KANTAR WORLDPANEL

THOUGHTS ON...

NAVIGATING THE CUSTOMER JOURNEY

Don’t forget the category and think small as well as big

Kantar Worldpanel’s **Thoughts On...**
the consumer and shopper landscape

NAVIGATING THE CUSTOMER JOURNEY

A changing landscape

The UK grocery sector is increasingly polarised and growth at both the premium and budget ends of the market is forcing the major supermarkets to compete for an ever-smaller middle ground.

Now, more than ever, it's important for retailers to find new ways to stand out – to provide a point of difference in what is becoming a level playing field. Over the past decade, economic pressures and busy modern lifestyles have led to a step change in the way the nation shops and what it wants and demands from retailers. Shoppers are savvier than ever before, managing tight budgets while under considerable time pressure.

Above and beyond

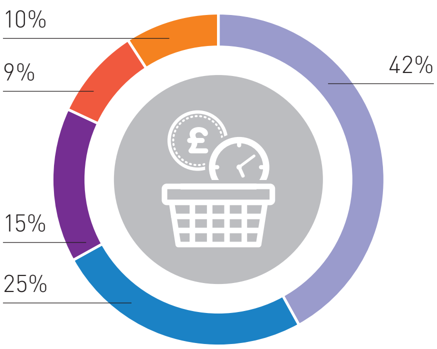
People have come to expect quality and value as critical elements – not an either or. It's about much more than products and prices – it's about the whole shopping experience. In an increasingly competitive market, this provides a new way for retailers to stand out and increase sales – shoppers who have a 'good experience' in store spend on average £220 more a year than those who don't.

Most retailers understand they must create a destination that shoppers actually enjoy to retain existing and entice new customers – with varying levels of success. Tesco, for example, has recently revamped several of its Tesco Extra stores introducing branded coffee shops and restaurants, as well as beauty treatments and yoga classes in dedicated community rooms to lure customers.

However, there are some smaller, more efficient and, perhaps, more customer effective solutions. By improving the shopper experience at an individual category level, retailers can entice customers to purchase more.

Over the past 18 months, Kantar Worldpanel has been picking the shopper experience lock to find out about people's experiences while shopping for different categories. One of the key findings is that the type of experience shoppers expect is dependent on the type of product they are buying.

Shoppers are savvier than ever before, managing tight budgets while under considerable time pressure



We asked shoppers which statement best describes them on a recent shopping trip in the Top-4:

- **Managing budgets**
  I wanted to get what I wanted without spending too much
- **Time pressure**
  I wanted to get in and out as quickly as possible
- I was happy to browse on this occasion
- I was looking out for special offers
- Other

Easy navigation

The average shopper spends around £3,800 a year on groceries and makes over 240 shopping trips – the equivalent of spending around 16 working days in store. Over half of these trips are completed in around 19 minutes (footnote 1) or less which means that the average product only gets a matter of seconds to convince shoppers it should be in their baskets. Retailers need to do all they can to persuade shoppers to purchase a wide variety of items in as short a time as possible.

Kantar Worldpanel has identified five broad types of category 'experiences'. Each of these categories reflects a definable and distinctive shopper need.

When shopping for staples like milk or bread, defined as a ***Fast Find*** category experience, people know exactly what they want and there is a high level of planned purchasing – **98% of milk trips and 97% of bread trips are pre-planned.** To ensure maximum spend, it's important that the category is easy to navigate – 66% of milk shoppers and 71% of bread shoppers say this is important. Sounds simple, but it's about making it quick and easy. Bringing all the staples to one specific section in the store is one way to make these products easy to find.

Items such as laundry powder and instant coffee – defined as ***Restock and Save*** as they are not bought regularly – are typically some of the more expensive items on the shopping list. This means shoppers are attracted by promotions which demonstrate a real saving – on 39% of trips shoppers say they look out for special offers when shopping in ***Restock and Save*** categories (versus an average of 24% for all 21 categories captured in this report).

