Shopper and Retail Trends

Staying in touch with the shoppers changing demands and innovations to meet their needs.
4 Trends Impacting Selling and Driving Sales

1. The Changing Face of Shoppers, their Attitudes, and shopping tactics

2. Shopping is what you see and touch – Channel and Retail Trends

3. Shopping is what you see and think – eCommerce and Digital Trends

4. Shopping is body and mind – Trends in Omnichannel execution
SHOPPER BEHAVIOUR DIFFERS BY GENDER, AGE, AND IS IN MANY CASES UNCONSCIOUS AND DRIVEN BY EMOTION

Men and Women shop differently
- Men – more task focused, but less confident so will notice in store stimuli more
- Women – more likely to use coupons,

Young vs older shoppers
- Millennials 1.6 times more likely to be influenced by coupons than Baby boomers *

Most shopping behaviour is subconscious
- We rarely remember how much we have spent on small items
- We don’t notice much stimuli in store

The role of emotions and sensory in shopping
- We see, feel, buy
- Visual cues are critical accounting for 25% of purchase motivation.
- Smell is very strong sense
- Sensory leads to emotional response

* Source: Nielsen study 2013
We know the population is aging but what are we doing about it?

- Make packs more difficult to read by reducing the font sizes to <6 (30% of population short sighted, 80% don’t take their glasses when shopping!)

Source: IGD
SHOPPERS WANT AFFORDABILITY, TIME TO THINK, AND ACCURATE INFORMATION

What are **big concerns** for people today?

- **Affordability** in poor economic conditions
- Desire to **shop smartly** even when financially better off
- The desire for **convenience** even though it might cost more
- The need for **headspace** (time to think)
  - Overwhelmed with information & Connected 24/7
- Ensuring we make the **right choices**
  - So we don’t feel guilty *(low calorie, environmentally friendly etc.)*
  - Roles of store keeper/pharmacist in supplying and advising
  - Role of pre and in store education /information
- The desire for **honesty and transparency**

Source: Trendwatching.com
A recent global study identified 2.5 billion ‘aspirational consumers’ (representing one third of the global consumer class).

These consumers are defined by their love of shopping (78%), desire for responsible consumption (92%) and their trust in brands to act in the best interest of society (58%).

BBMG, GlobeScan and SustainAbility, October 2013
SHOPPERS APPROACH TO SHOPPING VARIES BY MARKET

Source: Ipsos R&D
SHOPPERS ADOPT DIFFERENT PURCHASE STRATEGIES BY CATEGORY

Source Ipsos R&D 2013
SO WHO DO CONSUMERS TRUST BEFORE MAKING THEIR PURCHASE?
FELLOW CONSUMERS

What I read about other people’s good or bad experiences influences the companies or brands I choose

Key:
- Total
- Great Britain

Base: 16,039 adults across 20 countries (1,000 GB), online, 3-17 Sept 2013
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RETAILERS ARE RESPONDING TO SHOPPERS NEEDS FOR AFFORDABILITY – DISCOUNTERS ARE GROWING GLOBALLY

Latest trends are combining Discounters in a Convenience Store format

Source IGD
SHOPPERS ARE EASILY FRUSTRATED WHEN SHOPPING IN BRICK AND MORTAR STORES

Proportion of UK shoppers who have faced this problem either occasionally or regularly when grocery shopping

- Poorly stocked shelves: 36%
- Aisles are too narrow: 34%
- Staff re-stocking aisle: 40%
- Messily stocked shelves: 27%
- Obstructions in the aisle: 39%
- Confusing price signs: 40%
- Lack of product information: 32%
- Aisles stacked high: 31%

Source: Canadean UK survey
TRIGGERS TO PURCHASE OFTEN INVOLVE SENSORY STIMULATION

How UK shoppers feel is the best way to capture their attention in-store

- Free sample at the aisle: 54%
- Big signs promoting low cost: 47%
- Place product end of aisle: 44%
- Separate stand end of Aisle: 39%
- Separate stand front of store: 34%
- Promote in store magazine: 20%
- Banners on ceiling: 18%
- Posters in car park: 13%
- Store radio announcement: 13%
- Trolley adverts: 10%

