

The Retailer's List

For the vast majority of shoppers, the path-to-purchase requires a map—or, in shopper speak, a list. As a retailer, the question is: How do you get on the list as the preferred shopping destination?

Simply said, you begin with price—but end with value.

In today's economy, price obviously is a given. Retailers know that competitive prices on everyday essentials are at the top of nearly every shopper's list. Value, however, is not so easily defined. It is grounded in understanding your shoppers and meeting their needs and desires.

Shopper understanding begins with insight into how they plan their trips. Traditional tools such as circulars and FSIs certainly play a critical role, given our current economic conditions.

The shopper's search for value, combined with the retailer's need to drive trips, has put a renewed focus on circulars as one of the most cost-effective tools retailers have to drive traffic by featuring highly consumable categories.

But as technology advances, more shoppers are turning online as part of their pre-planning rituals; the web is not just for big-ticket items anymore. Since the economy went into freefall in September 2008, Google saw its search queries for coupons, product ratings and reviews skyrocket.

That trend-line has since flattened, but shoppers continue to go online to research products, assist with purchase decisions and seek out promotions or discounts.

The importance of an online marketing strategy for retailers should not be underestimated. It is about more than having a website—it is about creating connectivity with where shoppers go to build their lists and find value. To do this, retailers must understand and highlight the activities and categories that attract shoppers online and drive retail trips.

In grocery, meal occasions drive retail trips and recipes drive meal occasions: how best to create linkage with leading recipe sites? In healthcare, conditions and symptoms drive online search: how

do retailers become a critical and trusted source for information as well as products for shoppers?

Because coupons and discounts increasingly drive list creation, integrating with deal sites like CouponMom.com and mygrocerydeals.com shows that you understand that value is important to your shoppers.

Once the retailer has attracted shoppers into the store, the main challenge is to deliver value to keep them coming back. The opportunity is to upgrade or embellish the shopping list in a way that benefits both the shopper and the retailer by providing shopper solutions that maximize value.

Maximizing value is about delivering a consistent, positive shopping experience that creates an emotional connection with the shopper—by meeting their needs while addressing their desires. For example, shoppers need to feed their families and stay within budget, but they also desire meal solutions that transcend the standard family dinner.

In response, retailers and manufacturers have been quick to create a range of meal solutions that engage shoppers by pairing complementary products to deliver added value. They do so by addressing three critical underlying shopper needs:

Convenience. Create one-stop meal solution centers that convey both the meal concept and bundle complementary items. Examples of one-stop thematic displays include Kraft's *Let's Do Lunch* in-line display and Safeway's *Make it Tonight* end-cap.

Or, create adjacencies along the perimeter, such as the barbecue necessities in Ralph's *Simple Grilling* free-standing display, adjacent to the meat case.

Economy. Provide solutions that free up dollars for other needs and desires, like Food Lion's *Meals for Less* or Ahold's *Affordable Meal Makers* end-cap. These end-caps rotate new economical meal solutions that often provide the opportunity for retailers to integrate and elevate their own brands as part of the solution.

Entertainment. Elevate the meal solution to rival eating out. From a retail perspective, Publix does an exceptional job romancing its upscale seafood section

To get on the shopper's list, retailers must fill both needs and desires.

with its *Ocean Pier Spectacular*. Shoppers are lured by merchandising that rivals the local fish store. How can anyone resist the life-sized shark hoisted up over the display of complementary items which range from wine to mayonnaise? The display draws you in and the product displays offer up ideas and solutions.

Integrating a complementary manufacturer can help transform a meal-to-go. A great example is a New Zealand wine label, Brancott, which helped upsell sushi with adjacent displays featuring the tagline, "The Quintessential Sushi Wine." Shoppers were provided swatch books that paired sushi flavor profiles with various wine options.

Of course, such approaches to meeting the needs of convenience, economy and entertainment can be translated outside of meal solutions. For example, shoppers today need to trim their budgets, but they also desire special events with their families.

Walmart translated this need and desire into its *Family Game Night* program in September 2009. The "Family Night Center" fills a need with a one-stop area to purchase a game, DVD and snacks for less than \$30. Ceiling signs, featuring images of families and the suggestion to "bring everyone together," talks directly to the shopper's desire for quality family time.

Kmart, meanwhile, created a robust layaway program, which allowed its credit-crunched shoppers to budget and save up to make the holidays special. This delivered against its *Kmart Smart* positioning for both the retailer and shopper.

In today's complex, hurried world, shoppers also need to get in and out of the store quickly, so they desire one-stop solutions and destinations. To that end, CVS and Walgreens are putting an increased focus on in-house clinics to help shoppers consolidate trips.