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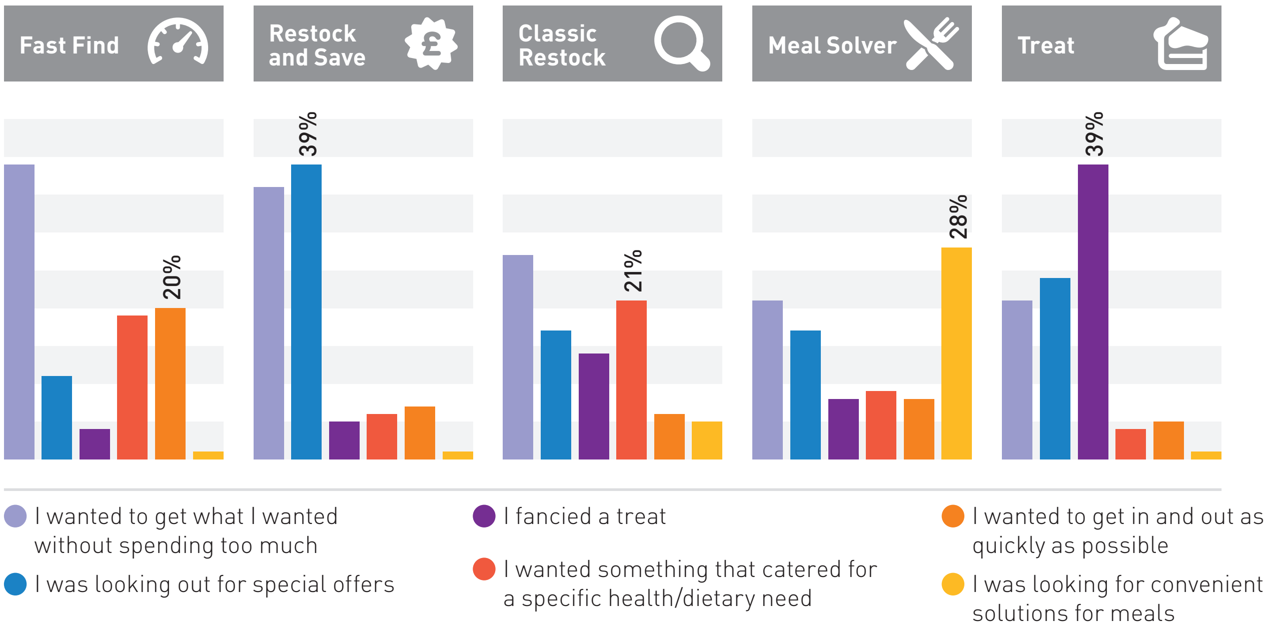


Currently 62% of shoppers in ***Restock and Save*** categories say they can get good promotions/offers on the products they want. Drilling down to an individual category level reveals differences in performance between retailers. Taking the example of instant coffee, **Morrisons leads the way, with 64% of its customers saying instant coffee promotions in the store provide them with a good deal.** At Sainsbury's, however, this number drops to 54%. In real terms, if Sainsbury's were able to match Morrisons' instant coffee profile and allow an extra 10% of its shoppers to have a good experience of these coffee promotions, this could be worth an extra £3.9m per year.

Improving shoppers' experience of promotions doesn't necessarily mean running more, longer or deeper promotions – it could just mean improving how shoppers perceive them. Consumer psychology research shows that with less emotive categories (such as laundry), people tend to process price and promotion analytically (rather than emotionally), which means they compare price and promotions in absolute terms (eg save £5) (2). Making it easy for shoppers to compare prices across products could make promotions more impactful.

For products in the ***Classic Restock*** experience category – which consumers regularly select to fill their cupboards and fridges such as breakfast cereals and chilled juice – the key driver is whether the item meets specific health or dietary needs. To drive sales, it's important to ensure that the information shoppers want is prominent on packaging and that it's easy to make health and nutrition comparisons across products.