Source: Canadean UK survey
RETAILERS ARE RESPONDING TO SHOPPER’S NEEDS FOR HEADSPACE. CONVENIENCE STORES ARE GROWING WHILE TOTAL NUMBER OF STORES DECLINES AS MAJOR RETAILERS MOVE INTO THIS SPACE AND INDEPENDENTS DECLINE.
RETAILERS CONTINUE TO DEVELOP PRIVATE LABEL TO MEET SHOPPER AFFORDABILITY DESIRES, IMPROVE PROFITS, AND GIVE RETAILERS A POINT OF DIFFERENTIATION

- **Tesco Extra Power Pain Reliever Caplets**
  - Price: £0.54

- **Anadin Extra**
  - Price: £1.90

- **Tesco Peppermint Flavoured Indigestion Tablets**
  - Price: £1.98

- **Rennie Peppermint**
  - Price: £2.00
MANUFACTURERS ARE DEFENDING AGAINST SHOPPER’S PERCEPTION PRIVATE LABEL IS GOOD ENOUGH THROUGH BRAND AND PACKAGING INNOVATION

Consumer Perceptions toward Store Brand vs. National Brands
- Percent Saying Store Brands are the same As or Better Than National Brands -
- Among Global Consumers -

Source: Ipsos Global Advisor
Grocery retailers are improving the in-store experience to compete with drug stores.

Drugstores in China are facing the same challenges as Western retailers – increased competition from multiple grocers who see health & beauty as a destination category.

We found that in-store standards merchandising, range, environment, use of colour and lighting were extremely high. Wu Mart in Beijing offered in-store consultants to give advice on skin care and make up. In other stores, we saw staff supplied by brand owners actively engaging with shoppers.

Source: IGD
Celesio, as part of its European Pharmacy Network (EPN) store refreshment programme, is featuring better product ranges, interactive technology and a much better experience for both patients and shoppers. The retailer’s strategy shows how engagement is not just for premium or beauty-oriented stores.
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SHoppers desire for transparency, convenience, and affordability is fuelling the growth of e-channels

**Omnichannel**

- Not if and when, but now
- Consistent and relevant offer in all channels
- Accessible on PCs, laptops, Smart phones.

**Development of the largest ecosystem of internet enabled shopping in the world and it is set to grow. The Alibaba group**

- Alibaba group has created e-commerce Eco system incl Taobao, T Mall and Alipay payment system and Alimama advertising agency
- WSJ: Nov 12th, 2013: $5.8bn dollars in 11/11 shopping festival sales – on line shopping in one day.
- 300 million Chines eon-line shoppers*
- Announce IPO in US in 2014 - $168 Bn*

- US 2013 eCommerce imports grow to $69Bn*
- US mobile e-commerce is a $40 billion market, poised to hit $50 billion in sales in 2014.

- Looking North – reframing the e-channel experience – Physiogital –Yihoadian - how they became the number one Store in sales per square foot instantly - opening 1000 stores overnight in China ➔ [http://www.youtube.com/watch?v=BjqKe2Ic2D8](http://www.youtube.com/watch?v=BjqKe2Ic2D8)

*Bloomberg news May 28, 2014*
Ephemeral social networks will continue to grow. Facebook will remain the biggest social media site, but it must be wary of challengers, particularly for the attention of younger social media users wary of a ‘digital footprint’

Mobile as a platform will be more critical for the current big 4 social media sites than it has ever been. 4G rollout will make it even easier for people to share images (including selfies) and videos on the move.

Brands will continue to look to use social media in a more engaging way by being more visual, leveraging platforms like Instagram.

We will also witness a big surge in micro-videos, bite-sized content to be consumed and shared on the move.

The Social Newsroom will be one of the buzzwords of 2014 – with more brands adopting more systematic strategies to participate in conversations around topical events, in a way that adds value to the community and better connects with their audiences.

Source: Ipsos Trends & Futures
RETAILERS ARE IMPROVING THEIR WEBSITES – ABILITY TO RECOMMEND - CONTINUALLY SUPPORTED BY ADVERTISEMENTS
How Target Figured Out A Teen Girl Was Pregnant Before Her Father Did

Every time you go shopping, you share intimate details about your consumption patterns with retailers. And many of those retailers are studying those details to figure out what you like, what you need, and which coupons are most likely to make you happy. Target, for example, has figured out how to data-mine its way into your womb, to figure...
eCOMMERCE SITES ARE LEADING IN THE APPLICATION OF BEHAVIORAL ECONOMICS PRINCIPLES BECAUSE OF THE EASE IN RUNNING VARIOUS TEST LEGS AND EXPERIEMENTS

- Behavioural economics

- Same offer – different outcomes - use of a “decoy” price point
- The power of zero

