Stopping Shoppers

Simply put, to be successful during the critical 3-6 seconds in shoppers' minds — the time when an estimated majority of purchase decisions are made in-store — is by default a critical arena of concern for every marketer.

To increase brand sales, marketers today must embrace the evolution of shoppers from passive recipients of messages to active seekers of the best they can get. Marketers must also recognize that retail has progressed from *points-of-distribution* to *managers-of-meaning*.

As retail evolves, brands must re-align.

By Jim Lucas
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Success requires the alignment of retailer and manufacturer objectives. Retailers are concerned about getting consumers to shop and make purchases in their stores regardless of which brands they buy. Manufacturers are concerned with getting shoppers to buy their brands, regardless of which stores they shop.

The obvious key component in that alignment is the shopper. How can the retailer and manufacturer work together to increase traffic to the store, the footfall in departments or aisles, or an increase in basket size? The shopper brings these objectives together.

By providing for the shopper's needs and wants to improve the shopping experience, the retailer and manufacturer's objectives can be aligned in a successful, profitable manner.

Several major trends drive this need for alignment: 1) a rapidly evolving retail landscape; 2) retailers' emerging role as *choice editors* or *managers of meaning*; and 3) co-creation of the shopping experience by retailers and manufacturers working together.

New Retail Landscape

The retail landscape is evolving at a lightning pace, with retailers experimenting with a vast new array of formats to address the needs of shopper segments.

Tesco, the largest retailer in the U.K., currently operates four formats in Europe, ranging from the smaller Metro & Express stores to address the needs of shoppers in urban areas, to the large-scale hypermart formats (Tesco Superstore and Tesco Extra) in suburban areas. Tesco is also developing its Fresh & Easy format — a hybrid of the U.S.'s Whole Foods and Trader Joe's — for its introduction into the United States.

Carrefour, France's leading retailer, has begun morphing its traditional hypermart concept to serve different markets, with different banners (*i.e.*, different names in different markets), and in urban/suburban trade areas.

Wal-Mart uses its Plano, Texas, store as a "learning laboratory" to facilitate and roll out successful experiments. Giant, the U. S. food-store chain, has brought together numerous modifications at its Camp Hill store (*e.g.*, Baby, Pet, Café, etc.) with an eye toward learning and rolling out successful programs.

Consumer electronics giant Best Buy has been experimenting with formats to serve the needs of specific shopper segments (*e.g.*, the now-shuttered Studio D, targeted to women; as well as Escape, for young males, and the in-store Magnolia Home Theatre format).

CHART 1: Changing U.S. Shopping Patterns

Annual Household Store Vists

Retail Channel	2001	2006	Index
Supermarkets	72	61	85
Mass	23	14	63
Drugstores	13	11	89
Supercenters	10	16	155
Dollar stores	6	8	120
Dept. stores	5	5	94
Hardware/Home	5	6	114
Warehouse Club	5	6	114
Bookstores	2	2	105
Liquor store	2	2	96
Pet	2	2	100
Office supply	1	1	96
Electronics	1	1	100
Toy store	1	0.5	54
Auto supply	1	1	94

Shopping patterns in the U.S. indicate significant changes in household store visits over the past five years. Supermarket visits are declining, while price/warehouse clubs and dollar stores have seen growth. SOURCE: AC NIELSEN SHOPPING TIP STUDY 2006

Apparel retailers have also developed formats targeted to specific segments, such as American Eagle Outfitters' Martin + OSA (for the 25-40 year-old-shopper), and Janeville (apparel and accessories for women in their mid-30s). Abercrombie's Reuhl No. 925 and Hollister store formats are targeted to more specific age-segments.

Drug chains such as Walgreens and CVS have likewise been redeveloping and relocating stores to better serve the needs of shoppers. And integrated pharmacy formats such as Elephant, Pharmaca, EQLife and Finlandia in Canada provide shoppers with a holistic approach that often includes organic foods, herbals, spas and seminars.

Home furnishing retailers such as IKEA, Pottery Barn, and The Iowa Furniture Mart are pulling out all the stops to educate and inspire shoppers.

CHANGING SHOPPING PATTERNS

Changing shopping patterns are at the same time both the driver and the driven. Recent studies indicate changes in the approximately 150 store visits each U.S. household makes each year. Supermarkets, for example, have seen a 10-15 percent decline in the number of trips per household.

The nature of these trips is changing as well, with fewer stock-ups and more intermediate trips registered in supermarket visits. Super centers, price/warehouse clubs, and dollar stores, by contrast, have seen growth in the number of trips over the past five years (*see chart 1*).