When purchasing ready meals, which fall within the ***Meal Solver*** experience category, shoppers are looking for convenience and ease. They want inspiration so retailers should excite them with new options and different approaches. However, that doesn't always mean new products or variants. The popularity of baked beans, which is also a ***Meal Solver***, lies in its reliability as a tried and tested meal solution. Some manufacturers provide recipes which show different ways of using their products.

In the ***Treat*** category having a good choice of products has a significant impact on spend. **Shoppers who feel like they have a wide range of choice when buying chocolate, crisps and snacks spend about £8-10 a year more than those who don't.** It's well known that products in this category – sweets, chocolate, wine and beer – are most able to trigger an impulse purchase. Chocolate is 2.5 times more likely to trigger an impulse purchase than an average category in this research. Some 40% of shoppers, for example, said they hadn't planned to buy chocolate before going in store. The main reason shoppers give for making impulse purchase was that they fancied a treat (55%) or saw a special offer (43%). Retailers should market using snacking occasions – for example party snacks or afternoon tea – to demonstrate the wide availability of choice and encourage people to shop across multiple occasions.

NAVIGATING THE CUSTOMER JOURNEY

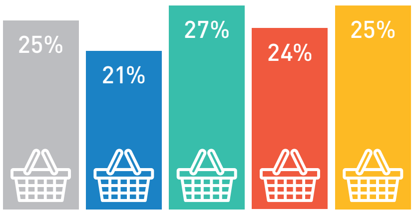
Interestingly, the most valuable trips from an experience perspective are those not made in the shopper's main store. Shoppers who say they would recommend a store where they don't do their main shop, spend on average £100 more there a year than those who wouldn't make a recommendation. This indicates that experience does make a difference to spend. There is a huge opportunity for retailers who can entice shoppers who are away from their main store.

Retail is detail

As Tesco's revamp highlights, improving the shopper experience is the new battleground for retailers and it has the potential to make a big difference. In fact, it is just as important a lever in the marketing mix as price and promotion.

Shoppers who have a good experience when away from their main store, spend £100 more a year there than shoppers who don't

There is a big opportunity for shoppers who can entice shoppers who are away from their main store. 25% of the time when shopping in the top-4, shoppers aren't in their favourite store.



% trips made away from a shoppers favourite store

- Top-4 average
- Sainsbury's loyals
- Tesco loyals
- Morrisons loyals
- Asda loyals

Understanding the shopper experience can be challenging. It is a moveable feast. However, by following the shopper journey at a category level, retailers can begin to make small but precise changes that will positively affect the bottom line and increase the likelihood people will return to the same store in future.

Thinking ahead

Qualitative research has a long history in shopper insight but the key to making that insight tactical is to combine elements of qualitative with quantitative data.

The next step for the quantitative research of shopper experience is to refine the measurement and quantification of experience. This means answering questions like, "if a shopper goes to pick up some milk or bread on the way home and the category is out of stock, would this affect the rest of their trip?" The focus needs to be on how retailers can overcome specific category challenges such as these to ensure shoppers get as much enjoyment as possible out of the 16 days they spend in store each year.

METHODOLOGY

All the primary data used in this report comes from our grocery shopper panel, on which we continually measure the purchasing behaviour of 30,000 demographically representative households in Great Britain (England, Scotland and Wales).

We collect information on what they are buying, where they have bought it and why. This allows us to develop a detailed picture of the British retail market. The potential level of detail available on the panel goes way beyond that used in this report to help manufacturers and retailers within the industry really understand their performance at a granular shopper level.

Data on shopper attitudes and experiences was collected from our panellists by means of an online questionnaire which focused on 21 different categories. We specifically interviewed shoppers who very recently made a category purchase and asked them to tell us more about it.

Notes

(1) This figure may under-represent smaller shopping trips. However it is in line with a similar figure quoted by the Ehrenburg-Blass Institute (Report 64: The Fundamentals of Shopper Behaviour).

(2) 'The psychological underpinnings of relative thinking in price comparison' (Ritesh Saini and Sweta C Thota). *Journal of consumer psychology*, Volume 20, Number 2, April 2010.

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