

BEYOND PRICE PROMOTIONS

A new approach to
Point of Sale activation

By Hans Raemdonck | October 2019

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REVISITING POS ACTIVATIONS

The new omnichannel world is forcing manufacturers and retailers to revisit the way they think about point of sale (POS) activations. People shop differently in brick and mortar stores than they did before, by starting their decision journey online, for example. When it comes to eCommerce, many have a knowledge gap on how to influence the online shopper at the point of sale. Furthermore, many manufacturers and retailers continue to deploy POS activations which focus on price. But we can see that, unfortunately, price promotion strategies are becoming less effective for driving profitable sales - due in part to shoppers stocking up on their product while it is discounted.

In this way, there is a need to come up with new, effective and specific POS activation solutions that provide a positive return on investment (ROI) for manufacturers and retailers.

Let's start with what we want to achieve. The goal of any POS activation is to create a sales uplift relative to what is considered 'normal' (a retail environment without the activation). At Ipsos, we have developed a shopper-centric framework that identifies and evaluates the five mechanisms which can trigger sales uplift:

1. In-store brand switching (nudging shoppers to buy your brand and not another brand)
2. Reinforcing or enhancing brand equity (leveraging POS activations to reinforce or create brand beliefs)
3. Generating unplanned sales
4. Persuading people to buy more of your brand than they normally would do
5. Activating planned buyers of the category to also effectively buy the category

To develop POS activations which generate an incremental sales uplift (with a positive ROI) via one or more of the described mechanisms, we recommend these two fundamental steps:

1. Mapping the consumer decision journey and identifying the dominant journey paths in your category. This will help to identify the right POS activation strategy for your brand, i.e., define *what* needs to be done.
2. Applying behavioral science to nudge shoppers in different paths to desired behaviors, i.e., define *how* to do it.

MAPPING CONSUMER JOURNEYS AND IDENTIFYING DOMINANT PATHS

At Ipsos, we have defined a framework of journey paths which can be applied across categories, although the size of these different paths can vary significantly (see figure 1).

Shoppers in each of these paths are shopping with very different mindsets and will need to be influenced by very different things at the point of sale. For example, if a category or brand is primarily purchased in the 'convicted loyalty' or 'uninvolved autopilot' paths (the category and brand are already decided before entering POS), the focus should be on avoiding products being out of stock by having a shelf or webstore that facilitates fast retrieval of specific SKUs.

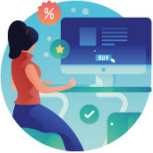








Whilst shoppers in the 'convicted loyalty' or 'uninvolved autopilot' paths can clearly also be disrupted from their initial choices, it is clear that for most other paths there is a larger window of opportunity to nudge shoppers into specific choice behaviors.

For instance, in the case of categories which depend a lot on the 'impulse buying' path, we can encourage unplanned buying via such activations as reminder marketing, secondary placements/displays, being in the right place of the store, having the right adjacent categories and having the optimal taxonomy in place in the case of eCommerce.

And, importantly, as we can see from the examples above, not all consumer paths necessarily require POS activation with a focus on price.

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Figure 1 Understanding the dominant paths in a category: the Ipsos universal paths

			Pain care	Cellphone	Chocolate
Convicted Loyalty	Conscious , involved purchase		10%	25%	15%
Uninvolved Autopilot	Always buys brand, in unconscious way. 'Grab & Buy'		15%		30%
Decided @POS	Category planned, but brand decided @POS, no salespeople		20%	15%	20%
Guided @POS	Category planned, brand decided @POS with salesperson		25%	20%	
Research	Research best choice , goes further than price		15%	30%	
Bargain Hunting	Does research, but mainly price focused			10%	
Impulse	Just saw it and bought it				35%
Prescription	Healthcare category recommended by health care professionals		15%		
Leisure Shopping	Multiple purchases, many unplanned, shopping for fun				

Source: Ipsos Consumer Decision Journey project in country X (Ipsos LIFE Path methodology). Disguised data.

