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King • Casey REPORT

Insights and Trends in Retail Branding, Merchandising and Design



Using Strategic Zone Merchandising

To Increase Sales and Customer Satisfaction

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A KING-CASEY REPORT by Howland Blackiston, Principal, King-Casey

Most Merchandising Strategies Aren't Strategic

That's because many retail stores, QSR's and fast casual restaurants tend to think "holistically" about their environments. One space, one strategy. They develop broad communications and merchandising strategies that are designed to be used throughout their stores. Here, there and everywhere. Banners, posters, danglers, wobblers - you name it. Up they go throughout the store, and we sit back and hope for the best.

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

Just Think Zones

The most successful restaurants have recognized that their stores are not just big branded boxes. Each store is actually a collection of many individual "customer operating zones". Customers behave differently in each zone. Their needs and expectations are different. Each of these unique zones is right for one merchandising strategy, and dead wrong for another. By identifying these zones and understanding how customers behave in each zone, we can craft zone-specific communications and merchandising strategies that are sharply responsive to how customers use these zones. This makes the customer experience faster, easier, and more enjoyable, while distinguishing your brand and maximizing business results.

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 methodology used by leading QSR and Casual Dine concepts. COZI® involves a 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 within your store. What are your "zones of opportunity"? Using a QSR or Fast Casual restaurant as an example, these zones 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, rest rooms, 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?

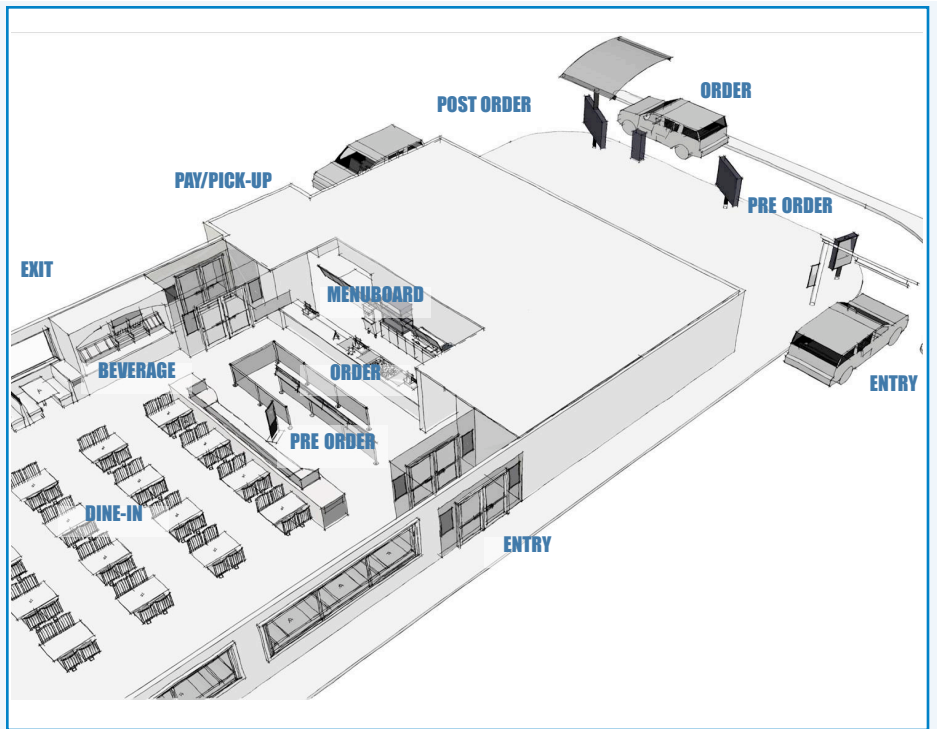
The message should be responsive to how customers use this zone (i.e., you don't want a long and detailed message in the entry zone, as research tells us that customers only take 2-3 seconds to view this message)

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.

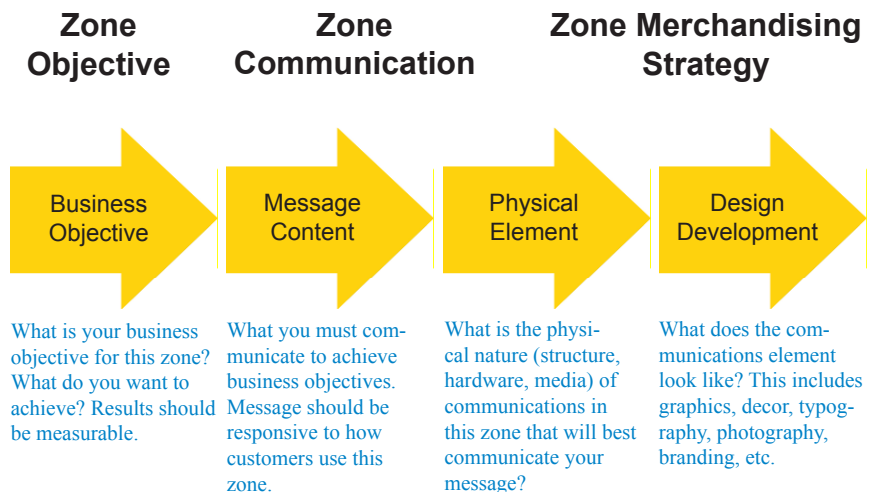
3. Zone Implementation. By now you have identified your business objectives, you know what you want to say, and you know how you are going to say it. During this step you fine-tune and finalize your zone merchandising elements. By all means evaluate the concepts and get team consensus. Keep things objective 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 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.



