

Raia Drogasil



“We were able to move to a customer-centric category management. We used to look at sales information only, now we look at customer data to decide new strategies for the category. For me, that is the biggest transformation that we have achieved so far.”

- Marcello De Zagottis, VP Commercial & Marketing

About Raia Drogasil

- Leader of the Brazilian drugstore market (in revenue and number of stores)
- Operations in 17 states, representing more than 89% of the Brazilian pharmaceutical consumer market
- 26 million customers and annual revenue of USD\$4.2 billion
- Established in 2011 as a result of the merger of Raia S.A. and Drogasil S.A.

Objectives

- Understand buying behaviour for OTC (Over the Counter) products
- Analyse category performance, looking at different product types and characteristics such as active ingredients, name, packaging and audience
- Use insight from data to apply a customer-centric approach to category assortment and shelf plans
- Create an intuitive flow of products within the categories for different customer segments
- Optimise category assortment and category attribution based on customer behaviour

Achievements

- Informed and customer-centric decision making for category assortment and product flow
- Better in-store customer experience supported by intuitive category navigation, easy-to-shop & easy-to-find exhibition, and clear communication on shelf
- Product repositioning based on packaging (boxes/blister), encouraging trade up and size up for 'boxes' and optimisation of shopping missions
- Easier shelf replenishment due to better communication, layout and fixture
- 4.3% sales uplift in 21 weeks for the test and roll out stores

Using customer data and insight to understand shopper behaviour and improve OTC (Over the Counter) category performance

Product assortment and display of Over the Counter (OTC) categories has been a major issue for most pharma retailers and CPGs, due to the lack of understanding of their customer data. For Raia Drogasil (RD), leader of the Brazilian drugstore market, it was essential to start driving value from their customer data to make better informed assortment decisions to maintain their competitive advantage.

Challenge

RD had large volumes of customer data but was failing to extract value from it in terms of knowing their customers better, and driving better business decisions. With focus on four categories: Pain Relief, Flu, Gastro and Health Appliances, RD partnered with dunnhumby to begin their customer knowledge and category management journey for OTCs.

The four categories under evaluation were very broad, but were related to each other. The challenge was to identify the true correlation and substitutability, evaluate previous assortment decisions and take actions to optimise product display and flow going forward, based on customer behaviour. Part of the analysis also included looking at category performance through analysis of different product types and characteristics such as active ingredients, name, packaging and audience.

Solution

By combining customer knowledge capabilities, science and tools, dunnhumby could deliver a compelling solution to support assortment decision-making for OTC products, based on actionable insight obtained from RD's customer data.

[Shelf Review](#) was used to map and understand purchase behaviour, and to identify any correlations between products in the macro categories (Pain Relief, Flu, Gastro and Health Appliances). A decision tree was mapped providing the necessary input to redefine the assortment and display of various brands, seeking to improve category performance and increase category sales.

The solution also included building a shelf planogram with intuitive product navigation, based on observed correlations between product ingredients (specific vs. broad spectrum – i.e. headache vs. broad pain killers), name (generic vs. branded), packaging (boxes vs. blisters) and audience (adults vs. kids).

With a display of the products more aligned to retail pharmacy shopping missions, customers were able to more easily compare the price/value of the different sizes and pick the product most appropriate to their need (immediate use vs. stock up).

'Shelf review' was used to map a decision tree and identify product correlations



Results

The key benefit of analysing customer data is not only to drive value and insight (in the form of customer understanding and customer knowledge) but to feed this information back into the decision-making process to drive better results.

The OTC analysis led to a much deeper understanding of the shopper, their purchase behaviours and the relationship between categories. Ten new OTC segments were created based on grouped need states, which helped RD make better informed, customer-centric category management decisions.

The repositioning based on packaging increased the participation of 'boxes' by 1.5% in sales and 2.2% in units, with an average price almost 4x higher than 'blisters'. The benefit was derived by positioning only. No category change in the type or number of sku's occurred during this time.

After 21 weeks of implementation, the OTC assortment and shelf display review delivered 4.3% uplift in sales across both test and roll out stores (~300 stores).



Use of customer data & insight to understand shopper behaviour



Development of a customer-centric and intuitive shelf planogram



1.5% and 2.2% growth in sales and units due to packaging repositioning



4.3% Uplift in sales across stores after 21 weeks

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