CASE STUDY

THE STATE OF THE STORE

INSIGHTS FROM CONSUMERS AND RETAILERS INTO THE EUROPEAN SHOPPING EXPERIENCE

With pressures from online pure plays and five years of economic challenges, European retailers are well aware that they need to sharpen their operations and ensure they make the most of every shopper that comes into their store.

Global consulting and technology services company, Infosys, commissioned an independent study in August 2013, surveying 2,250 consumers and 75 major retailers in France, Germany and the UK to understand what makes shoppers tick and how can retailers create shopping experiences that will generate increased revenue.

The data here reveals there are significant growth opportunities for retailers that ensure the right stock levels, in the right place and supported by the right promotions from the right suppliers.

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How do consumers go about choosing and buying products?

To almost three quarters (73%) of consumers the prices of products has more of an influence on their shopping habits compared to two years ago, with only 2% saying that they are less influenced by this factor. As product pricing has become increasingly important, almost seven in ten consumers (68%) will buy from a store if it matches the best price in the market.

Almost half of consumers interviewed (45%) would either be much more willing or would definitely spend more on a product if it was on promotion or special offer, highlighting the increasingly price-sensitive behaviour of consumers.

Compared to two years ago, the majority of consumers (72%) agree that they buy more 'own brand' products. Given the importance of price, it comes as no surprise that almost a third (29%) of consumers think that price always makes them buy an 'own brand' product – though most other factors (such as promotions, previous use and quality) also make between a sixth and a fifth of consumers always buy 'own brand' products. This shows that while price is important to a significant number when it comes to buying 'own brand' there are a variety of factors that will influence consumers.

The average number of times that a consumer has been unable to buy a product due to it being out of stock in the past three months is twice. When in store, 69% of consumers found their main choice of products to be unavailable at least once over the past three months. The consequences of products being out-of-stock means that almost a third (29%) will delay their purchase, just over a quarter (26%) will substitute a different product, and just under a quarter (23%) will substitute a different brand. Some 42% of consumers go to another store or delay their purchase. Of those who don't shop online, four out of ten (40%) believe it is easier to compare products on shelves in-store rather than on the website, thus making substitution easier.

Offers/Interactions

Consumers say that they are unlikely to interact with brands and retailers through their digital channels, with more than seven in ten (72% and 74%) not using retailers'/brands' Facebook pages, Twitter profiles, websites, or news feeds.

Before consumers head to the stores, the majority (94%) have some sort of idea of what they want. If decisions are made in-store, they tend to revolve around fresh food (66%) or snacks and confectionary (63%). If a product is of the same quality and is cheaper, two-thirds (65%) consumers will impulse buy it. Similar proportions (64%) say the same if a product is on promotion. Only 47% of consumers are satisfied with how easy it is to find promotions in-store. Similarly, with other promotional aspects such as promotions in stock, level of savings, types of promotions and personalised promotions are only satisfactory to between three and four out of ten consumers.

Price comparison (67%), simplicity in offers (62%) and clear sections to make things easier to find (55%) are actions that the majority of consumers say would make them consider products that they wouldn't normally buy.

Over a quarter (27%) of consumers who shop online, do so because of the ease of finding products. Consumer convenience extends to other interactions as well – almost half (49%) have seen self-payment systems, though fewer than one in ten (8%) always use them. Only around a third of consumers (36%) have not even seen any of the electronic shopping tools or displays listed.

What drives consumer shopping behaviour online?

Almost nine in ten (89%) consumers flex their budget to some extent when shopping, though the main appeal of shopping online is to save costs when it comes to almost half (49%) of consumers. As a result, impulse shopping amongst consumers who shop online is more likely to occur in-store, as six out of ten (60%) do a little or a lot more impulse shopping in store, compared to less than one in ten (8%) who do a little or a lot more impulse shopping online. Of the few who do more impulse shopping online rather than in-store, the main reasons for doing so are free delivery offers (58%) and special offers (46%).

CONSUMER PROFILE

The typical 'shopper' interviewed during this research is most likely to conduct their main shop once a week (48%) and will spend an average of £70 each time. 'Top-up' shopping is typically conducted once or twice a week (57%) and an average of £48 is spent each time. Just over half of consumers (52%) have shopped online – of which half use the service less often than once a month (27%).