Shoppers today think about and use retail channels differently — the supercenter and clubs for large stock-up trips; drug stores as the new convenience store; and dollar stores as periodic treasure hunts *(see chart 2).*

Conversations with shoppers suggest that the drug store is increasingly used as the corner store or convenience store, *i.e.*, "When I *need* (fill in the blank), I go to the drug store." Another interesting pattern is emerging that suggests shoppers are focused more on larger and smaller stores.

Medium-size stores are losing out when it comes to shopping. Consensus points to a reality that big-box stores are being used for massive stock-up, while smaller, more specialty-oriented stores (pet, consumer electronics, office supply, etc.) are where shoppers go for special purchases.

CHART 2: Trip Type by Retail Channel

Retailer	Immediate	Fill-in	Routine	Stockup
Dollar stores	78	17	5	1
Drugstores	61	36	11	3
Supermarkets	33	31	26	11
Mass	27	31	27	15
Supercenters	16	26	34	25
Warehouse Club	8	19	33	40

Shoppers today think about and use retail channels differently: Supercenters and clubs for large stock-up trips; drugstores as the new convenience store; dollar stores as periodic treasure hunts.
SOURCE: AC NIELSEN SHOPPING TRIP STUDY 2006

As these formats emerge and shopping evolves, retailers are increasingly looking to their partners to better approach specific categories for different formats and local markets.

New elements of the shopping experience are emerging as increasingly important: sensory experience, discovery processes, solutions, inspiration, education and transformation. *Shopper's ROI*—the return on shoppers' investment in time, effort, and expenditure—are raising expectations of making it worth their while.

Manufacturers' knowledge of their specific product categories and local shopping habits means they can be more valued partners to retailers trying to crack-the-codes on new formats and local markets.

Chart 3: Private Label as Share of Sales by Top Retailers

Retailer	Private Label %
Aldi	95
Schwarz Group	65
Tesco	50
Royal Ahold	48
Wal-Mart	40
Metro Group	35
ITM (Intermarche)	34
Target	32
Carrefour	25
Rewe	25
Kroger	24
Costco	10

Private label, better thought of as the retailer "own brand," is looming larger each year.
Source: Planet Retail, 2005

Retailers as Choice Editors

Retailers are also using both the store format and merchandising assortment to position their offerings. Private label—perhaps better thought of as the retailer's "own brand"—is looming larger each year. These are significant efforts by retailers to manage *meaning* and create their own brands.

Private label is also beginning to rival many of the world's largest manufacturers in terms of sales. Ironically, the retailer is becoming both partner and competitor *(see charts 3 & 4)*.

Marketers need to shift from the unique selling proposition to the unique shopping proposition.

H&M and Zara, for example, are delivering affordable fashion in large part because of the manner in which they deliver on their own brands of apparel—creating a desire for frequent return visits to see what's new.

Private label sales represent a significant portion of sales for The Gap, The Limited, and JC Penney, allowing these retailers to offer unique, exclusive products. Current estimates indicate that private label accounts for about 45 percent of U.S. apparel sales.

Retailers' private label strategies today encompass everything from price-range (opening price-point to finest) to benefit or lifestyle segmentation. Tesco's *Free From* brand targets shoppers with food allergies or intolerances.

At one end of the price spectrum, Whole Foods offers its 365 *Organic Everyday Value* brand for the more price-sensitive shopper and the *Authentic Food Artisans* label for the more gourmet shopper. Kroger's *Naturally Preferred* and Safeway's *O* organics provide shoppers with an alternative consistent with their lifestyles.

Meanwhile, European hard discounters such as Aldi (95 percent private label) and Lidl (65 percent private label) use private labels to drive their price image. At the same time, Aldi in Europe has become almost legendary for unexpected, limited-time price offerings on non-food items (*e.g.*, PCs, wine, etc.), introducing an inherent sense of drama into the shopping experience.

Target uses its own brands to make design more accessible to its shoppers. Choxie chocolates, Mossimo apparel, and Michael Graves housewares represent some of the brands Target has developed to meet both the needs and wants of its shoppers.

Target devotes a good deal of time and energy to its brands, therefore manufacturers need to be mindful of, and accommodating to, the Target brand regarding packaging, specific products and programs.