APPLYING BEHAVIORAL SCIENCE TO NUDGE SHOPPERS

Mapping the dominant paths in a category will help to define what needs to be done, while behavioral science will help to inform *how* to design the POS activations.

As we have already suggested, marketers tend to focus their POS activations on price promotions but ignore that at the point of sale, shoppers can be nudged to buy their brand by other means than just price cuts.

And it's here that applying behavioral science concepts can be invaluable.

Behavioral science is the application of psychological insights to help understand human decision-making.

Behavioral science allows us to better understand the conscious and nonconscious drivers of choice, providing frameworks for understanding when choices are driven by emotional, intuitive criteria or more rational considerations. It gives us a toolkit for influencing both “System 1” and “System 2” aspects of decision-making (see figure 2).

There are numerous behavioral science concepts which help explain human behavior. On the following pages, we list some that are particularly relevant to POS activations (see figure 3).

We then give examples of how applying these behavioral science concepts can help to drive sales conversion.

Figure 2 System 1 vs. System 2 processing

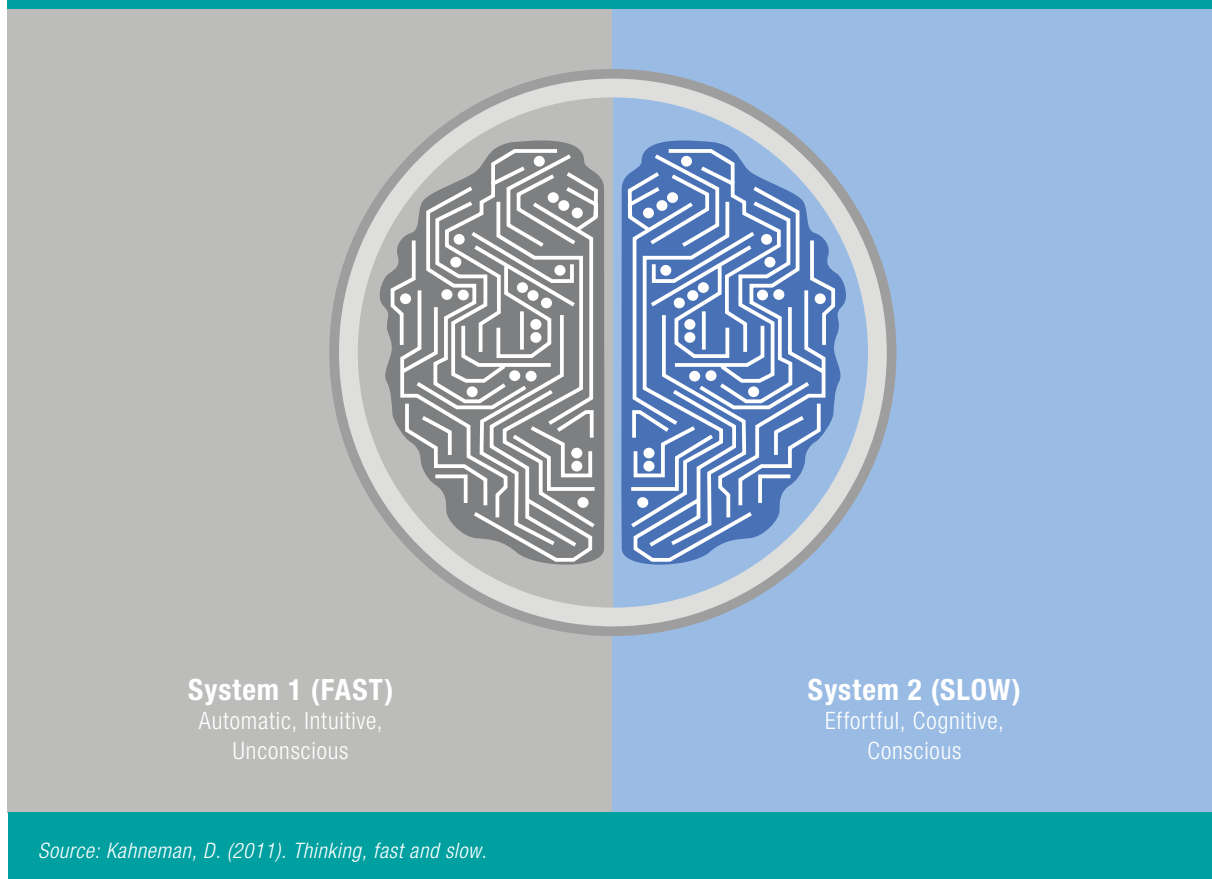








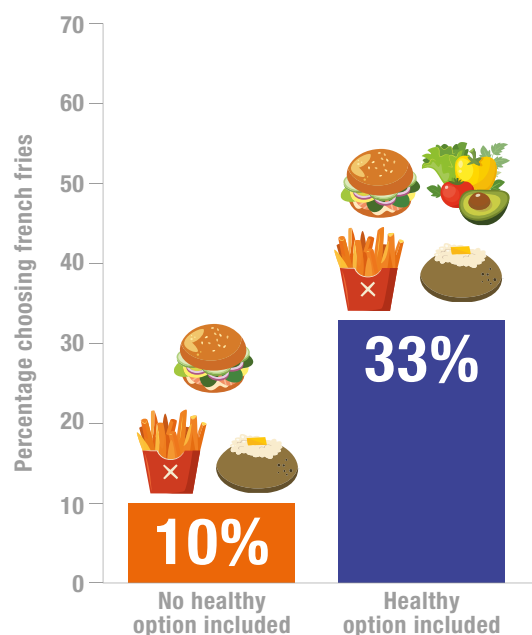
Figure 3 Behavioral science concepts relevant to POS activation

VICARIOUS GOAL FULFILMENT <p>When the mere presence of a healthy option ironically leads to an indulgent decision.</p> 	LOSS AVERSION <p>People feel losses more extensively than equivalent gains, so go further to avoid losses than to obtain equivalent gains.</p> 	PRIMING <p>People's reactions to stimuli are influenced by what they have seen or done earlier.</p> 
