a great example of that. There are intangibles I think that manufacturers don’t take into account that will cost the retailer and it might not be an obvious standout type of cost. But, certainly things that they really need to take into account, like: “How much manpower am I pulling to execute based on your recommendation?” “What is the**

**opportunity cost vs. what I'm already doing?" So, taking all of that into context.**

Ruben: Just to add a little more to that. So, the analysis upfront may say, "Oh yeah, you could bring, let's say, 20% incremental business in dollars." But, you know what? The labor that's going to have to be applied, that's going to eat up 14% or 15% of those incremental dollars. So, net-net, let's say, we could create all of this change across the entire chain just for a 5% increment where you may have another tactic or strategy that may have a higher payout if the approach had taken into account all of those aspects.

**Ruben, thank you for providing us with a unique take from the retailers' perspective that manufacturers, as well as research providers, themselves, can benefit from.**

**This is a voice that needs to be heard a little more often in order to be understood. That is, the perspective of the retailer and why retailers react the way they do when confronted with certain research proposals.**

**That concludes this episode of "The Research Insighter."**

**If you are interested in hearing more from Ruben Alcaraz, he'll be speaking at the Market Research Event 2011 in a presentation titled, "Breakthrough Applications in Data Visualization".**

**For information or to register for the Market Research Event 2011 taking place November 7th through the 9th in Orlando, Florida, please visit us online at [www.themarketresearchevent.com](http://www.themarketresearchevent.com)**