



**GLOBAL
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Win at Point of Sale

Through a better Understanding of Purchase Decision Trees

Shoppers can be overwhelmed by the number of choices at point of sale and yet they like innovation and new products and do not generally want a smaller range. Only 24% globally, thought there was too much choice in shops and would prefer a smaller range in a recent Ipsos global study in 22 markets. However they do want to find what they are looking for or be inspired to try something new. With the average number of products in a US supermarket around 50,000, it is not surprising that it is hard for people to find what they are looking for.

The growth in SKUs has produced a conundrum on how to lay out the products in-store: should you choose a layout which favours the premium products only to see volumes decrease or go for volume and see the margins vanish? Interestingly, we rarely see the shoppers' perspective properly taken into account.

Whether it is about getting the right categories close to each other (Adjacencies) or making sure that the category fixture is organised in a way that reflects their shopping needs, getting products laid out in store in a way that makes sense to shoppers can be a tremendous asset.

In this paper, we will focus on understanding the shopper's purchase decision hierarchy. The topic of Decision Trees has been hotly debated for many years: some have argued that it is a wholly subconscious process; others are staunch believers that it is a process of trade off and therefore is at the forefront of shoppers' minds; a last group argues that there may be a middle ground. Moreover, there has also been significant debate as to when the purchase decision actually happens: is it pre-store, when shoppers first think of the category or is the decision made at the fixture?

In order to settle the first argument, we have to cast our minds to our last shopping trip and remember what we bought and why. It should be clear to the reader now that the process of selecting which products to purchase has many aspects which are subconscious. This is very important as it outlines the futility of attempting to research shopping decisions by asking people what is most important to them when purchasing a particular category. If we do so, then we will finish up with a rationalised answer that may bear little relationship to their real behaviour.

Historically, how have Purchase Decision Trees been researched?

TYPE	APPROACH	HOW DONE
DIRECT	Relative Importance	How important each factor is
	Ranked Consideration	Considered 1st, 2nd etc
	Constant Sum	11 points allocated across attributes
DERIVED	Shopper Based Transaction Analysis	Look at purchasing patterns
	Substitution Model	Shoppers choose between groups of product options
	Out of Stock Scenarios	What would you buy if 1st choice out of stock?

What are the Pros and Cons of each of these approaches?

TYPE	APPROACH	POSITIVES	NEGATIVES
DIRECT	Relative Importance	Easy & quick.	Requires shopper to consciously respond. Importance is not the key measure.
	Ranked Consideration		Can be mis-interpreted.
	Constant Sum		Shoppers may over rationalise – outcome relies on importance.
DERIVED	Shopper Based Transaction Analysis	Actual behaviour NOT reported.	Historical data only. Relies on OOS to provide data set. Makes assumptions about substitutes.
	Substitution Model	Can be used for new category introductions.	Large sample required – cannot be done in store.
	✓ Out of Stock Scenarios	Set in context of current behaviour. Can be done in-store.	Requires more complex analysis to derive result.

Some time ago Ipsos decided that, having tried most of these approaches and observed the results, we needed to develop a tool that was intuitive for the shopper and was not directly quizzing shoppers on the importance of the factors, a task we know produces limited results. This tool could be applied in real stores capturing people on real shopping missions when they were in front of the fixture with a wide range of alternative products to choose from.

Having now conducted more than 50 tests in all regions of the world and across different categories and databased our outputs, it is possible to understand more about the ways that shoppers choose between alternatives at point of sale.

We have conducted this research in a variety of store types (hypermarkets, supermarkets, convenience stores, drug stores etc.). Most of the research has been done at the fixture when someone has just put a product into their shopping basket/cart.

The results of the research were integrated into individual respondent level models which simulate the implications on shopper satisfaction of changing from a sub-optimal set of criteria to an optimal level.

We are doing more tests all the time as our clients adopt this best practice approach and are continually improving our knowledge base. At this stage we are in a position to share some top-line learnings.

So what are some key questions that are of interest to Marketers and Retailers alike?