FRAMING <p>Different ways of presenting the same information often leads to different judgements, perceptions and behaviors.</p> 	ORDERING <p>The order in which (the same) information is presented impacts how people think about it or the product.</p> 	ANCHORING <p>People use an initial piece of information (anchor) to make subsequent judgements.</p> 

VICARIOUS GOAL FULFILMENT

A team of academics in the US set up an experiment to examine the influence of healthy alternatives upon indulgent product choices such as french fries. Half of the participants were presented with choices that included a healthy option and the other half had no healthy option. Interestingly, the proportion of people who chose the indulgent product was higher when a healthy option was present (see figure 4). This is because the mere presence of the healthy food option “vicariously” fulfils nutrition-related goals, providing consumers with a license to indulge. In the US, several manufacturers of snacking products have used this insight to boost sales by placing displays next to more healthy categories.

Figure 4 Vicarious goal fulfilment: choosing the least healthy option



Source: Wilcox et al. (2009). Vicarious goal fulfilment.

LOSS AVERSION

An experiment with a display of discounted canned soup showed that the sales effectiveness of the display could be

boosted significantly by putting a limit on the number of cans a shopper could buy (see figure 5).

Figure 5 Loss Aversion: putting a limit on the quantity you can buy to increase sales



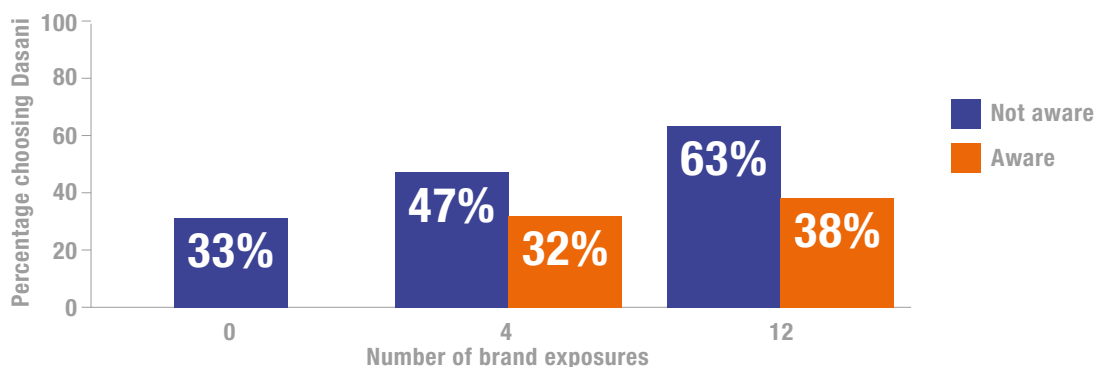
Source: Wansink et al. (1998). "An anchoring and adjustment model of purchase quantity decisions". *Journal of Market Research*.

