birdzi

Disrupting how Grocery Retail goes to Market

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“Hot weekly deals once helped grocers capture entire baskets; now they mostly draw cherry pickers and drive low-margin sales. National brands once differentiated assortments; now consumers can buy those brands more cheaply any day of the week at big-box stores and discounters. Frequent sales once served as a powerful tool to shape price perception; now consumers can easily monitor prices across stores in real time to discern where value lies, based on the items that matter to them.” ***(Progressive Grocer)***

It’s time for retail to go to market with a new approach.

The Evolution of Retail Marketing & Merchandising

Marketing in the grocery retail industry has its roots in the early 20th century, when neighborhood grocers relied largely on word-of-mouth, local reputation, and community trust to attract and retain customers. Marketing was informal, proprietors knowing their customers and their favorite products, and frequently extending credit to those short of cash. Merchandising was pretty basic, often prominent window displays and signs.

Coming out of World War II, the development of self-service supermarkets created a need for a more formalized approach to marketing and merchandising. For the first time, shoppers navigated their carts up and down the aisles making their own purchase decisions, necessitating more deliberate product placement, signage, and impulse-purchase opportunities. The development of nationwide radio and television networks around this same time gave rise to national brands, as marketers were able to efficiently reach a national audience in hopes of influencing in-store purchase decisions.

Marketing and merchandising evolved, as in-store advertising, price promotions, and weekly newspaper circulars appeared. These tools allowed retailers to reach beyond their immediate communities, competing on price, selection, and convenience.

80% of US consumers are more likely to make a purchase when brands offer personalized experiences. - Deloitte Digital

From the 1950s through the 1970s, the growth of national grocery chains and the rise of consumer packaged goods (CPG) brands professionalized grocery marketing. National brand advertising in radio and television created consumer pull, while retailers focused on store-level marketing through flyers, couponing, and in-store promotions. During this era, slotting allowances, trade promotions, and end-cap displays emerged as key levers, reflecting the growing influence of suppliers in how products were merchandised and marketed to shoppers. Marketing at this stage became a blend of manufacturer-driven brand campaigns and retailer driven promotions - largely funded by trade promotion budgets - aimed at traffic and basket growth.

The 1980s and 1990s brought significant innovation with the rise of loyalty programs, scanner data, and early shopper insights. Retailers like Kroger, Safeway, and a handful of smaller operators pioneered loyalty cards, enabling them to track SKU level purchasing behavior. Meanwhile, CPGs increased investment in trade promotion, often spending more on discounts and in-store marketing than on mass media advertising. Marketing shifted from being primarily brand-centric to more collaborative, as retailers and manufacturers began to jointly plan category strategies, integrate promotional calendars, and experiment with targeted offers.

But throughout this decades-long journey, while marketing and merchandising have become more data driven and increasingly sophisticated, the primary go-to-market tools have remained the blunt instruments of mass promotion.

The AI Challenge

While AI has vast potential to transform marketing and merchandising, few retailers are doing the necessary work to transform their enterprises. As discussed in the Slaying the Silos white paper, as retail evolved, functions became specialized and siloed, each having their own systems and data. Any sharing of data dependent on point-to-point integrations that have turned many retailer's IT systems into a giant hairball.

Even data within a silo can be held in disparate systems, limiting its potential use. For example, in one regional retailer, the Birdzi team found customer data held in five different systems.

And while solution providers are weaving AI into existing capabilities like price optimization, assortment planning, etc. It is only when a company's data is brought together, unified, and cleaned up, that retailers can begin to really enjoy the benefits that AI can provide.

70% of shoppers expect personalized promotions and pricing. - McKinsey & Co.

Getting data unified, organized, and cleaned up is the first step. Next is the need for collaboration, breaking down the barriers between departments and functions. Nowhere is this more important than tearing down barriers to collaboration between the marketing and merchandising departments to take full advantage of new data-driven insights and new capabilities. For example, while the weekly ad may be assembled to maximize vendor dollars and product sales, does it maximize shoppers in the store or online? Is it designed to optimize shopper traffic through the store, getting shoppers into new aisles and in front of rarely purchased categories?

