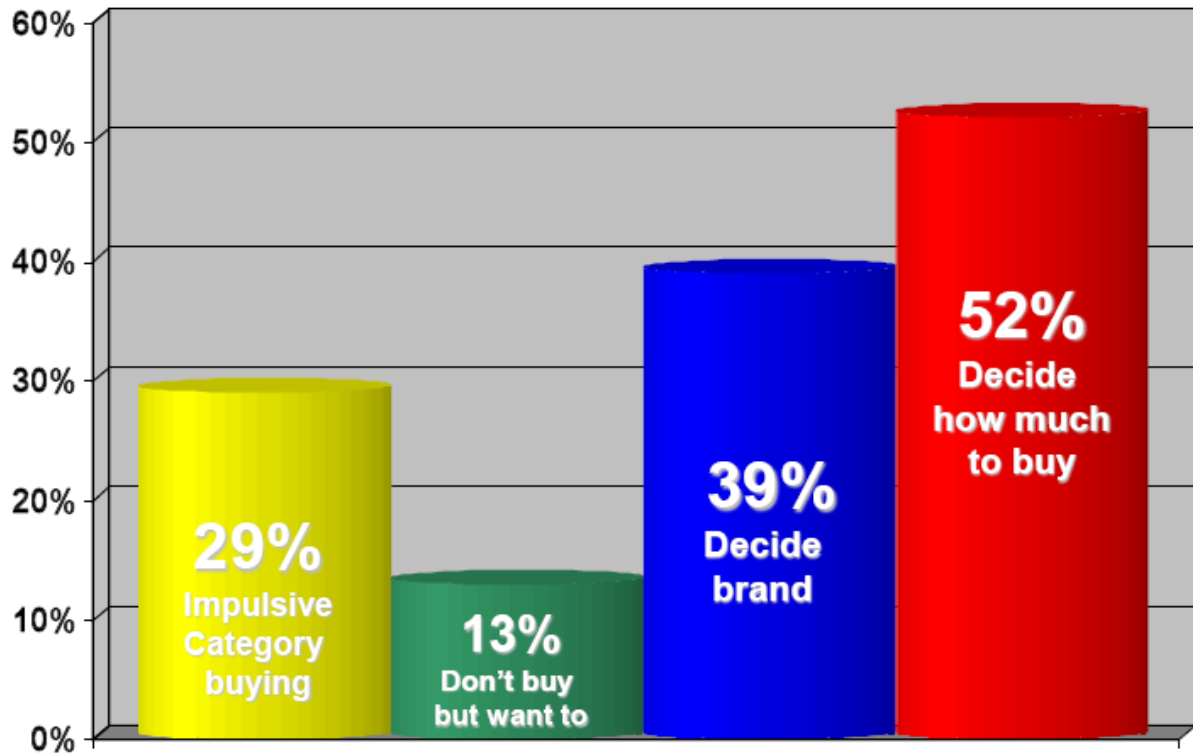


The decisions shoppers make instore



SDMIS U.S Study Methodology

- Interviews were conducted in 10 regional markets
- Shoppers were interviewed at selected retail stores & outlets
- In the U.S more than 6,800 shoppers participated
- The study expanded to cover 13 key CPG categories
- 6 retail channels were included
- Shoppers were asked about their intended purchases
- We then asked shoppers about their actual purchases

70% of purchasing decisions are made in-store

10 Dec 2008, 0408 hrs IST, Nicola Clark,

Any marketer worth their salt will have heard numerous times that 70% of purchasing decisions are made in-store — it is a well-worn marketing truism.

Many, however, either don't believe it, but do absolutely nothing about it. Exclusive research from OgilvyAction, gleaned from 14,000 shopper interviews in 700 retail outlets across 24 territories, confirms that purchasing decisions are not only still primarily made in store, but also that one in 10 shoppers leaves a product they planned to buy on the shelf and walks away empty-handed. Steve Harding, chief executive, Europe, at OgilvyAction, says that point-of-sale is "the ultimate moment of truth for brands today", and that it is crucial that they understand exactly what drives shopper decisions.

While many marketers base their strategies on US research, OgilvyAction's study showed key differences between shopper habits in the US and the UK. For example, men in the UK are more fickle in their shopping habits than women and more influenced by in-store activity, so less likely to stick with their original purchase plan, than their US counter-parts.

