

Midwest grocer turns shopper data into sales

The Schnucks logo is written in a red, italicized, sans-serif font. It is positioned in the upper right quadrant of the page, set against a background of a network diagram with purple nodes and lines.

Pythian helps Schnucks harness the power of analytics

Technology has long been a priority for Schnuck Markets, Inc., a leading Midwest supermarket retailer headquartered in St. Louis, Missouri. For years, the company has leveraged G Suite and Chromebooks across their 100+ store footprint to save time, improve customer service and facilitate collaboration among their more than 14,000 teammates.

They've invested in a fiber-rich infrastructure, launched a customer loyalty app and even leveraged robotics to track out-of-stock items and accurate prices on store shelves.

The next logical step in their journey? Robust data insights to drive stronger decision-making.

Their plans took off in 2019 when Schnucks hired Tom Henry as its first Chief Data & Analytics Officer. Henry joined Nico Cattaneo, Vice President of Merchandising Solutions, and built a team focused on leveraging analytics to better serve customers.

Google Cloud Platform (GCP) anchors their efforts, along with data strategy, architecture support and ongoing guidance from Pythian.

"I felt from day one that Pythian was an extension of my team," Henry said. "They weren't an outside group; they were just as eager to succeed as we were."

Together, Pythian and Schnucks:

- Identified project goals
- Inventoried and organized the grocer's data assets
- Launched a 12-week proof of concept

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Nico Vattaneo
VP Merchandising Solutions
Schnucks

The exercise provided the hands-on experience and the expert guidance that Schnucks needed. Increased sales and customer satisfaction were an added bonus, thanks to the success of the pilot itself.

“As a business stakeholder, Pythian’s ability to drive business results was impressive,” Cattaneo said. “They were all about bringing value to our customers, and consequently to Schnucks. It was amazing.”

Challenges: Leveraging data to incent customer purchasing

To launch their analytics initiative, Schnucks needed to:

- **Organize their data.** While the grocer had robust customer and purchasing data, to make it usable they needed to inventory, segment and store this information efficiently. They also needed to adopt formal data governance protocols.
- **Understand staffing requirements.** Leadership knew emphasizing analytics would require different competencies in the internal Data & Analytics group, as well as outside expertise.
- **Start strong.** Quick wins are key for high visibility initiatives. A proof of concept would show stakeholders the potential within company data and create an appetite for ongoing insights.

Schnucks’ impressive commitment to technology, including the ability to feed real-time data into an analytic platform, helped jumpstart their efforts. However, both Henry and Cattaneo knew unleashing the value of their data would take time and effort. Starting off strong and building momentum were important.

A 12-week proof of concept was the answer, with Schnucks and Pythian working side-by-side. This structure enabled the in-house team to see GCP in action and learn from Pythian. It helped validate their approach, and determine the roles and skills necessary to upskill the in-house analytics team.

“Pythian really helped our team get their feet wet,” Cattaneo said. “We worked with really polished professionals at Pythian on the data science and data architecture.”

The pilot focused on better understanding the Schnucks customer. For the test, they chose store-branded products (which Schnucks refers to as “Own Brands”) and shoppers enrolled in the grocer’s loyalty program.

According to Henry, Own Brand products, from pasta and canned vegetables to baking supplies and paper goods, typically cost less than name brand competitors. However, shoppers may lack awareness of them, or be skeptical of their quality.

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“Our store name is well known, but sometimes our Own Brand would get lost in that ocean of national brands,” Cattaneo explained. “How do we spread the word, using our digital capabilities? How do we personalize our shopper engagement?”

Solutions: Working side-by-side in GCP to launch a 12-week pilot

Working together, Pythian helped the grocer to:

- **Set the right incentive strategy.** Pythian’s data scientists helped Schnucks develop a machine learning model to predict shopper likelihood to buy certain products. These insights drove other campaign parameters.
- **Launch in the cloud.** The modern, scalable GCP platform gave Schnucks computing power and ease-of-use. It offered far more flexibility than creating a custom, on-premise solution.
- **Test and learn.** The 12-week proof of concept gave the Schnucks team the opportunity to learn the platform and absorb Pythian’s analytic approach in a collaborative environment.