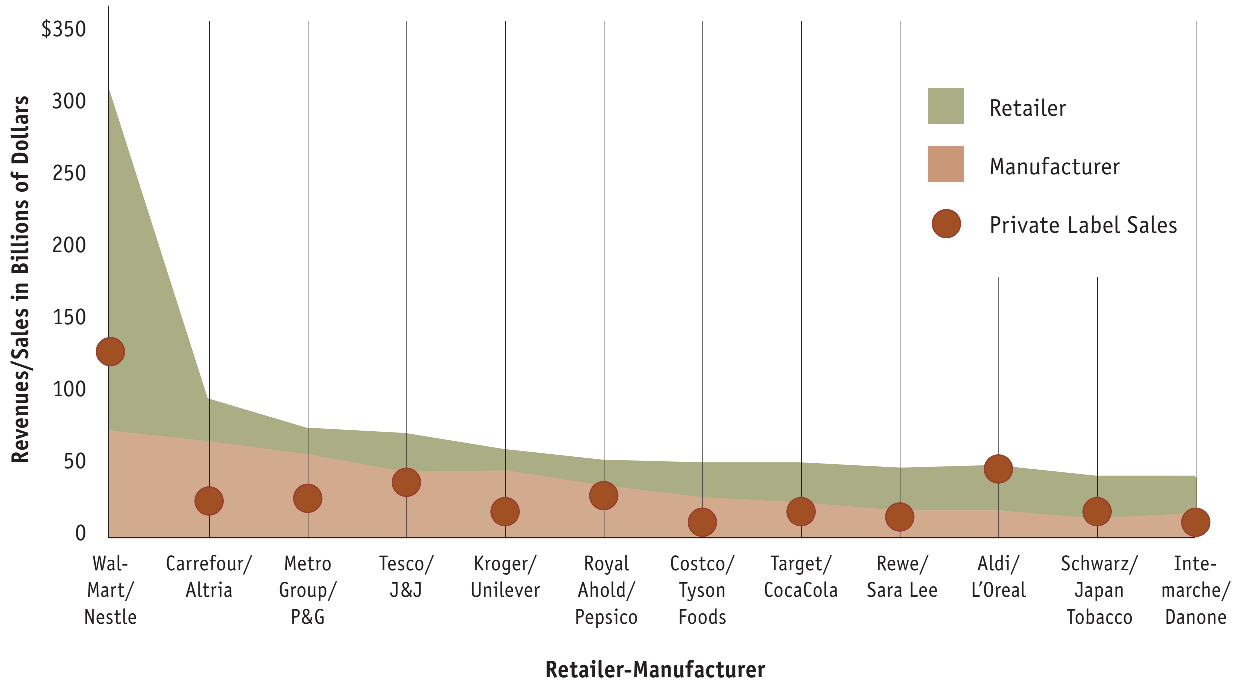
The Shopping Experience

Today, shoppers and retailers are constantly shaping and co-creating the retail experience. But manufacturers should also be active participants in this co-creation to help maintain their relationships with the shopper throughout the entire purchase corridor.

In part, the shopping experience is created by the retail environment itself—clean, well-lit, nice, welcoming ambience, shelves that are stocked, etc. But the shopping experience today is also largely created by the shopper's engagement.

Picture my recent shopping trip to Whole Foods.

CHART 4:
Rise of Retailers and Store Brands: Global Top 12 Retailers & Manufacturers



Private label not only looms large in retailer sales, it is beginning to rival many of the world's largest manufacturers in terms of sales.
SOURCE: PRIVATE LABEL STRATEGY, KUMAR & STEENKAMP; PLANET RETAIL, 2005.

I sample a new fruit smoothie beverage, grind my own Allegro coffee, and scoop a bulk purchase of carob trail mix. All of these are unique activities that engage me and help me create my shopping experience through my participation in the process.

IKEA, among the leading home furnishings retailers, does a very good job of managing its meaning to shoppers. Room vignettes are used to inspire, while Swedish meatballs nourish shoppers during their wanderings through the store. Simultaneously, shoppers participate not only in getting their own merchandise from the warehouse, but in assembling it, as well.

TRIUMVIRATE OF COMMUNICATIONS

As retailers venture into multiple formats, manufacturers have the opportunity to help create a better, more unique shopping experience based on their knowledge of particular product categories and local markets. Co-creation of the shopping experience is playing what amounts to a key role in aligning the needs and wants of shoppers, retailers and manufacturers.

As a result of "the wheel of retail" tirelessly turning, the evolution of today's retail landscape is leading to changes not only in retailing but also in consumers' views of shopping and their resultant shopping patterns.

Understanding how shoppers interact with new retail formats, the kinds of experience and value shoppers are looking for from particular retailers, and the manner in which shoppers, retailers and manufacturers work together to create the shopping experience, is essential.

Marketers need to shift from the traditional unique selling proposition (USP) to the unique shopping situation (USS). It's less about "stack them high and watch them fly," than reenergizing and refocusing a brand's value at retail. Whether retailer, sales manager, brand manager, communications agency or CEO, anyone who sells branded products will benefit from a shopper marketing approach.

By focusing on the shopper, by making shopping easier and more engaging, retailers and manufacturers can maintain their relevance in the face of hypercompetition — and find success in that 3-6 seconds of in-store opportunity. ■

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