Lastly is identifying various practices and processes that act as an anchor to progress, and working through the 'we've always done it this way' thinking that holds back many AI initiatives. As AI powers up ever-growing capabilities including hyper-personalization and automation, a gap is growing between what technology is capable of, shopper expectations, and retailer practices.

This kind of technical, structural and cultural transformation is no easy undertaking for retailers but it is necessary work for retailers to take more full advantage of the benefits AI has to offer.

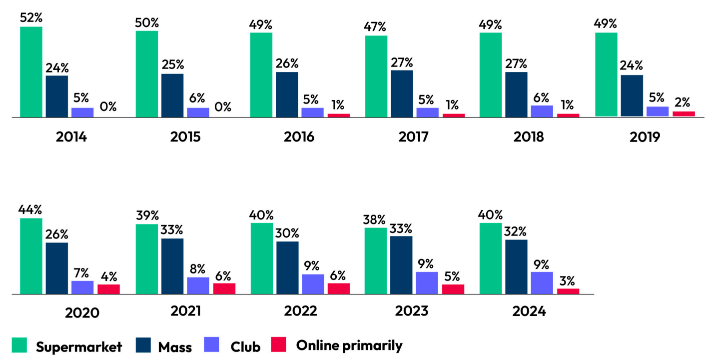
In a time of fast-growing AI capabilities, big data, and shopper digital engagement, it's time to rethink mass tools like the weekly ad and TPR pricing programs.

Going to Market: Time for a Change?

Modern retail marketing and merchandising is based on a foundation of CPG brand manufacturer funded promotions. Trade promotion budgets continue to represent nearly 50% of a CPG manufacturer's total marketing budget. According to Cadent Consulting, in 2024, CPGs collectively spent over $236 billion in marketing. Indeed, look at any major CPG brand manufacturer's financial statements and you'll typically find that marketing is their second largest expense after cost of goods sold; often around 20% or more of total revenue.

Those trade promotion funds have served to embed high-low pricing in how traditional supermarkets go to market. And yet that approach seems to be losing effectiveness. According to a recent Progressive Grocer article, supermarkets have lost 12 points of market share over the past decade, dropping from a 52% share of market in 2014 to just 40% in 2024. Much of that lost business moving to Mass and Club store formats featuring every day low prices.

FIGURE 1: PRIMARY CHANNEL FOR GROCERY PURCHASES



Source U.S. Grocery Shopper Trends. Finding Value 2024, The Food Industry Association

And high-low pricing actually erodes margins over time as shoppers look for the regular deals. It also promotes shopper promiscuity, as shoppers go store to store (or eComm site to eComm site!) seeking the best deal. The opposite behavior of the loyalty retailers claim they want.

Of all the shoppers buying Dannon yogurt, only 5.4% of them purchased Dannon exclusively. That means that nearly 95% of Dannon buyers are also buying other yogurt brands. Even Chobani, with the highest loyalty we measured, only has 28% of their buyers loyal to the brand.

Beyond pricing, by digging into Birdzi's vast data, we found significant brand proliferation within each of the categories that were studied; yogurt, salty snacks, pet (dog food) and laundry. Many times that brand and SKU proliferation driven by a brand's desire to maximize shelf space in the store. But ultimately, that explosion of choice leads to fragmentation of shopper purchases.

In the yogurt category, we found a well-known regional retailer had 75 different brands of yogurt on the shelf; each brand having multiple SKUs. In the pet (dog food) category we found 67 brands of dog food offered, up considerably from not many years ago. The brand and SKU assortment encountered by shoppers today can be overwhelming.

And that brand assortment, combined with near-constant high-low promotion across the category, helps destroy any brand loyalty. For example, of all the shoppers buying Dannon yogurt, only 5.4% of them purchased Dannon exclusively. That means that nearly 95% of Dannon buyers are also buying other yogurt brands. Even Chobani, with the highest loyalty we measured, only has 28% of their buyers loyal to the brand.

Brand 'switchers' - shoppers who shift from brand to brand in their purchasing - now represent a majority of shoppers in many of the major categories across the store, significantly higher than even a few years ago.