: something free appears immensely valuable even if not something we want

ex) Eg Amazon.com free shipping when you order 2 books

$16.95 for one book +$3.95 shipping

2 books for $31.90 with free shipping
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RETAILER BRANDS ARE AVAILABLE AS BRICKS AND MORTAR AND ON-LINE

Development of Dark Stores eg Tesco and Click and Collect (Carrefour, Tesco etc)
OMNI CHANNEL – 5 IMPLICATIONS FOR RETAILERS

1. Retailers need NOT perceive Omni-channel as a threat but an opportunity
   - You can offer more items in the omni-channel than in a physical store and so you can have on line only offers therefore creating a VARIETY proposition not available in store
   - But Retailers have to manage the distribution and fulfilment
   - For B&M stores, their store environment is now also a landing page – how to bring their Retailer equity to bear as well as the on line functionality
   - Could use neuroscience to measure brand equity in physical stores and on line store - needs to be consistent

2. Opportunity to build loyalty via e-mail links
   - Remind of need to order (easier on line than via direct mail )
   - Suggest items recently browsed

3. Need for first class technology and a “human face”
   - Expected by shoppers who use this channel
   - Can they call a help line?

4. Need for price transparency
   - Easy to compare (e.g. my supermarket.com)

5. Retailers use their website as both a marketing and a selling space – convey equity, fulfil orders, provide items they can’t afford to have in B&M store : LOGISTICS all important
RETAILERS NEED TO LEARN HOW TO REPLICATE THEIR B&M STORE EQUITY ON LINE (US EXAMPLE)

• How does Walmart create a similar experience and communicate their equity between landing page and store?
• What visual elements can be shared in both environments?
• Do shoppers expect the same offers on both?
Tesco’s multichannel Christmas

2013 was the biggest multichannel Christmas ever – Tesco’s multichannel numbers were by far the most positive story that emerged from the retailer’s festive trade update.

- £450m total UK online sales, up 14%
- Over 3m online grocery orders, up 11%
- Third of grocery orders placed on a mobile device
- 1.5m online GM orders, up 25%
- Online clothing sales +70%
- 70% of online GM customers used Click & Collect
- Over 440k Hudl tablets sold since Sept ’13

Source: IGD
Today, knowing **who** your most important customers are is only part of the picture. Knowing **where exactly** people are is an increasingly important element for marketers too.

**What are iBeacons?**
Range of up to 50 metres but exceptional precision. iBeacons place you to within feet by using BLE (Bluetooth low energy) – a smarter version of Bluetooth that isn't affected by physical barriers and uses almost no battery life. According to commentators, iBeacons offer a simple, cost-effective means of connecting with customers – not only as they walk through the door, but as they browse, queue for service or checkout. For example, messaging to meet and greet you at given destinations; information on events and activity in real time; promotions that are relevant to you. You could also be thanked for visiting, encouraged to comment on your experience, incentivised to share with friends, family and work colleagues.

**How would we use iBeacons?**
Test the effectiveness of the information and offers provided by iBeacons by drawing on our experience of measuring the effectiveness of POS. As with any POS activation, the end goal is always to create an incremental sales uplift relative versus “normal” (when there would be no such POS activation).

→ iBeacon mobile shopping went live in early January 2014, in more than 150 U.S. Giant Eagle and Safeway supermarkets.
Would you like stores and supermarkets to send you information on latest offers and promotions via the following channels?

Although much attention has been given to developments in smartphone technology and the influence it is having on grocery shopping habits, consumers still prefer more traditional promotional techniques.

Shoppers can find handing over personal details to retailers such as mobile phone number and social media profiles to be intrusive. Nor are they over-keen on signing up for incentives in-store where they can have offers sent directly to their phone.

2,000 UK adults conducted by Canadean Consumer in January 2014
### Proportion of consumers who have smart-browsed in-store when buying in the following categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>9%</td>
</tr>
<tr>
<td>Alcoholic Beverages</td>
<td>5%</td>
</tr>
<tr>
<td>Soft/hot Drinks</td>
<td>3%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>9%</td>
</tr>
<tr>
<td>Electronic Goods</td>
<td>25%</td>
</tr>
<tr>
<td>White Goods</td>
<td>16%</td>
</tr>
<tr>
<td>Shoes and Clothes</td>
<td>16%</td>
</tr>
<tr>
<td>Vehicles</td>
<td>6%</td>
</tr>
<tr>
<td>Furniture</td>
<td>10%</td>
</tr>
<tr>
<td>Holidays</td>
<td>12%</td>
</tr>
</tbody>
</table>

16% of UK shoppers have smart-browsed when buying groceries in the last 12 months. This behaviour is more common among those aged 18-24 years (22%) and 25-34 years old (21%).