Nonetheless, many marketers erroneously apply US research findings to the UK. "So little is known about what goes on in shopper marketing, despite the evidence showing how crucial it is, particularly in a recession," says Andrew Aylett, planning director at OgilvyAction. There is no doubt that investment in shopper marketing is on the increase.

According to Deloitte and the Grocery Manufacturers Association (GMA) 2008 report, retailers and manufacturers both plan to boost spend on in-store activity in the next three years. More than 60% of them plan to invest more in non-trade in-store programmes in the next year and 20% of these plan to increase it by more than 5%. The report predicts that this growth will come at the expense of traditional media such as television.

"I would argue that most brands are investing more heavily in shopper marketing. We are seeing clients cut their mainstream marketing budgets by as much as 35% to put the money into trade activity," says Harding. This view is echoed by the 2008 GMA/Deloitte Shopper Marketing survey, which revealed that 19% of manufacturers and 50% of retailers rank in-store activity as the best medium for generating ROI.

"Dominance outside the store does not guarantee you sales in-store," says Aylett. In fact, high-profile ad campaigns often drive sales for other rival brands. One campaign for a

70% of purchasing decisions are made in-store

10 Dec 2008, 0408 hrs IST, Nicola Clark,

“Dominance outside the store does not guarantee you sales in-store,” says Aylett. In fact, high-profile ad campaigns often drive sales for other rival brands. One campaign for a leading brand in the confectionery sector, for example, drove consumers to the corresponding aisle in the supermarket, giving smaller brands the chance to “hijack” these shoppers and capture their spend.

While the higher-spending brand performed strongly in terms of brand recognition and intent to buy - 25% of shoppers named it as their intended purchase - it lost out to smaller brands in-store among some consumers. While the most obvious way to capture spend - particularly in a recession - is price promotion, Aylett advises caution.

“The key issue is that grocery multiples are fixated with price promotion, but this is devaluing brands,” he says. “Brand owners have to be careful about how they use price promotions - they may increase sales, but demand careful thought about how far you can go before your brand value is eroded.”

However, the growing dominance of the major multiples and rise of own-label goods cast doubt on how much sway brands can have over the might of the supermarkets. Nonetheless, according to OgilvyAction, there are opportunities to be seized. “If you can bring in-sight to a category, which will boost sales in the sector as a whole, supermarkets will listen,” says Harding. Research often reveals issues - a lack of packaging standout, for example - that prompts brands to make internal changes.

The ever-present gap between awareness and sales conversion is one of the biggest challenges facing marketers today. With every pound of adspend being placed under unprecedented scrutiny, the notion that smaller rivals are effectively “hijacking big brands” investment in-store is a fact that the latter simply cannot ignore.

While the retail market is exceptionally challenging, those brands that overlook the importance of in-store marketing do so at their peril. In short, brands should pay as much attention to building relationships with retailers as they do with consumers.

70% of purchasing decisions are made in-store

10 Dec 2008, 0408 hrs IST, Nicola Clark,

DEFINING SHOPPER MARKETING

According to Deloitte, shopper marketing is the employment of any marketing stimuli that has been developed based on a deep understanding of shopper behaviour, and which is designed to build brand equity, engage the shopper and lead him/her to make a purchase. It can range from on-pack promotion to price promotions, placement, point-of-sale activity or sampling.

It is a marketing myth that only big brands can successfully partner with the major multiples. According to Deloitte, many retailers report that niche manufacturers who are second or third in their categories often make better collaborators than the category leaders, as they are less interested in maintaining the status quo and more willing to take an innovative approach. The OgilvyAction report suggests shopper marketing is well worth investing in.

It revealed that one in three shoppers recalls having a product recommended by staff in-store or sampling from a demonstration when they were choosing a brand.

KEY FINDINGS

Globally, almost 30% of shoppers wait until they are in-store to decide which brand to buy. In the UK, this rises to 33%. One in 10 shoppers globally and 16% in the UK change their minds in store and buy a different brand from the one they had planned to purchase. 10% of shoppers who intend to buy will leave the store empty-handed.

In the US this rises to almost 20%. This represents millions of pounds of new custom available to be won by brands in-store. Despite shoppers' claims to know what they want to buy, almost 15% impulsively buy in categories they had no intention of purchasing before entering the store. A quarter of shoppers who had bought items they did not originally intend to purchase a product featured on a display.