So if traditional high-low pricing and mass promotion are losing effectiveness and promote shopper promiscuity, and more shoppers are purchasing a growing number of different brands, how should a retailer be going to market? Are there effective alternatives to mass promotions? Is there a way to disrupt this traditional approach to marketing and merchandising?

AI's superpower: Strategic, Individualized Marketing at Massive Scale

As Ron Bonacci, loyalty pioneer and long-time retail marketing executive reminds us, there are only four ways to grow sales: Add new customers, get existing customers to add more items to their basket, increase the number of shopping trips, or grow the average selling price per item.

Sophisticated AI-powered personalization can readily impact each of these factors, helping retailers efficiently grow sales. But personalization has come to mean many things to different people. To better understand the power AI brings to marketing personalization, let's look at the different types of personalization used today:

Filtering: In grocery retail, much of marketing personalization is, at its core, simply filtering mass promotions to present a subset of the most relevant offers or coupons to a shopper. For example, a typical weekly ad may have a couple hundred promoted items; retailers' personalized ads filter those based on some knowledge of the shopper to present, for example, six promoted items. While filtering like this provides some convenience to the shopper, it does not deliver any incremental financial value.

Segment-based targeting: Segment-based targeting can be done from either a shopper or product perspective. For example, some retailers may extend a special offer to their Gold shoppers. Others may target dog food buyers when a new dog food product is introduced. While segment-based targeting continues to have a role in the retailer's marketing arsenal, it has been surpassed by more effective approaches to personalization.

Simple personalization: Think of this as personalization 101. Knowing that a shopper frequently purchases 2 liter bottles of Diet Coke, the product is regularly presented to the shopper based on purchase frequency and known relevancy. While this kind of personalization can be effective, AI moves it to an entirely different level.

Complex personalization: Automation and generation are two capabilities that power up complex personalization. Using the entire store product catalog, the AI, constrained by retailer defined guardrails, generates customized promotions for each individual shopper, including the discount. In complex personalization, the AI is guided by customer-specific strategies - again, automatically - to generate customized promotions designed to grow that shopper's basket, shopping frequency, retention, or average item price.

Using these kinds of AI powered personalization, retailers can drive sales - but those tools can also be used to grow margins through more effective spending of marketing and merchandising dollars. For example, instead of a $1.00 off TPR, the TPR signed at the shelf is $0.65 and the money saved is redirected to fund personalized offers to those shoppers for whom that product is most relevant.

As retailers grow shopper loyalty through personalization, higher spending shoppers provide more gross margin. It stands to reason that as shoppers buy more products from around the store, their product 'mix' provides more margin than shoppers simply seeking deals. Over the years, Kroger leveraged this insight to grow margins and then reinvested much of the margin gain into improved service levels in the store.

Going to Market in the Age of AI

Today, advances in AI, big data, and real-time data processing are enabling the ultimate in marketing personalization: a true focus on the individual shopper while driving strategic growth for the retailer.

Birdzi is an advanced tech company focused on disrupting how the grocery retail industry goes to market. A small group of elite data scientists and engineers have built a customer intelligence platform that unifies all of a retailer's shopper related data typically held in disparate systems across the enterprise. And that intelligence feeds powerful AI tools that drive advanced analytics, insights, and automated marketing and merchandising initiatives.

Disrupting how retail goes to market requires a troika of capability: Advanced insights & analytics, automated, strategic hyper-personalization, and shopper-behavior based automated campaigns that support vendor and CPG collaboration.

Underlying these advanced capabilities is Birdzi's 'secret sauce', its proprietary KIC™ score. The KIC ™ score is analogous to a FICO score, a synthesis of multiple data points drawn from a shopper's behavior over time, that represents a shopper's value to a retailer along with softer measures of store engagement (how many departments and categories are shopped).

The KIC™ score serves a valuable role in personalization and why Birdzi's approach is so unique and powerful. Birdzi's personalization algorithm effectively 'deconstructs' the shopper's KIC™ score so as to understand what levers to use in designing promotions to encourage more items in the basket, increased shopping frequency, improved retention, and so on. No other personalization solution goes as deep into understanding the different dimensions of shopper behavior and using that in automating strategic hyper-personalization.