PRIMING


In an experiment, respondents were exposed to photos of people and asked to focus on their faces as they would be asked about their emotions. With half of the respondents, a Dasani bottle of water was subtly displayed in the photos. After the experiment, as a reward, people were

given a choice of several different brands of bottled water. Respondents who were exposed to photos with the Dasani bottle were almost twice as likely to choose the Dasani bottle than the control group, even when they were not aware of having seen the brand in the photos (see figure 6).

Figure 6 Dasani experiment



Source: Ferraro et al., 2009. *The power of strangers: the effect of incidental consumer brand encounters on brand choice*.

A woman with dark hair tied in a bun, wearing a blue patterned shirt, is looking down at a pack of Dasani water bottles she is holding. She is standing in a supermarket aisle with shelves of water bottles in the background. A shopping cart is visible in the foreground.

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FRAMING

The same information presented in different ways may lead to different perceptions of a product. In this respect, we should think of a store aisle as a “frame”. The aisle in which products are shelved has an impact on how the products are perceived. A good case in point is the category of organic juices, which in the US is sold in the same aisle as fresh fruit, enhancing the perceptions of health and taste and setting it apart from regular juices.

ORDERING

The order in which (the same) information is presented impacts how people think about the information or product. For instance, on an online retailer’s website, it is possible to shift customers’ attention away from price by the way products and prices are featured. When products are displayed first, the purchase decision is more likely to be based on the product qualities. But if prices are displayed first, purchase decisions are more likely to be based on price comparisons.

ANCHORING

During decision-making we use an initial piece of information (anchor) to make subsequent judgements. In your portfolio it is always good to have some expensive items, as it will increase price perception of the other products. In eCommerce, companies may benefit from this by showing the most expensive variant of the product first when shoppers are searching the category, because cheaper variants may then be perceived favorably, as a bargain.

TESTING POS ACTIVATION CONCEPTS

We have established here that behavioral science concepts, when used in conjunction with an understanding of the dominant consumer paths in a category, can be leveraged to boost the effectiveness of promotions and of POS activations. However, marketers must still validate the developed POS activation concepts.

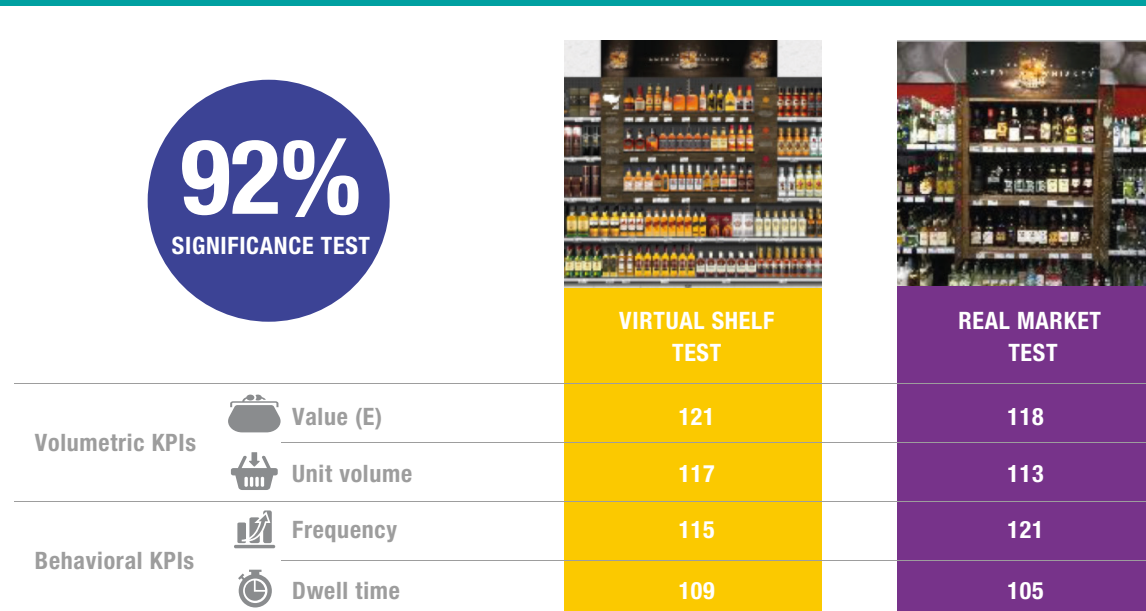
Since testing in the real world is becoming increasingly difficult and time-consuming, Ipsos uses a virtual testing platform (Simstore) for POS activation testing. The platform can realistically simulate both physical and online stores (see figure 7).