RETAIL INDUSTRY INSIGHTS

Attracting customers to stores

According to retailer respondents, the top three factors that have most improved sales over the past two years are lower prices (57%), increasing assortment of products (52%) and more targeted promotions (47%). Although lowering prices is the factor which is most likely to have improved sales, at present retailers are most likely to be investing in customer services (65%), creating innovative promotions (53%), and improving store layout (53%).

Two thirds (65%) of retailers are investing in customer service as this is the factor they think is most likely to put shoppers off shopping in-store (71%). However the majority also highlight poor quality of product (68%), store hygiene (61%) and lack of product availability (52%) to be factors that put off shoppers.

Branded CPG products

Retailer respondents say quality of products (52%), range of well-known brands (51%) and product availability (48%) are most likely to encourage customers to buy branded CPG products. Crucially it does not just come down to price, as only three in ten (37%) retailers consider low prices as an influencing factor in the buying of branded CPG products.

Six in ten (60%) retailer respondents think that product assortment distinguishes a best in class branded CPG supplier and just over half (53%) think that innovation in product launches also distinguish a best in class branded CPG supplier. Eight out of ten (81%) consider branded CPG products to be competing with them in some way, and promotions are most often selected as an area of competition (by 56%), with choice and ethical/eco-friendly another area of competition to a significant number (44% and 43% respectively).

Collaboration with branded CPG: relationship and the future

The majority of retailer respondents expect their CPG branded suppliers to help improve on-shelf availability (72%) and customer service (67%). The majority of retailer respondents say that branded CPG suppliers could better support retailing efforts by improving order fulfilment (60%), creating more targeted promotions (59%) and tracking trade spend (55%).

During most of their time in-store, sales representatives from branded CPG suppliers are most likely to focus on new product launch/sales presentation (69%) as well as ensuring the availability of products (65%) and that promotions are executed correctly (57%). This reflects retailer's expectations of branded CPG suppliers: ensuring availability of products (75%), new product launch/sales presentation (75%) and promotion execution (71%). In order to aid management of store process and activities, almost nine in ten retailers see sales reps (89%) using mobiles and two thirds (65%) see them using tablets.

Just over half of retailer respondents think training salesforce personnel (55%), channel/store strategy (53%), allocating and managing assets (52%) and generating shopper insights (52%) are worthy investments that branded CPG suppliers could make to enhance salesforce effectiveness. Only a fifth (21%) believe that CPG suppliers investing in sales collateral would be beneficial to salesforce effectiveness.

Eight in ten (80%) retailers are sharing data with their branded CPG suppliers of which only (5%) are only doing so on a daily basis while the rest do so at a weekly, monthly and quarterly frequency.. Of those who share data in this way, almost three quarters (72%) share or are willing to share inventory data and two thirds (67%) share shelf availability information while only (38%) share or are willing to share in-store consumer data, a quarter(25%)share buying behaviour characteristics and only (22%) share PoS data.

Given the fact that the majority of retailers share data with their branded CPG suppliers, four in ten (41%) retailers want visibility into returns, payment visibility or real-time invoice generation from their CPG suppliers. Of the 39% that are provided with visibility into returns, it is highly valued by nine in ten (90%). Amongst those that are not provided visibility into returns from their branded CPG suppliers, three in ten (37%) would highly value that data.

Collaboration in the last two years with branded CPG suppliers has typically been over promotion co-creation (59%), though almost four in ten have collaborated on inventory visibility (37%) and are sharing shopper related data to help develop shopper specific programs by store format (36%). Only a fifth (19%) of retailers have not collaborated with branded CPG suppliers in the last two years.

Looking to the future, the most significant change that retailers want to see in their collaboration with branded CPG suppliers relates to the sharing of shopper related data to help develop shopper specific programs by store format; almost two thirds (63%) want to collaborate over this factor compared to the third (36%) that have done in the past two years. Similarly, another area of collaboration with branded CPG suppliers relates to advanced category analytics (56%), providing access to PoS data (45%) as compared to almost quarter (24%) and (21%) that have done in the past two years.

About the Ideal Store Study

Vanson Bourne on behalf of Infosys polled a total of 750 consumers and 25 retailers including store managers and category buyers/ leads of food and non-food products in each of France, German and the United Kingdom in August 2013.

For more information, contact askus@infosys.com

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