"3 out of 5 retailers are prioritizing personalization tech investments." - McKinsey & Co.

Real Time Insights & Analytics

Birdzi's DataScope empowers grocery merchandising and analytics teams with cloud-based analytics tools, enabling instant data querying that informs how grocers go to market with realtime insights. DataScope provides access to key data across store operations, promotional performance, merchandising, assortment planning and more, allowing retailers to ensure every analysis reflects the current market reality. For example, a grocer can instantly understand which products are purchased as alternatives to tariff-impacted goods and quickly react.

DataScope powers advanced shopper grouping – retailers can spot their most valuable customers, segment products that matter and understand shopper behavior, spend and loyalty in minutes without relying on separate analytics departments. This allows teams to strategize based on tangible learnings, such as by identifying customers that have reduced spending in specific categories over a given data range.

And DataScope facilitates collaboration, enabling joint planning between merchandising, marketing and suppliers based on custom analysis that is tailored to answer specific business questions, like how to engage a lapsed deli customer or informing assortment decisions based on customer spending across brands within the same category.

Those new, powerful insights are made actionable as any identified shopper grouping becomes and audience that can be used in Birdzi's targeting and personalization tools.

Automated, Strategic, Hyper-Personalization

Over the past 24 months, Birdzi's Visper solution has taken grocery retail by storm. Visper uses a retailer's entire product catalog to automatically generate a specified number of hyper-personalized promotions for each individual customer - including personalized discounts. And doing all of this at massive scale, targeting millions of shoppers with truly personalized promotions in a matter of minutes.

This AI powered capability is enabling retailers to become truly customer-centric, providing each shopper personalized savings on the products and brands relevant to each individual - not just what the brand manufacturers want to promote. And by focusing on the shopper, the retailer in turn gaining bigger baskets, greater shopping frequency, and expanded store engagement.

Does this approach pay off? Looking across the retailers employing Visper's capabilities, we see email open rates of 73%, an 89% increase in Customer Loyalty retention and growth, and 23% increases in basket size. While those results are impressive, Birdzi has seen a 15% increase in store engagement - shoppers purchasing from 15% more departments. That statistic points to the effectiveness of using the KIC score in the personalization algorithm.

Visper is disruptive to grocery retail marketing because it enables retailers to shift focus to the shopper, providing truly incremental savings on the products each individual shopper wants to buy, when they want to buy them. The power and relevancy of personalized savings is challenging to compete against - especially when competitors are using the traditional tools of mass promotion.

Journey

More sophisticated retail marketers use a knowledge of shopper behavior in executing campaigns. In the past, this meant manually building audiences, promotions, and copy and then executing periodically. Birdzi's Journey uses advanced AI to automate the entire process. Marketers - and merchandisers - can build a campaign once that then automatically executes when the system sees a shopper exhibiting the targeted behavior.

Journey enables retailers to deliver real-time, shopper behavior-based offers that drive intelligent and highly relevant customer engagement. For new customers, lapsed shoppers or those who have exhibited other changes in their shopping habits, Journey listens and responds with highly relevant and targeted offers that drive growth and customer loyalty.

Additionally, Journey allows grocery retailers to collaborate with their CPG partners to support and strengthen retail media efforts. Retail media spending is projected to nearly double in the next three years, and by monitoring inflection points in a shopper's lifecycle, Journey activates campaigns to acquire, retain and grow shoppers. For CPG brands, Journey provides deep visibility into customer lifetime value, identifies high- potential segments and enables targeted incentives to boost category performance and drive repeat purchases.

Birdzi is the first solution provider to offer retailers the ability to connect shopper behavior and create automated customer journeys directly with their CPG partners without compromising on privacy or relevancy.

There are vast implications here for both marketers and merchandisers.

For marketers, imagine being able to create new shopper campaigns that automatically execute. And its not a one-and-done; you can link campaigns. For example, the first time a shopper appears in the store it triggers a promotion to them. When they appear a second time, a second communication is automatically triggered, and so on.

Think about creating competitive opening campaigns that just run. When the system sees a shopper beginning to decline in shopping or frequency shortly after a new competitor opens, the campaign executes.

