



King-Casey REPORT

Insights & Trends in Retail Branding, Merchandising and Design



Optimizing C-Store Merchandising
Thinking Customer Operating Zones

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

Where C-Store Merchandising Falls Short

Few would dispute that the typical C-Store takes a comprehensive approach to merchandising to its customers. That's the problem -- quantity versus quality. To be truly effective, C-Store merchandising strategies need to be developed based on understanding customers and how they operate (use and interact) within each "zone" in the store.

Think Customer Zones

The most successful retail concepts have recognized that their stores are not just 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. Their retail experience is different from one zone to the next. Each of these unique zones is right for one merchandising strategy, and dead wrong for another.

By identifying these zones, understanding how customers behave in each zone, and establishing specific business goals for each zone, we can craft zone-specific merchandising strategies that are responsive to how customers use these zones, and

designed to achieve specific business objectives. 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 retail stores manage the entire customer experience. A curb-to-curb journey. The acronym "COZI®" (Customer Operating Zone Improvement) captures the methodology used by leading retail concepts. COZI® involves a multi-step process, as follows:

The COZI® Process

1. Conduct Zone Assessment

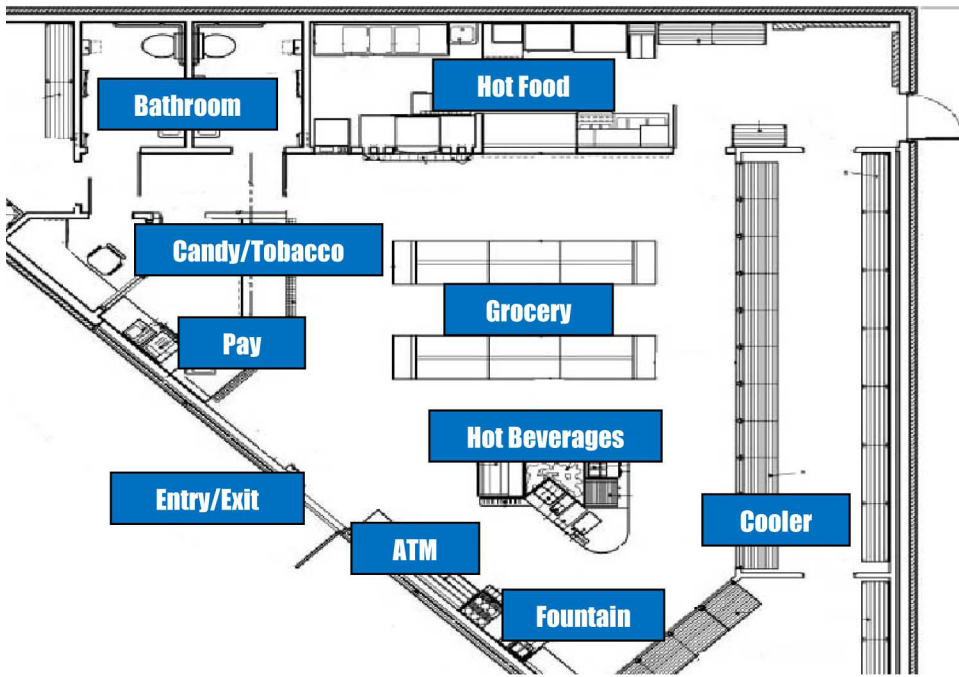
The first step is to understand your environment and your customers. Begin by identifying all of the COZI® zones within your store. What are your "zones of opportunity"? A C-Store chain is likely to have the following zones:

- Street Zone
- Entry Zone
- Magazine Zone

- Cosmetics Zone
- Grocery Zone
- Candy/Tobacco Zone
- Hot Beverage Zone
- Fountain Zone
- Cooler Zone
- ATM Zone
- Pay Zone
- Exit Zone

Each category of product can result in its own zone. And there are certainly many other potential zones, such as restrooms, parking, gas pumps, etc.

Once all of your zones are identified, 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



*Customer Operating Zones in a C-Store.
Any retail store 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 floor plan we have identified a few typical customer operating zones.*

message for the right zone? How can messages in this zone be optimized to drive sales?

2. Develop Zone Strategies.

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? Digital signage? Aisle toppers?

3. Develop Design Solutions

Note that the last step in the zone strategy process is design" (the creation of graphics, images, typography, branding, displays, 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.

4. Implement Zone Strategies

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, throughput, and return on investment. The success of these tests convinces store operators that this is worth the time, effort and investment.

5. Improve & Roll-Out

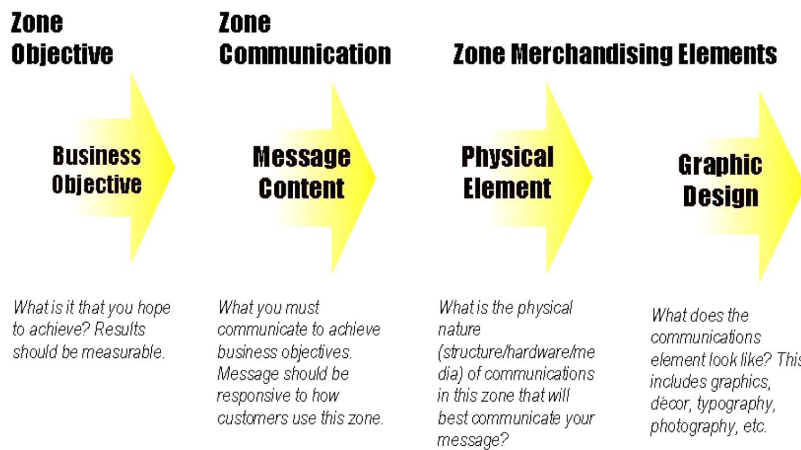
Continue to monitor key measures of success to identify opportunities for improvement. What's working? What's not? Why? Make tweaks to optimize business results. Feed these "lessons learned" back into the planning process (the next round of efforts will benefit from what you learned). Use research to find out from customers what's working and what's not. Finally, roll-out your enhanced strategy to other stores in the system.

COZI® Absolutes

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

- Avoid "holistic" merchandising strategies. A store is a collection of many different customer zones. Identify your store's customer operating zones.
- Understand exactly how customers make use of each zone. Customer research helps objectively evaluate

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!

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.

Where to Start

Sounds simple? It's just common sense, you say? You're right! But it's amazing how many retail brands

(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. Observe the entire shopping experience from the customers point of view. How do they behave? What do they look at? What problems do they have?

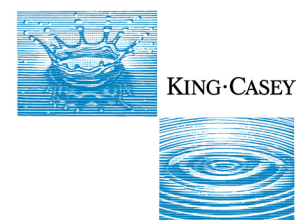
Are You Ready to Take the Lead?

Want to explore how you can optimize your merchandising strategies? Ready to develop the C-Store of the future? Please feel free to call Howland Blackiston, Principal, King-Casey at + 1 (203) 571 1776. Or email Howland at: hblackiston@king-casey.com

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 Return on Investment.

King-Casey has been particularly successful in helping optimize the guest experience and improve business performance. The firm has worked with most of the leading QSR, Fast Casual and Casual Dine concepts, both in the USA and abroad, which is of great value to C-Stores expanding their food services.

Be sure to visit our website:
www.king-casey.com



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