With the subject in place, Pythian and Schnucks worked quickly to launch the proof of concept. This included:

- **Building an algorithmic, machine learning model** in GCP. The model predicts the likelihood a customer will buy certain products, based on their individual shopping history.
- **Identifying Own Brand products to recommend** to each customer, based on their unique results in the model.
- **Distributing coupons, special offers and other promotions** to the test group during each week of the 12-week campaign, via Schnucks Rewards, the company’s loyalty program. (The control group received no recommendations or incentives.)

Launching the project in the cloud—rather than with on-premise tools—vastly accelerated the timeframe for Schnucks. GCP’s scalability and ease of use impressed Henry and his team.

“GCP gives us the opportunity to work with cutting-edge big data and advanced analytic technologies—without having to secure the environments, software and skill sets to deploy and maintain a modern, advanced analytic platform,” Henry noted. “You can scale as quickly as you want, to the largest place you need to go, and you can dial that back just as quickly.”

Schnucks also appreciated having a proven partner to share the engagement.

“The Google Cloud Platform accelerated our roadmap and strategy. Within nine months, it put us on an even plane with our competition, from a technology standpoint.”

Tom Henry
Chief Data & Analytics Officer
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“Even the top levels of Pythian leadership were engaged,” Cattaneo noted. “That has not been my experience even working with larger companies—it’s unique to Pythian.”

Pythian’s technical expertise, enthusiasm and collaboration created a positive experience for all involved.

“Part of Pythian’s role was to stress-test the system and let us watch; they did that very well,” Henry said. “They also brought data scientists to the table. They helped shape our understanding of the skill sets we needed to build out this competency.”

Cattaneo added, “Pythian also had the ability to navigate different levels of technical understanding on our teams. We have PhDs and we also have individuals with psychology and marketing degrees. How they adjusted was impressive.”

More savings for customers, more sales for store brands

Schnucks jumpstarted their analytics efforts with:

- **Increased demand.** The 12-week proof of concept clearly demonstrated the potential of data-driven programs. It generated a measurable boost in Own Brand sales and reactivated 1,200 lapsed customers.
- **Improved competitive position.** With GCP’s agility, scalability and robust features, Schnucks now has a platform to close the tech gap with larger grocery chains. They’re also armed with data insights to show their own customers new ways to eat well and save money.
- **Roadmap for the future.** Going forward, Schnucks has a strategic partner in Pythian, as well as a clear plan for where to leverage this outside expertise and where to hire and train in-house talent.

The pilot quickly proved a success on multiple fronts. First and foremost, it generated a tangible improvement in Own Brand sales.

“We showed a lift of Own Brand sales of \$5 per basket versus our control group,” Henry said. “We saw 10 percent lift in center store, which is pretty outstanding.”

The project showed the power of targeted communications. Not only did more customers try Own Brand products, the promotions also increased the frequency of shopper visits to the store.

“We were able to recover about 1,200 lapsed customers just by contacting them in this more positive, tailored way with incentives around value-based items,” Henry explained. “It caused a number of those customers to return three times or more.”

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For Cattaneo, even the small-scale results of the proof of concept exceeded his expectations with the caliber of information available to tailor their marketing programs and spending.

“We have not come across a tool that optimizes marketing spend as well as Pythian’s recommendation engine did. It’s a great return on investment for Schnucks.”

Beyond customer results, the project equipped the analytics team with a platform for growth, a roadmap for the future and the right resources to run their burgeoning data program.

“Through Pythian we have built foundational capabilities to help bring value to our customers; it’s only going to accelerate us,” Cattaneo said.

“We couldn’t do what we’re thinking of doing in e-commerce and digital without these capabilities.”

Henry appreciated the significant time and cost saved with a cloud platform. “The Google Cloud Platform accelerated our roadmap and strategy. Within nine months, it put us on an even plane with our competition, from a technology standpoint,” Henry said.


Henry added, “The Google model is cost-effective compared to trying to build this on premises and achieve the business value as quickly as we were able.”

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ABOUT PYTHIAN

Founded in 1997, Pythian is a global IT services company that helps organizations transform how they compete and win by helping them turn data into valuable insights, predictions and products. From cloud automation to machine learning, Pythian designs, implements and supports customized solutions to the toughest data challenges.

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