For VR simulations of physical stores, one concern has always been how well virtual shopping relates to real-world shopping. Ipsos has done validation work that finds the correlation between virtual and real store is very high: a 0.92 correlation. This suggests that control vs. test research is a valid way of predicting the sales uplift that is possible to achieve from a POS activation (see figure 8).

Figure 7 Testing POS activations through a VR replica of physical stores or a replica of retailer websites



Figure 8 Virtual Shelf Test vs. Real Market Test



Source: Ipsos Simstore R&D. Real shopper/sales data physical store vs. VR test. (KPIs Relative performance control vs new scenario, control cells are respectively indexed at 100.)

SUMMARY

Manufacturers and retailers need to adapt their POS activation solutions to the new reality of omnichannel shopping. To develop efficient POS activations, it is essential to understand and map consumer decision journeys in a given category. Once we understand the dominant

journey paths, behavioral science concepts can be deployed to help create POS activations which nudge shoppers towards desired behaviors. These concepts can then further be validated via VR replicas of physical stores or replicas of websites of online retailers.

KEY TAKEAWAYS

- In our new omnichannel world, marketers need to go beyond price promotions to drive sales and look at new POS activation solutions.
- In order to develop new POS activation solutions, marketers need to map the consumer decision journey in their category, identify the dominant journey paths, and then leverage behavioral science to nudge shoppers in different paths to desired behaviors.
- Behavioral science enables marketers to better understand the conscious and nonconscious drivers of choice, in other words, determine when choices are driven by emotional, intuitive criteria or by more rational considerations. This gives marketers a toolkit for influencing both "System 1" and "System 2" aspects of decision-making.
- While there are numerous behavioral science concepts which help explain human behavior, there are some concepts which are particularly relevant to POS activations and should be leveraged by marketers, such as loss aversion, framing and anchoring.

In our new omnichannel world, marketers need to go beyond price promotions to drive sales and look at new POS activation solutions



FURTHER READING

Loss aversion

Kahneman, D. & Tversky, A. (1979). "Prospect Theory: An Analysis of Decision under Risk". *Econometrica*. 47 (4): 263–291.

Priming

Tversky, Amos; Kahneman, Daniel (1992). "Advances in prospect theory: Cumulative representation of uncertainty". *Journal of Risk and Uncertainty*. 5 (4): 297–323.

Framing

Tversky, Amos; Kahneman, Daniel (1981). "The Framing of decisions and the psychology of choice". *Science*. 211 (4481): 453–58.

Ordering effects

Schuman, H., & Presser, S. (1981). *Questions and answers: Experiments on question form, wording, and context in attitude surveys*. New York: Academic.

Anchoring

Tversky, Amos; Kahneman, Daniel (1992). "Advances in prospect theory: Cumulative representation of uncertainty". *Journal of Risk and Uncertainty*. 5 (4): 297–323.

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