1. How important is the specific brand in purchase choice at point of sale? If not brand, what is more important?
2. Is there any difference between what the shoppers say is important and how they make their brand choices?
3. When faced with out of stock situations, what proportion of people are prepared to select an alternative?
4. How can we enhance shopper satisfaction through understanding the real purchase decision tree?

We have examined our database to look at average responses to these questions and look at some of their implications. Here are our findings.

1. How important is the brand in purchase choice? If not brand, what is more important?¹

There are many attributes which feature in nearly every market, typically: brand, product type, pack format, price, pack size, whether promoted, some aspects of variants (e.g. taste/flavour/ingredients, some other category specific benefits).

The traditional method of claimed importance overstates the importance of brand and price because these are tangible factors that are easy to post rationalise.

In more than 30 studies where **brand** was identified as one of the key factors in the purchase decision, we found its RII (Relative Importance Index)² was 46. This was higher than for Price Brand (35) and Promotion at (17). This has allowed us to establish that brand is definitely more important than price or promotions.

However brand was **not** the most important attribute overall. It ranked third overall with an RII of 46. The most important attribute overall was product format at 79 RII.

The implications of this finding are that careful consideration is required when deciding how to block brands within the planogram. We need to understand the strategic implications of altering SKU comparisons by either following the shopper optimised layout or not.

If buying washing detergents, do we want shoppers to walk up and down a large aisle in order to compare prices, pack sizes (number of tablets in pack), formats, because we have brand blocked all of one brand with all its formats?

The outcome of this would be greater exploration of the variety within the category.

Or, do we want shoppers to quickly hone in to the type of product they desire or particular price bands focusing their shopper process into fewer SKUs.

By understanding the shopper's decision tree, we can see which aspects of the product are driving selection at point of sale. This will allow us to make a strategic decision as to how to lay out the fixture according to how we would like to grow the category or defend the position or even grow segments within the category.

We have also noted qualitatively from our results from a number of different tests conducted (over time, as we add more tests to our database, we will be able to firm up these conclusions);

- Price appears less important in the Personal Care category
- Price is more important in Emerging markets
- Brands are less important when people are looking for something very specific
- For food products, perceived taste characteristics are more important than the brand

¹ We are not saying that Brand is unimportant. Clearly the pre-shopping mindset (influenced by advertising, word of mouth, previous experience etc) will include a wealth of information about the brand which helps shoppers decide which (typically 2-3) brands or private label are in their potential repertoire. Here we are focusing on behaviour at point of sale.

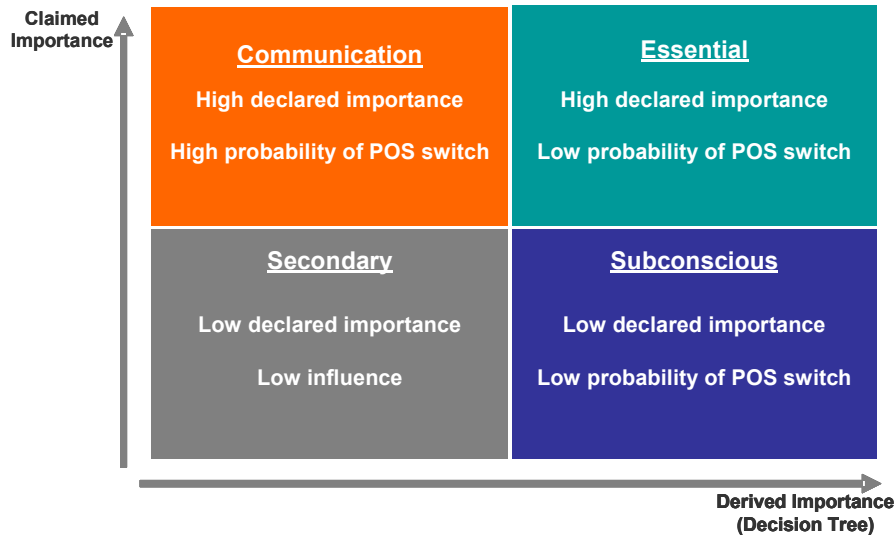
² Every Decision Tree produces Relative Importance levels for each attribute. The RII is the combination of these scores across the studies where this attribute was relevant.