CVS's goal for its MinuteClinic is to "make healthcare easier for people with a lot going on..." Walgreens is committed to providing personalized, quality healthcare to fit your life.

In-store, Rite Aid created a diabetes center featuring a full range of products and information for the diabetic. Other retailers offer in-store video rental, banking, and dry cleaning to help shoppers save time and trips.

Shoppers also seek inspiration. Apple delivers against this need and desire every step of the way, by immersing shoppers in a brand experience that

quickly moves from functional to emotional needs to dissolve barriers to purchase.

Leading specialty retailers, like Trader Joe's, Whole Foods and PetSmart create a shopping experience that rivals entertainment by delivering information, samples and unique shopping experiences—like shopping with your best friend.

The inclusion of Starbucks and Dunkin' Donuts in retail outlets is more about providing the shopper with an allowable luxury as part of their shopping routine than it is about selling coffee.

TIME, MONEY AND INSPIRATION

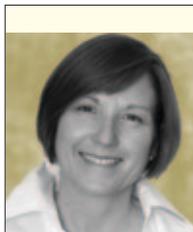
Post-shopping, success for the retailer is about satisfying shoppers by getting them the items on their list (and then some) for a good value. It's also about delivering a convenient, consistent shopping experience that addresses their overarching need for convenience, value and entertainment — which returns time, money and inspiration.

For retailers, moving the shopper off price to value requires understanding their top shoppers, their everyday needs and overarching desires. They must consistently and cohesively communicate across every medium in ways that show they understand.

This means building off the retailer's foundation — the everyday necessities that bring shoppers in — by understanding the underlying needs and occasions and building complementary purchases from there.

Create solutions that drive interaction and discovery. Help shoppers navigate in store by creating adjacencies and complementary bundles. Partner with manufacturers to provide insight, additional value and integrated solutions.

Above all, be creative with your solutions while remaining consistent with your DNA; entertain and draw shoppers away from their basic lists, and towards better solutions. ■



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True Loyalty

It's in the DNA of most retailers to think about cost versus return: sell it cheap versus invest in brand differentiation through added-value marketing. But now that every retailer is selling as low as they can as a result of consumer and competitive pressures, how can a retailer persuade a shopper to stay loyal when all they have to work with is the same low price as their competitors?

The individuality of the shopper is now the retailer's biggest asset. Every retailer with a loyalty program has access to the customer's individuality, as evidenced by a thorough analysis of what's in each shopper's basket.

Retailers can profile shoppers all sorts of ways relative to what they buy, how much they spend, how often they shop, what marketing they respond to, their lifestyle, how much they earn, and on and on.

But the magic occurs when all that modeling and segmentation information is turned into an ongoing cadence of communications, creating a brand distinction for each customer through the design and messaging of the communications.

In addition, retailers can combine those distinctive and relevant communications with offers that are profile- and customer-specific, so that every customer gets the right offer, at a differentiated price, thus creating the highest ROI while increasing loyalty.

There's only one problem: The circular. The circular has been the dominant method of marketing for most retailers for the last 50 years but it can no longer be relied on as the primary source of marketing. Unfortunately, for most retailers, there is no easy path off the circular.

Circulars can be rationalized as treating every customer equally. They offer mass distribution throughout the trading area, at a ridiculously low cost-per-piece, and are fueled by manufacturers with buyers squeezing every ounce of allowance money out of manufacturers.

This is not good enough anymore. Like it or not, the recession is forcing retailers to reevaluate how they differentiate their businesses.

A recent study by Deloitte and STORES Media said that the recession left shoppers "more attracted to private labels" and that this isn't likely to change. The imperative, according to the report, is to provide shoppers with greater value, and this "will entail being clearly differentiated from competitors so that consumers sense a unique offering... and become less likely to compare prices."

These trends have led many retailers to reconsider database marketing as a path to differentiation. While two out of three retailers currently have a loyalty program, for the most part these programs are perfunctorily tied to the circular with little in the way of marketing (e.g., "Sign up for the loyalty card and get a circular with discounted prices.") This does not qualify as differentiated brand marketing.

NEW MARKETING TOUCH-POINTS

The newest trend at retail is employing POS-driven loyalty solutions that deliver a coupon at checkout, similar to what Catalina Marketing has been doing in grocery and drug for 20 years.

There's nothing wrong with delivering a coupon at checkout, except that in most cases the coupon is a manufacturer paid-for generic coupon and not based on the customer's specific behavior. Also, using *only* a checkout solution as marketing—which is primarily delivering manufacturer coupons—does nothing to build the retail brand. Nor does it differentiate the retailer from every other retailer that also provides manufacturer coupons at checkout.

In-store rewards also presume that customers are in the store regularly. Marketing that is limited to in-store exposure doesn't acknowledge that 95 percent of customers shop multiple stores.