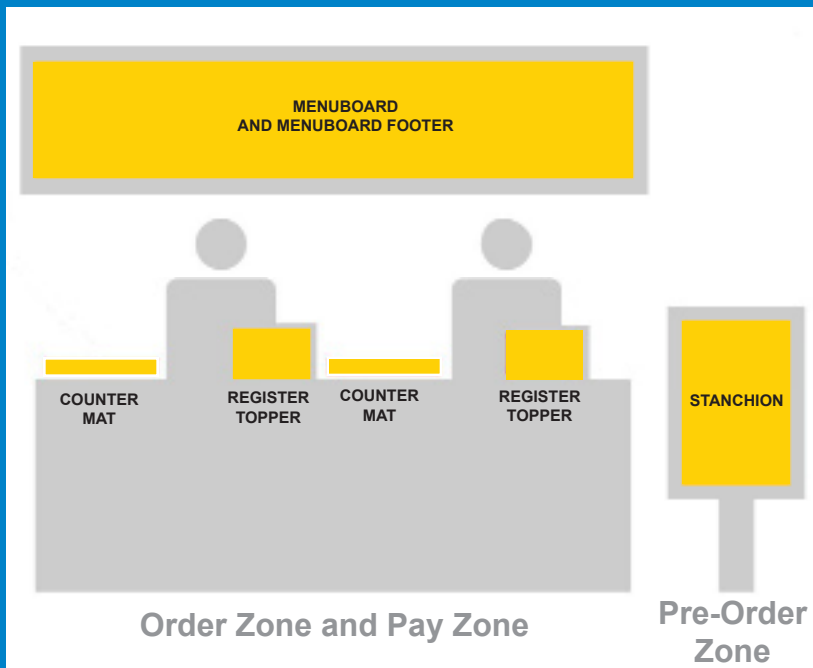
QSR Zone Merchandising Example. Any retail store, QSR or Fast Casual restaurant is actually a series of many different zones. By identifying these and understanding how customers interact in these zones, you can develop communication strategies that optimize business results while improving the customer experience. In the above floorplan of a QSR, we have identified critical customer operating zones for the interior and at the drive-thru.

Customer Zone Strategy



Customer Zone Strategy. Once you've identified all the zones in your store, it's time to develop a strategy for each zone. Developing a strategy involves a multi step process. This ensures that the resulting merchandising and communication pieces work effectively within specific zones. Note that the actual "design" is the last step. When you get the strategic elements right, you can increase sales, profits, thru-put and customer satisfaction. And that results in an enviable edge over the competition!

COZI® Order and Pay Zones in a QSR



A systematic COZI® analysis identifies key customer operating zones within your store. For each zone you should identify business objectives, message priorities and merchandising elements. In this QSR example we develop a customer zone strategy for the Pre-Order, Order and Pay zones:

Business Objective for this Zone: to drive check and improve thru-put

Message Content for this Zone: education, meal bundling, up-sell, trial, order simplification

Physical Element for this Zone: Pre-sell stanchion signs, menuboard, menuboard footer, register toppers, counter mats

The Results Speak for Themselves

Is it worth it? You bet! Double digit improvement are the norm. Consider the actual results of this QSR concept following the implementation of COZI® enhancement strategies (enhanced menuboard and merchandising):

- Overall sales up 13% in test stores
- Combo incidence up 12%
- Soft drinks up 9%
- Premium sides up 143%
- Salads up 111%

Start Thinking Zones

Sounds simple? It's just common sense, you say? You're right! But it's amazing how many organizations (even the really smart ones) overlook the value of developing strategies based on "customer operating zone improvement".

It's time to start thinking in terms of zones. It all starts with a thoughtful "assessment" (zone by zone) of what you are doing now.

COZI® Absolutes

- From our experience with hundreds of COZI® initiatives, we can identify the key things that you should absolutely do:
- Avoid "holistic" merchandising strategies by recognizing that a store is a collection of many different customer zones.
- Understand exactly how customers make use of each zone. Customer research helps objectively evaluate customer behavior and identify opportunities for improvement.
- Develop merchandising and communications strategies that are responsive to each of these zones.
- Develop strategies that are designed to achieve specific business objectives and are responsive to customers' 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.

King-Casey is a pioneer in retail consulting and design. For more than half a century, we have been building competitive brands for a broad array of retail companies by dramatically improving the customer experience at every point of contact. King-Casey provides a complete range of services including assessment, research, branding, visual merchandising, retail store design, and rollout. We develop innovative solutions that result in increased customer loyalty, higher sales and greater ROI.

King-Casey has been particularly successful in helping restaurant brands optimize the guest experience and improve business performance. The firm has worked with most of the leading QSR, Fast Casual and Casual Dine concepts.

If you would like to discuss customer operating zone improvement in your retail stores or restaurant chain, please call Howland Blackiston at King-Casey. Telephone +1 203-571-1776. Be sure to visit our website: www.king-casey.com

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