For merchandisers, creating behavior-based campaigns triggered by purchasing (or not purchasing) private label products. Or recognizing and rewarding first time category buyers. Or category buyers that are declining in spending or baskets or only purchasing deal items.

Where this really becomes game-changing is using Journey to support CPG and vendor collaboration. Helping a brand understand who their loyal shoppers are vs switchers, and measuring brand level customer lifetime value. Spending trade promotion dollars more intelligently by incentivizing first-time brand buyers to purchase again or seek to reclaim declining brand buyers.

Birdzi's Journey makes this a reality for marketers, merchandisers, and vendors, all at massive scale.

Retail Media & Personalization

Spending by CPG and other advertisers on Retail Media is projected to be over $100 billion by 2027. Supermarket retailers of all sizes are laser focused on how they can tap into those vast dollars and create new incremental revenue streams.

The most successful retail media networks use first-party shopper data to enrich audience selection for advertisers, better allowing them to reach relevant shoppers. Going further, those most successful retailers add full attribution measurement to their offering to brands, providing complete campaign performance measures from audience size, to who saw an ad, to who visited the store, and actually purchased the product.

But beyond leveraging first-party data into audience selection, what role does customer data and personalization play in retail media?

One role leverages Journey's ability to use actual shopper behavior to trigger an ad. Imagine the first time a shopper buys Tide detergent. That 'signal' in turn - potentially in real time - triggering an ad from P&G for fabric softener to be presented to the shopper in the retailer's app, via email, or when the shopper is online. The timeliness and relevancy provided to advertisers well beyond the usual mass promotion campaigns programmatic capabilities.

Another approach ties to health & wellness. A retailer can append health condition, diet, lifestyle interests, and other attributes to their products. Using a data clean room, the retailer can tokenize the shopper's ID, linking transactions over time. The retailer can then begin to make some assumptions about the health interests of shoppers. For example, a shopper purchasing sugar free products may have a diabetes concern, or purchasing gluten free products may point to a gluten allergy.

Those shoppers with diabetes concerns become an audience for advertisers wishing to reach them with relevant promotions. This idea of 'health-intelligent' audiences becomes a unique offering that brings together a new approach for retail media.

What It Takes

Succeeding with sophisticated marketing personalization in grocery retail begins with customer data. At the core of personalization is the ability to understand individual shoppers—their buying patterns, preferences, sensitivities to promotions, and long-term value. Grocery retailers generate massive amounts of transaction data through loyalty programs, e-commerce platforms, and in-store purchases, but success depends on how well that data is harnessed. Retailers must capture not only what shoppers purchase but also when, where, how often, and the price paid and discounts received, in order to develop a complete view of the customer journey. Without a robust data foundation, personalization efforts risk being generic, ineffective, or even counterproductive.

Clean and accurate data is equally essential. Personalized marketing is only as good as the integrity of the information powering it. Duplicate customer records, inaccurate transaction logs, or incomplete profiles can lead to wasted promotions and eroded trust if shoppers receive irrelevant or mistaken offers. Nearly all retailers have poor quality product data; incomplete or missing product descriptions, inaccurate categorization, and inaccurate product attributes. Retailers that invest in data quality see significant returns, as accurate profiles ensure the right offers are delivered to the right households, creating credibility and increasing redemption rates. Accuracy is not just an IT concern—it directly impacts marketing ROI and shopper perception.

The next step is unifying data across silos. Historically, grocery retailers have housed data in separate systems—point of sale, loyalty, e-commerce, and digital marketing platforms—making it nearly impossible to form a single version of the truth. Sophisticated personalization requires a unified data foundation. When purchase history, digital engagement, and demographic data are integrated, retailers can segment shoppers with precision and orchestrate seamless campaigns across multiple channels. Unified data also enables advanced analytics and AI applications, providing a strategic advantage over competitors still stuck in fragmented environments.

"By 2027, over 30% of U.S. grocery sales will be influenced by digital touchpoints." - McKinsey & Co.