Win at Point of Sale

2. What's the difference between what people say is the most important attribute and what really influences them based on their purchasing decisions?

We compare the claimed most important attribute with those derived from the simulators using the out of stock model. This pin points where to put efforts in terms of in store communications or implications for NPD spend. For example, where people believe that an attribute is important in making their product

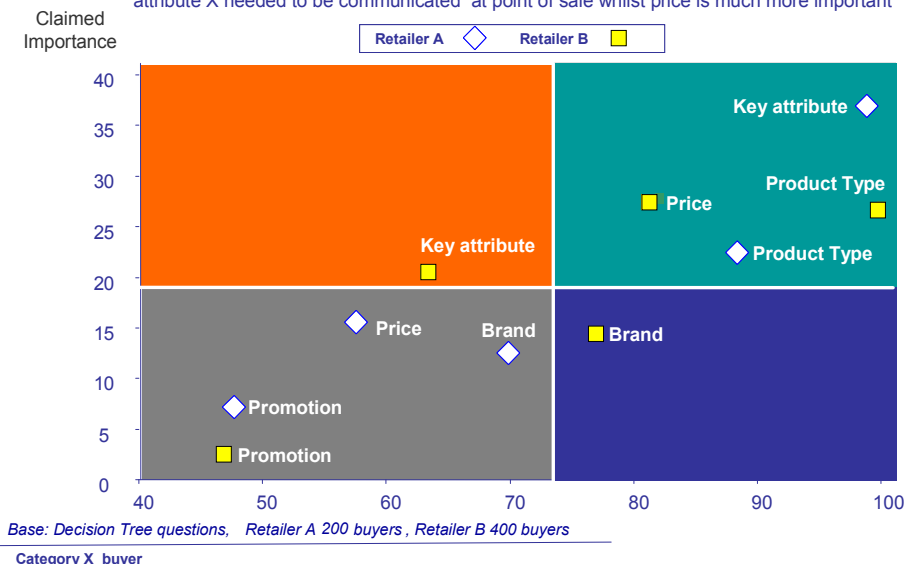
Matrix analysis explains what should be the key focus for the category



Shoppers in different retailers may experience the category in unique ways. For example, a Walmart shopper may be more price focused than another retailer's shopper. Given a unique category experience should we create blanket actions for all shoppers or focus on retailer specific actions?

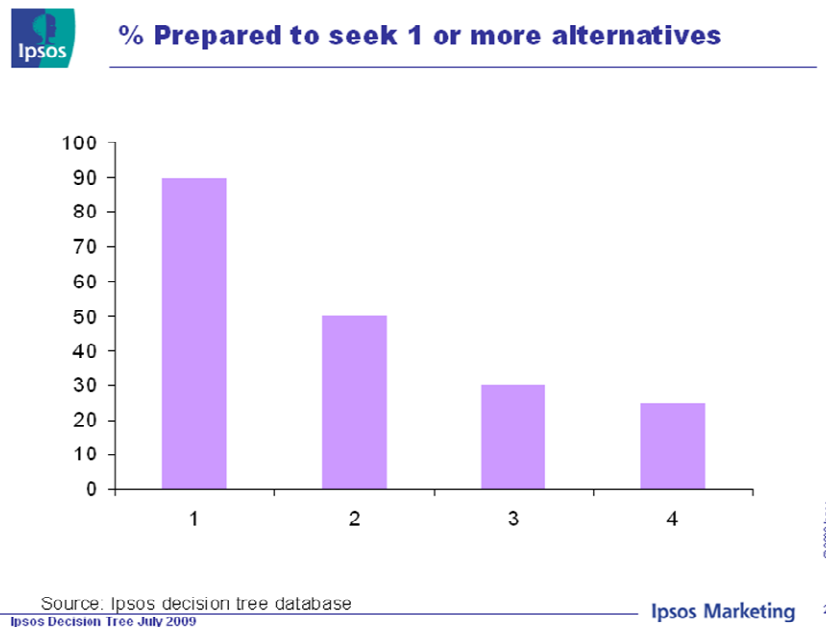
Example of how derived Decision trees can be different to claimed importance