One of the key reasons for NOT smart-browsing more often is **when the product is seen as low cost**, which shows that this behaviour is **more common when looking to buy premium items**.
When browsing for information online after seeing a product in-store, when do you tend to do this? (Those that smart-browse)

- In-store, immediately after I have seen the product: 17%
- After I have visited stores but before I return home: 25%
- Once I have returned home from my shopping trip: 66%

The fact that consumers tend to smart-browse after they have returned home from the shopping trip, shows that the decision to use bricks and mortar stores as a showroom before buying online tends to be pre-planned. Indeed, shoppers are going to assess certain criteria in-store as opposed to using handheld technology to make sure any in-store prices are not inflated/poor value for money.

As such, the key challenge for retailers on the high street is to enhance the value proposition in-store and to ensure a seamless omni-channel experience.

2,000 UK adults conducted by Canadean Consumer in January 2014
A quarter (24%) of consumers regularly smart-browse when shopping, showing that it is deemed a standard part of the shopping journey.

Laptops are more likely to be used to smart-browse, showing handheld technology is not the only driver of this behavioural trait.

The tendency to smart-browse can also be attributed to consumers becoming more savvy when it comes to shopping, as well as the development of hand-held technology.

**Frequency of knowing that you will “smart-browse” after seeing a product in store:**

- All the time: 19%
- Most of the time: 12%
- Some of the time: 7%
- Occasionally: 5%
- Rarely: 12%
- Never: 34%

**Devices used to smart-browse on:**

- Laptop: 53%
- PC: 38%
- Smartphone: 27%
- Tablet: 27%
- Phablet: 3%

2,000 UK adults conducted by Canadean Consumer in January 2014
**THE PRIMARY REASONS FOR SMART-BROWSING ARE TO ESTABLISH PRICE POINTS AND TO PHYSICALLY EVALUATE PRODUCTS**

### Why do you smart-browse?%

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To get a price point so I can find a better deal online</td>
<td>47%</td>
</tr>
<tr>
<td>To physically evaluate the product in-store</td>
<td>43%</td>
</tr>
<tr>
<td>I am on a budget so want to ensure that I get the best deal</td>
<td>40%</td>
</tr>
<tr>
<td>The best deals are always online</td>
<td>29%</td>
</tr>
<tr>
<td>To get expert advice from a member of staff</td>
<td>13%</td>
</tr>
<tr>
<td>You can get better guarantees online</td>
<td>12%</td>
</tr>
<tr>
<td>I have problems getting products from in-store to my home</td>
<td>9%</td>
</tr>
</tbody>
</table>

- Shoppers still want to physically interact with premium durable products and emotive personal products.

- Brick and Mortar stores will need to coordinate their eCommerce and In-store efforts to sell effectively
  - Same Price / Same Item
  - Broadened distribution on line
  - In-store fulfilment of on-line discount

- In-store durables sales staff can close the sale and interrupt the Shopper behavior of returning home to complete an order.

- Shoppers include cost of shipping and fulfilment in evaluation of an item’s cost.

2,000 UK adults conducted by Canadean Consumer in January 2014
SMART-BROWSING IN FMCG CATEGORIES IS STILL AN IRREGULAR ACTIVITY

Of those consumers who have smart-browsed for grocery items, the majority do so only “sometimes” or “rarely”, indicating it is done only when buying more expensive items. This is reflected in the fact consumers most regularly smart-browse when buying personal care, in particular for fragrances. Consumers who state they now “never” smart-browse indicates they do not see the value of doing so again.

Of those who have smart-browsed in the last twelve months
How often do you tend to “smart-browse” when shopping in the following categories?

