

The Shoppers' Perspective

BY MACK HOOPES

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At Henkel Consumer Goods, we have uncovered evidence that the demographic traits in common usage by shopper marketers are not valid predictors of shopping behavior.

This insight is based on our research into value-seeking behavior that uncovered three surprisingly distinct and enduring behavioral styles that defy characterization by income level, age of household or size of household.

Value-seeking behaviors may transcend demographics, says new research.

Our findings suggest an alternative basis for retailer marketing and merchandising that may offer significant advantages. They challenge our assumptions about the relative value of certain shopper segments. Importantly, they also offer an

alternative and somewhat simpler way to determine store clusters. In short, the implications of these findings are profound and timely.

Our study examined three years of data from multiple retail channels, covering 300 food and non-food categories commonly carried in supermarkets. This data was collected from the Information Resources, Inc. Consumer Network Panel and other sources.

We found that each household assembles a complex shopping solution from a series of discrete activities and trips to several retail outlets each week. These “assembled” shopping solutions—or shopping styles—may be understood in terms of three behavioral segments:

Shoptimizers are most likely to be influenced in their choices by pre-shopping stimuli such as circulars and coupons. They also are most likely among the three groups to regard a clear everyday low price

(EDLP) strategy as an assurance of value. Once inside an EDLP shopping environment, Shoptimizers may be likely to respond to in-store cues.

Mainstreeters do far less pre-planning and rarely save coupons, so their channel choices are more likely to be influenced by location, convenience and price reputation. Once inside the store, however, this group is most likely to be sensitive to in-store promotions and offers.

Carefrees avoid EDLP channels and bypass most pre-planning and in-store promotions. Interestingly, they totally trust club stores to deliver value appropriate to their consumption patterns. Once inside a store, they tend to ignore prices and buy what they like.

Shoptimizers, the group that is vastly more likely to exhibit “thrifty” pre-planning and coupon redemption behavior and highest response to EDLP, also spend most heavily on the 300 categories studied. In contrast, Carefree Shoppers, who as a group virtually ignore all forms of promotion, are the lightest spenders in those categories across the retail channels studied.

RETAILER AND BRAND IMPLICATIONS

Our findings go much deeper, to permit analysis by channel, retail banner, department and category. These results carry numerous implications for managers

Planning Coupon and Promotion by Shopper Segment

Segment	Pre-Planning Behavior	Coupon Use	Response to EDLP Strategy	Response to In-Store Promotions
Shoptimizer	Very High	Very High	Very High	Sensitive
Mainstreeter	Very Low	Low	Average	Highly Sensitive
Carefree	None	None	Low	Insensitive

SOURCE: *The Shoppers' Perspective 2010*, Henkel Consumer Goods, Inc.

at both retail and product marketing organizations.

Among the major findings of interest to consumer product retail and marketing organizations:

- **Coupon Use** is almost entirely confined to Shoptimizers, who make up about 25 percent of households and 30 percent of household spending. Coupons are seldom used by Mainstreeters and virtually never by Carefrees.
- **Private Label** products are purchased more frequently (higher dollar-sales index) by Shoptimizers and less frequently (lower dollar-sales index) by Carefrees. Mainstreeters purchase store brands at about average levels.
- **Trip Frequency** varies significantly among the behavioral groups, with Shoptimizers visiting stores about four times per week, compared with two-and-a-half times per week for Mainstreeters and twice a week for Carefrees.

- **Shopping Basket Size** also varies among the behavioral groups, with Shoptimizers spending the smallest dollar amount on each occasion and Carefrees spending the most. Shoptimizers, however, due to their trip frequency spend the most per year, +16 percent versus Mainstream, and +32 percent versus Carefree.

- **In-Store Promotions** are primarily effective at influencing Mainstreeters, who make up 44 percent of households and dollar sales. In-store promotions have relatively little influence on the purchase decisions of Carefrees.

Further study of our behavioral segments strongly suggests that channel choice may be the first branch in the shopper's decision tree, since each shopper assembles a personal pantry solution from visits to a combination of retail outlets. *Selection of a trusted EDLP channel may be the first planning decision made by many shoppers.*

Share of Households and Total Dollar Spending

Segment	Share of HH	Share of \$	Index
Shoptimizer	25%	30%	121
Mainstreeter	44%	44%	100
Carefree	31%	26%	84

SOURCE: *The Shoppers' Perspective 2010*, Henkel Consumer Goods, Inc.

Class of Trade by Shopper Segment

	Shoptimizer	Mainstreeter	Carefree
All Outlets	30%	44%	26%
Grocery	31%	43%	26%
Drug	38%	40%	21%
Mass	30%	47%	24%
Supercenter	34%	51%	15%
Club	17%	40%	42%
Dollar	33%	47%	19%

SOURCE: *The Shoppers' Perspective 2010*, Henkel Consumer Goods, Inc.

Channel choice data reveals behavioral patterns among the three segments which may be partially influenced by banner price reputation, feature ads, or both. Carefrees account for the largest percentage of Club store dollar spending (42 percent dollar-share); Mainstreeters spend the largest share in supercenters (51 percent dollar-share); and Shoptimizers spend lightly at Clubs (17 percent dollar-share), but rely more heavily on drug stores (38 percent dollar-share) and supercenters (34 percent dollar-share) to fulfill household needs.

Members of each group select shopping channels based on their trust that the channel will deliver what they value in a shopping trip. With this analysis, Henkel believes we have identified some foundational aspects of pre-planning, and reinforced a fundamental truth for all shoppers—*if they trust you they shop you*.

MANAGERIAL OPPORTUNITIES

Our study reveals fresh insights and managerial opportunities for both retailers and brand marketers.

For most retailers, it will be unrealistic to focus against all three behavioral groups. Retailers will need to formulate a strategic position for each banner that communicates what it stands for in the marketplace, and choose tactics that communicate value to the targeted behavioral groups. This must be done by department, category and brand.

For brand marketers, our analysis offers an alternative and somewhat simpler way to determine store clusters, based on the enduring behavioral complexes of the three groups. In addition, because the three segments respond very differently to common forms of shopper-marketing messaging and promotions, marketers should select tactics carefully.

For both retailers and brand marketers, our segmentation implies that some targeted channels,

stores, or geographies will return much stronger payback than others when aligned against the product's behavioral target. For example, our findings suggest some retailers may unwisely label highly-motivated Shoptimizers as less desirable because they take greater advantage of deals and coupons. In fact, these shoppers index higher on total spending.

The various influencing tools of shopper marketing, Henkel's "Shoppers' Perspective" study finds, may influence these three groups of shoppers differently according to their innate propensities for list-making and planning ahead, coupon use, in-store promotional sensitivity, purchase frequency, response to EDLP marketing programs, and private label purchasing habits.

It suggests that shopper-marketing tactics should be selected according to which shopping style is being targeted. Coupons, for example, will have little to no influence on Carefree shoppers, regardless of the depth of the price incentive. In-store promotions like displays will have greatest influence on Mainstreeters, while Shoptimizers are more likely to arrive at the store pre-influenced by an offer seen in an ad circular, with a coupon in hand.

Style, it seems, has real substance when it comes to understanding how shoppers plan trips and respond to promotion. In the coming months, we'll have more insights to reveal from this research. We look forward to sharing it. ■



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