In this case for **Retailer A**, key attribute X and product type were key differentiators. Product type was more important than claimed and Price and Promotion were overstated. To win in this market means offering the best key attribute X and ideal product type. For **Retailer B**, key attribute X needed to be communicated at point of sale whilst price is much more important



3. When faced with out of stock situations, what proportion of people are prepared to select an alternative?

The average values we have seen across our database are shown in the chart below



When faced with an out of stock situation the overwhelming majority (89% on average) of shoppers were prepared to make an alternative choice. This means that shoppers are much more loyal to the moment of purchase than to any particular SKU. We can thus conclude that only 11% are extreme SKU loyalists.

Certainly there are category specific issues here, one particular category had 96% of its shoppers ready to select other SKUs and brands. While this is an extreme example, globally speaking, the SKU loyalty is low. Can you guess the category in the above example?

What does this mean for Manufacturers?

Manufacturers can not be complacent. If the product is out of stock or can't be readily located, the majority of shoppers will be more than happy to select a substitute. All your previous investments in advertising and communications go in vain.

It also highlights the importance of true innovation; if your product is genuinely different (for example a taste like Marmite or the 5 blades on a razor) or if shoppers believe very strongly that it is the only product (e.g. because that is the only one your cat will eat), these are the situations in which the SKU is least likely to be substituted.

More importantly, out of stock frustrates shoppers. This is most evident when there is a special promotion and the product is nowhere to be found, say because shelves are not replenished frequently enough. When the power of the promotion has been under-estimated, everyone loses: the retailer and the manufacturer lose out on sales and the shopper is left with a bad impression of both.

How often have you, as a shopper, seen a great offer "2 for 1" or buy one get one free to find that there is only one item left on the shelves. You don't buy it even though it is the normal price.

4. How can we enhance shopper satisfaction through understanding the real purchase decision tree?

Having established the key attributes for a category, we look to see how shopper satisfaction can be improved through optimising these attributes in line with shoppers' decision making process.

The proprietary Ipsos methodology outputs a Purchase Decision Tree Simulator which allows for unique analysis and scenario testing possibilities. This respondent level model shows how the combination of attributes can create the different satisfaction scores and also allows us to explore other alternative layouts. In the example below, we see a satisfaction index improvement of more than double (from 25 to 71)



Decision Tree Simulator

Purchase Decision Tree Model - Total

Optimum Layout Total	User-defined Layout	Choose category:
Shopper Satisfaction Score 70.4	Shopper Satisfaction Score 24.7	Total
C - Taste	F - Pack size	Category Descriptors
A - Price	E - Promotion	Main Branch
H - Brand	G - Spice	
B - Type of instant Noodle	B - Type of instant Noodle	
G - Spice	H - Brand	

Choice Criteria:

First: F - Pack size
Second: E - Promotion
Third: G - Spice
Fourth: B - Type of instant Noodle
Fifth: H - Brand

Optimise
Optimise on first attribute

Decision Tree

Save Scenario as:

Chart
Table

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Ipsos Decision Tree July 2009

Ipsos Marketing

CONCLUSIONS

Winning at point of sale means making shopping easy for your shoppers. In order to achieve this, laying out your fixture in line with the way shoppers make their purchases, is a key factor.

Brand is generally not the number one criteria for purchase decision at point of sale. The product type is more important.

Price and Promotion are much more likely to be stated as reasons for choice than their true importance in deciding the purchase. Overall, promotions are half as important as prices, while their role in the purchase decision will vary dramatically by category.

The Ipsos Purchase Decision Tree using a derived approach rather than direct questioning, enables you to establish your shoppers' true purchase hierarchy. Combined with the ability to simulate alternative possibilities, you can ensure that your fixture layout meets a number of key criteria:

- Is it relevant to the shoppers' buying decision?
- Are the key aspects of the category vertically blocked to enable ease of shopping?
- Do your in-store communications reflect the category aspects that are most relevant to your shoppers?
- Are you pricing low or promoting when it is not a key criteria for customers in that category?