Digital shopper engagement is where personalization comes to life. Today's shoppers expect relevant offers delivered through the channels they use most—mobile apps, websites, email, and text messaging being the most common. Digital engagement not only amplifies the reach of personalization but also creates feedback loops: retailers can track open rates, clicks, and engagement in real time, refining strategies based on observed behavior. This digital layer turns personalization from a static couponing system into a dynamic dialogue with shoppers, making them feel valued and understood. Retailers that excel in digital engagement increase loyalty and basket size while building stronger brand equity.

Understanding shopper behavior and psychology is a critical, often underestimated dimension of personalization. Beyond transactional data, retailers must grasp the motivations that drive decisions—brand loyalty, price sensitivity, impulse buying, or health consciousness. Behavioral science insights, such as the power of scarcity, bundling, or default choices, can be woven into personalized offers to make them more compelling. Sophisticated personalization goes beyond "you bought this, so here's a discount" to anticipating needs, solving problems, and aligning with deeper shopper values. Retailers that apply behavioral understanding to personalization achieve not only higher short-term sales but also long-term emotional loyalty.

Collaboration between marketing and merchandising departments is vital for success. Personalization cannot operate in isolation; it must be aligned with category strategies, supplier funding, and store operations. Merchandisers control product assortment and promotional funding, while marketers execute shopper engagement. The two functions must work together to design personalized offers that support both sales growth and strategic category positioning. For example, a personalized offer that drives trial of a new item is most effective when merchandising ensures the product is stocked, priced correctly, and supported by in store visibility. Breaking down silos between these teams creates consistency and maximizes impact.

Finally, letting go of old processes and practices is often the most difficult step. Many grocery retailers remain tied to legacy mass promotions—weekly circulars, blanket coupons, and rigid promotional calendars—that dilute personalization efforts. To succeed, organizations must embrace a mindset shift from"one-size- fits-all" to individualized engagement. This requires new tools, new metrics, and a willingness to trust data-driven insights over tradition. Those who cling to outdated methods risk falling behind competitors who are leveraging personalization to win shopper loyalty in real time. True success in sophisticated personalization comes not only from technology, but from the organizational willingness to evolve.

Conclusion

From the days of the corner grocer, supermarket retail has evolved and matured, using increasingly complex systems and data in going to market. Yet for all the sophistication, retailers and their CPG brand manufacturer partners continue to rely on mass promotion in how they go to market.

But that reliance is clearly showing strain. Traditional grocery retailers are challenged as they continue to lose market share to other formats. Brand and SKU proliferation, along with traditional high-low pricing, have triggered growing shopper promiscuity, adding to retailers' headaches.

But through all this, new AI capabilities in the form of strategic hyper-personalization and process automation, combined with big data, provide retailers new ways to go to market that drive sales and customer loyalty. More so, new tools like Birdzi's Journey solution, open the door to a new generation of collaboration with vendors and CPG brand manufacturers.

To fully take advantage of these new capabilities though requires transformation. Partners like Birdzi can help retailers consolidate and unify the shopper-related data often held in disparate systems across the enterprise. That unified data opening the door to new insights, new analytics, and a new way to go to market.

By Gary Hawkins & Ron Bonacci

Gary Hawkins

Hawkins has been helping the retail industry create the future for over twenty five years. As a strategic advisor, Hawkins has had the privilege of working with retailers, wholesalers, CPG brand manufacturers, and tech companies in over 20 countries on 5 continents. His expansive industry view and early insight into disruptive technology makes him a sought-after keynote speaker at conferences in the U.S. and around the world. Hawkins is the author of Building the Customer Specific Retail Enterprise; Customer Intelligence; Retail in the Age of I, and Bionic Retail, along with the Retail Mindsteps Innovation Briefs and white papers. Hawkins lives in Colorado with his wife Heather, and Remington, their Bernese Mountain Dog.

Ron Bonacci

Ron has a proven track record of successfully leading marketing, advertising, e-commerce, CRM, analytics, and business development for major grocery chains, including Kroger, Albertsons, KVAT / Food City, Weis Markets, and Rouses Market. His initiatives have directly contributed to consecutive years of same-store sales growth for these retailers, through data-driven CRM loyalty programs, Omnichannel, Digital & Social Media efforts and extending into AI platforms to drive the future of retail grocery.