

RELEVANT KNOWLEDGE SERIES

Shopper Marketing

VENKATESH SHANKAR



MARKETING SCIENCE INSTITUTE
Cambridge, Massachusetts

Copyright © 2011 Venkatesh Shankar
Published by Marketing Science Institute, 1000 Massachusetts Ave.,
Cambridge, MA 02138

Printed in the United States of America
ISBN-10 0-9823877-3-3
ISBN-13 978-0-9823877-3-3

All rights reserved. No part of this book may be reproduced, in any form or
by any means, electronic or mechanical, without permission in writing from
the Institute and the author.

Cover by Joyce C. Weston
Book design by Laughlin Winkler

Executive Summary

Shopper marketing describes the planning and execution of all marketing activities that influence a shopper along—and beyond—the entire path-to-purchase, from the point at which the motivation to shop first emerges through to purchase, consumption, repurchase, and recommendation.

Shopper marketing encompasses all marketing activities that influence an individual who is in the shopping mindset and mode. In this regard, shoppers are exposed to increasing amounts of marketing stimuli both inside and outside the store before making their final purchases. A shopper typically browses or searches in the category across different media or channels such as catalogs, online and offline stores, and the Web. Even when shoppers are in a store, they may consult external media and channels via mobile devices. At the same time, media fragmentation has encouraged companies to focus on in-store marketing activities.

The challenge is how to coordinate these activities so that companies can better meet shopper needs, improve customer relationships and loyalty, increase sales, and boost return on marketing investment. A shopper marketing perspective offers retailers and manufacturers a framework for understanding the motivations, attitudes, and purchase behavior of the shopper and how to influence them.

Research Insights

For a typical purchase in any product category, a shopper generally goes through the following shopping cycle: motivation to shop, search for the right solution(s), evaluation of different alternatives (e.g., categories, brands, and items), initial decision on the right category, brand, or item to buy, choice of the store or channel for purchase (e.g., bricks-and-mortar store, catalog, Web site, or mobile site), navigation through the “store,” final decision on the brand or item, purchase of brand or item, and repurchase and recommendation considerations.

Marketers frequently distinguish between planned purchases—where the decision to purchase is made prior to entering the store—and unplanned purchases—where the decision is triggered in the store. The entire shopping cycle is generally followed for planned purchases, whereas the shopping process may begin at a later stage, such as navigation through the store, for unplanned purchases. Many marketers believe that the majority of buying decisions are unplanned.

Shopper marketing research offers insights on five components of the shopping cycle: (1) shopper motivation, (2) types of shopping behavior, (3) store atmospherics and design, (4) in-store assortment and merchandising, and (5) promotions.

Motivation The primary motivation for shopping is the problem that a shopper seeks to solve. These differ by consumption purpose or occasion. For example, a shopper who is shopping for a child's breakfast cereal will weigh factors differently than a shopper who is buying a breakfast item for a social occasion.

Shoppers are also motivated by shopping's utilitarian and hedonic values, and shopper decision making may be rational (cognitive) and/or emotional (affective). Typically, utilitarian motivations result in rational decision making, while hedonic motivations yield emotional decision making. Research also suggests that there are different types of shopper segments based on the shopper's focus during shopping: process-oriented, choice-optimizing, apathetic, or economic.

Behavior Shopping behaviors can be categorized as goal-directed and impulse shopping. In goal-directed shopping, shoppers typically set goals on what, where, and when to buy and act on these goals in their shopping cycle. Goal-setting can be activated internally (by habit, impulse, or conscious intention) as well as externally (by outside stimuli). In impulse shopping, the purchase decision is made quickly by a trigger such as the need for instant gratification. It is a type of unplanned shopping. Most variation in impulse purchases is due to differences in household characteristics such as demographics and impulsiveness.

Store Atmospherics and Design Among in-store stimuli, store atmospherics play an important role in shopping decisions at the point of purchase. Studies in the dental and healthcare industries, as well as in banking and gaming, support the notion that atmospherics can affect shopper satisfaction. Several studies also suggest that shoppers desire an experience, not just a service. While services are delivered to the "client" and the key nature of the offering is intangibility, experiences are staged for the "guest" and the critical nature of the offering is memorability. Retailers are especially interested in store atmospherics that make shopping a more enjoyable experience.

In-store Assortment and Merchandising Marketers are paying special attention to in-store variables such as assortment and merchandising. Category assortments and private labels or store brands within a store play important roles in shopper decisions. Substantial research on how shoppers process information shows, for example, that in-store merchandising variables such as aisle placement, shelf space positioning, and displays influence shopper perceptions and behavior. Many of the insights on assortment and merchandising are based on research on packaged goods. There are no generalizable research insights on assortment or merchandising for non-packaged goods and services.

Promotions There is extensive research on the role of promotions in purchase decisions. Major insights include the following: Shoppers are more influenced by promotions during the beginning stages of a shopping trip and when goals are less concrete. Promotions such as price cuts, displays, feature advertisements, coupons, and rebates have different effects on shoppers' decisions on whether to buy a product category, which brand to buy, what quantities to buy, and how often to buy.

From a retailer standpoint, it is important to note that price, display, and features promotions affect not only brand switching but also store selection. An understanding of how in-store promotions influence purchase behavior across categories or tiers within a category is particularly helpful in efforts to stimulate increased spending within the store. From a manufacturer standpoint, volume discounts or bundle promotions are attractive because they are more effective at inducing switching than in boosting category sales.