<table>
<thead>
<tr>
<th>Category</th>
<th>Always</th>
<th>Regularly</th>
<th>Sometimes</th>
<th>Rarely</th>
<th>Very rarely</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>6%</td>
<td>20%</td>
<td>37%</td>
<td>18%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>12%</td>
<td>13%</td>
<td>43%</td>
<td>18%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Soft/ hot drinks</td>
<td>5%</td>
<td>16%</td>
<td>37%</td>
<td>22%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>7%</td>
<td>28%</td>
<td>40%</td>
<td>14%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>

2,000 UK adults conducted by Canadean Consumer in January 2014
SHOPPERS NEEDS FOR SOCIAL RESPONSIBILITY ARE BEING MET IN CREATIVE WAYS: REWARDS FOR GOOD BEHAVIOUR + OPPORTUNITIES TO BRIDGE CULTURAL GAPS

• Using technology to incentivise consumers. Eg Weight loss
  - Cash rewards for checking in to the gym based on time sitting on plane (Baltic air)

![BalticMiles](image1)

BURN THE MILES
Rewarding members for burning flown miles as calories.

THE TECHNOLOGY: AN APP, WHICH IS CONNECTED TO SPORTS TRACKERS LIKE NIKE+

• People buying from vending machine in India can touch hands virtually with similar people in Pakistan
  - crossing the deep cultural barriers

![People interacting](image2)
To what extent do you agree or disagree...?

I tend to buy brands that reflect my personal values

<table>
<thead>
<tr>
<th>Country</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>80%</td>
<td>15%</td>
</tr>
<tr>
<td>Turkey</td>
<td>71%</td>
<td>26%</td>
</tr>
<tr>
<td>India</td>
<td>65%</td>
<td>28%</td>
</tr>
<tr>
<td>Italy</td>
<td>62%</td>
<td>30%</td>
</tr>
<tr>
<td>Poland</td>
<td>61%</td>
<td>26%</td>
</tr>
<tr>
<td>Japan</td>
<td>60%</td>
<td>30%</td>
</tr>
<tr>
<td>S Africa</td>
<td>58%</td>
<td>38%</td>
</tr>
<tr>
<td>S Korea</td>
<td>56%</td>
<td>39%</td>
</tr>
<tr>
<td>Total</td>
<td>53%</td>
<td>38%</td>
</tr>
<tr>
<td>Brazil</td>
<td>51%</td>
<td>37%</td>
</tr>
<tr>
<td>Canada</td>
<td>50%</td>
<td>38%</td>
</tr>
<tr>
<td>US</td>
<td>50%</td>
<td>37%</td>
</tr>
<tr>
<td>Australia</td>
<td>49%</td>
<td>40%</td>
</tr>
<tr>
<td>France</td>
<td>44%</td>
<td>50%</td>
</tr>
<tr>
<td>Sweden</td>
<td>44%</td>
<td>50%</td>
</tr>
<tr>
<td>GB</td>
<td>43%</td>
<td>46%</td>
</tr>
<tr>
<td>Germany</td>
<td>42%</td>
<td>49%</td>
</tr>
<tr>
<td>Argentina</td>
<td>42%</td>
<td>44%</td>
</tr>
<tr>
<td>Russia</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>Belgium</td>
<td>37%</td>
<td>53%</td>
</tr>
<tr>
<td>Spain</td>
<td>36%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Ipsos Base: 16,039 adults across 20 countries (1,000 GB), online, 3-17 Sept 2013

Question 25g
OMNIMARKET DEVELOPMENT EFFORTS SHOULD MATCH THE COUNTRY’S SHOPPER NEEDS AND EXPECTATIONS.

Concentration of modern retail

Market group C
- Singapore
- Japan
- South Korea
- Hong Kong

Market group B
- China
- Malaysia
- Thailand

Market group A
- Indonesia
- Vietnam
- Philippines
- India

Shopper needs and expectations
- Cheap prices
- Safe products
- Convenience
- Wide choice
- Aspirational
- Premium
- Multi-channel

Source: IGD
SUMMARY OF TRENDS

Changing global retail requires adaptation by market: Retail is Detail
- Need local inputs and understanding
- Adapt strategy to local retail and shopping environment

In store marketing has a high return on investment
- Must cut through the clutter
- Simple, relevant, and motivational messages

In store engagement is a differentiator for retailers

Shopper and consumer not always the same person – target the shopper with a relevant message

Understand the new trends: guilt-free consumption, need for headspace, importance of CSR and the environment, the new values (not just price)

Harness and be aware of new technology to create engagement along the entire path to purchase

The high street of the future – see next slide
Go down to your local High Street and it probably looks like every other one you have ever visited - full of coffee shops, mobile phone stores and discount retailers. There may also be many boarded-up shops - victims of the economic downturn and the popularity of online shopping.

So how will our High Street fare in the next decade and will we still be going there to browse on a Saturday afternoon?