Shopper Marketing across Channels Shoppers commonly conduct research on the Web and buy in the physical store. They view the Web, call centers, and exclusive distribution channels as complements, whereas independent distribution channels and exclusive distribution channels are substitutes. Marketing efforts increase the likelihood of multichannel shopping and enhance the monetary value shoppers provide to firms.

Industry Practices

By some estimates, manufacturer spending on shopper marketing is 8% of the total marketing budget and is growing at 21%. Shopper marketing is relevant for many products, consumer durables, and services; however, most shopper marketing research has been conducted in the grocery industry, so little is known about shopper marketing in other industries.

One example of industry practice is positioning items on the shelf space in a category based on insights about a shopper's mental hierarchy of decisions related to that category. Another tactic is redesigning the physical store based on insights about shopper characteristics and needs, both related and unrelated to the retailers' product categories.

Other retailer and manufacturer practices include sampling/demos, shelf-signs, displays, loyalty programs, coupon dispensers, in-store video/audio, personalized mail/email, checkout coupons, floor ads, interactive kiosks, smart carts, and short-messaging service (SMS) promotions. Some, such as in-store video and audio, are relatively new, and their effectiveness has not been determined.

It is also important to note that some tactics may—when considered in isolation—increase brand sales but—when considered in context of the overall store environment—lead to clutter and decreased store patronage. These multiple effects can potentially create a conflict between manufacturer and store goals.

Implications for Manufacturers and Retailers

The perspectives of the shopper, manufacturer, and retailer differ along four major dimensions: product information and communication, product availability, price promotion, and display promotion. For example, while the shopper needs accurate and timely information on categories, brands, and items, the manufacturer is interested in highlighting its own brands, and the retailer is focused on communicating its store brand and maximizing overall category profits.

Manufacturers have traditionally focused on increasing brand equity and sales. Their strength has been influencing the shopper early in the shopping cycle, frequently before he or she enters the store. However, shopper marketing emphasizes that marketing activities should be relevant to shoppers' needs as they emerge over the entire shopping cycle.

This perspective has several useful implications for manufacturers. Manufacturers can segment shoppers based on their behavior during the shopping cycle, rather than based on traditional segmentation variables. For example, they can segment shoppers by motivation to craft their communication appeal to target shoppers. In another example, they can target premium products at fill-in shoppers and tailor their offerings to shoppers by benefit (social interaction, price, product, and service).

Retailers use different combinations of price and promotions, including exclusive, moderately promotional, Hi-Lo, everyday low pricing, and aggressive

promotional pricing strategies to encourage customers to visit their stores. They also use store design, store atmospherics, and in-store merchandising strategies to maximize overall profits. Retailers are in close proximity to shoppers on a daily basis, and they control the in-store environment. Hence, they are better able to influence the shopper near the end of the shopper cycle.

The manufacturer's allocation of investments in shopper marketing activities with a particular retailer depends on the congruency of objectives, target shoppers, and marketing strategies between the manufacturer and the retailer. While manufacturers are primarily interested in promoting their brands, retailers are focused on maximizing store profitability. To move forward, their collaboration should be based on trust, openness, and shared objectives; one way to build better relationships is to focus on aligning marketing activities with shopper needs.

Emerging Trends

Several shopper marketing trends are notable. First, the emerging shopper is networked and channel-savvy. Shoppers are increasingly using multiple channels (e.g., store, catalog, Web, and mobile) across the shopping cycle to obtain information and make purchases.

Second, retailers are experimenting more with shopper marketing activities, in particular, in-store merchandising. As competing retailers experiment with different shopper marketing activities, shoppers are also adapting their responses to such activities. For example, if shoppers expect certain types of merchandising efforts, they may defer purchases to take advantage of better deals.

Third, some evidence suggests more U.S. shoppers may be making decisions outside the store rather than inside the traditional store. This suggests that manufacturers need to reorganize to effectively deal with new ways of influencing shoppers through out-of-store activities.

Fourth, manufacturers are creating cooperative organizations or consortiums to better understand shopper marketing. The Retail Commission on Shopper Marketing sponsored by Coca-Cola is an example of such an initiative. From a manufacturer's or retailer's standpoint, collective learning on emerging shopper behavior is a way of expanding shopper insights at low cost.

Fifth, at different points along the shopping cycle, previous consumers become shoppers, shoppers become buyers, buyers become consumers, and some consumers become advocates. What motivates an individual to shift roles along the path-to-purchase and beyond?

Finally, mobile shopping and mobile marketing are changing the retailing paradigm from that of shoppers entering the retailing environment to that of retailers entering the shopper's environment through "anytime, anywhere" mobile devices. Mobile shopper marketing can make in-store shopping highly interactive.

These trends raise important challenges for shopper marketing strategies and activities. Manufacturers, retailers, and marketing services organizations face a common business challenge: How can firms effectively market to shoppers with evolving preferences and behavior in a highly dynamic retail landscape?

From a strategic standpoint, a shopper marketing perspective requires changes in firms' organizational culture, design, and marketing capabilities—where these changes must enable a shopper-focused mindset. At the same time, technological advances have created a complex multichannel multimedia environment that offers new opportunities for coordinating out-of-store and in-store activities and tracking the effects of these activities on business performance with appropriate metrics.

For many firms, it will be necessary to rethink how their platforms, systems, and processes are aligned to shopper goals, as well as to their goals and the goals of their network partners. Although the business challenges are complex, many companies are making good progress in moving to a shopper marketing perspective.