Retail

Driving successful shopping occasions through deeper insights

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Executive summary

Traditional, largely demographic classifications of retail customers are inadequate in a marketplace that has become increasingly complex, competitive and polarized. Today's well-informed consumers have far greater expectations of the shopping experience than previous generations – and if retailers are to fulfill those expectations, they need a much better understanding of their target customers than ever before.

IBM, in collaboration with The Store/Kantar (subsidiaries of WPP Group PLC), conducted an online survey of more than 5000 grocery, clothing and consumer electronics shoppers in the U.K., Germany and France to identify what motivates them: why they are shopping, what they want to accomplish, how they prefer to shop, what services they require and what makes them visit a particular store. Our research confirmed what the findings from our 2004 survey of U.S. shoppers suggested – that consumers are multidimensional in their approach. It also generated several additional insights. More specifically, it shows that:

- *Customers have different value drivers for different shopping occasions or missions.* They want different things not only when they are shopping for goods in different product groups, but also when they are shopping for goods in the same product group or on different missions.

- *Shopping missions evolve.* Customers often start by looking for items in a single product group, but end up buying items in other product groups as well; sometimes they purchase such additional items in specific patterns.

- *Mood plays a major role in the shopping experience* and can significantly influence how much customers spend.

- *Customers want convenience.* They place a high premium on ease of shopping, and are willing to embrace new in-store services and technologies that are relevant to their particular shopping needs.

So what do these findings imply? We believe that there are three key implications for retailers. They must:

- Provide more tailored shopping experiences that reflect not only who their customers are, but also how they want to shop on different occasions;

- Establish an emotional connection with their customers by capturing their interest and creating a sense of excitement; and

- Use technology to bridge the gap between bricks and clicks, give shoppers all they need to reach a purchasing decision and take the hassle out of hunting for the right product.

The most successful retailers of the future will align their marketing, merchandising, staffing and service strategies with the requirements of their target customers. They will use the deeper insights that sophisticated customer segmentation can generate to help shoppers turn "mission impossible" into "mission accomplished."

Introduction

The rules of the retail market have changed. Pronounced shifts in demographics, attitudes and values have fragmented the marketplace and created a world of extremes. Consumers now want products and services that meet their individual needs and preferences. They are willing to pay premium prices for products that matter to them personally, but demand rock-bottom prices for basic goods. And, thanks to the Internet, they are increasingly well-informed. As a result, today's savvy customers have far greater expectations of the shopping experience than previous generations.

So how can retailers deliver a satisfying experience? They can focus on their target customers as never before – by developing an integrated view of those customers; creating an experience that is both convenient and capable of adapting to accommodate changing expectations; and providing a flexible product/service offering. This customer-centric approach starts with a much better understanding of modern shoppers and how their needs are evolving.

Innovation through insight

Earlier research by the IBM Institute for Business Value shows that the economic, qualitative, social, political and ethical considerations which shape how people shop are inherently multidimensional. (For further details, see the IBM executive brief "The retail divide: Leadership in a world of extremes.") These customer value drivers are also getting more and more complex. In order to understand what customers really want and tailor their offerings accordingly, retailers therefore need insights that go far deeper than traditional, largely demographic classifications can provide.

Such insights create a more holistic view of customers. They enable retailers to understand not merely who their customers are (their ages, income brackets, whether they have children, and so forth), but what motivates them: why they are shopping, what they want to accomplish, how they prefer to shop, what services they require, and what makes them visit a particular store. A retailer that really understands its customers can align its products and services more closely with their needs and preferences, and manage its core activities (such as merchandising, staffing, marketing and assortment planning) more effectively.

In 2004, IBM conducted a survey of U.S. shoppers to explore more fully the concept of the multidimensional consumer. We found that shoppers want different things, depending on the purpose for which they are shopping (the shopping mission or occasion). (For more information, see the IBM executive brief "Deeper customer insight: Understanding today's complex shoppers.") Together with The Store/Kantar, we have now conducted a survey of more than 5000 shoppers in the U.K., Germany and France to build a more complete picture of how shoppers behave, given their specific objectives (see *Survey methodology* sidebar on page 3).

Our latest study covers the groceries, clothing and consumer electronics sectors, and focuses on the 16 most important shopping missions identified as a result of our previous work (see Appendix for a full list). So, among other reasons, a customer who is shopping for groceries might be:

- Doing a main household stocking-up trip
- Topping up on staples
- Expressly looking for good promotions and special offers
- Doing a last-minute dash to buy something he or she urgently needs, or
- Purchasing things for a special meal or occasion.

Our findings confirm what our earlier investigations implied: namely, the increasingly multi-faceted nature of modern shoppers and their shopping missions. They also cast additional light on the way in which customers respond to the shopping experience. In the sections that follow, we shall discuss the most important results of our survey in more detail, as well as highlight any significant differences in the behavior patterns of customers shopping for different product groups or living in different countries.
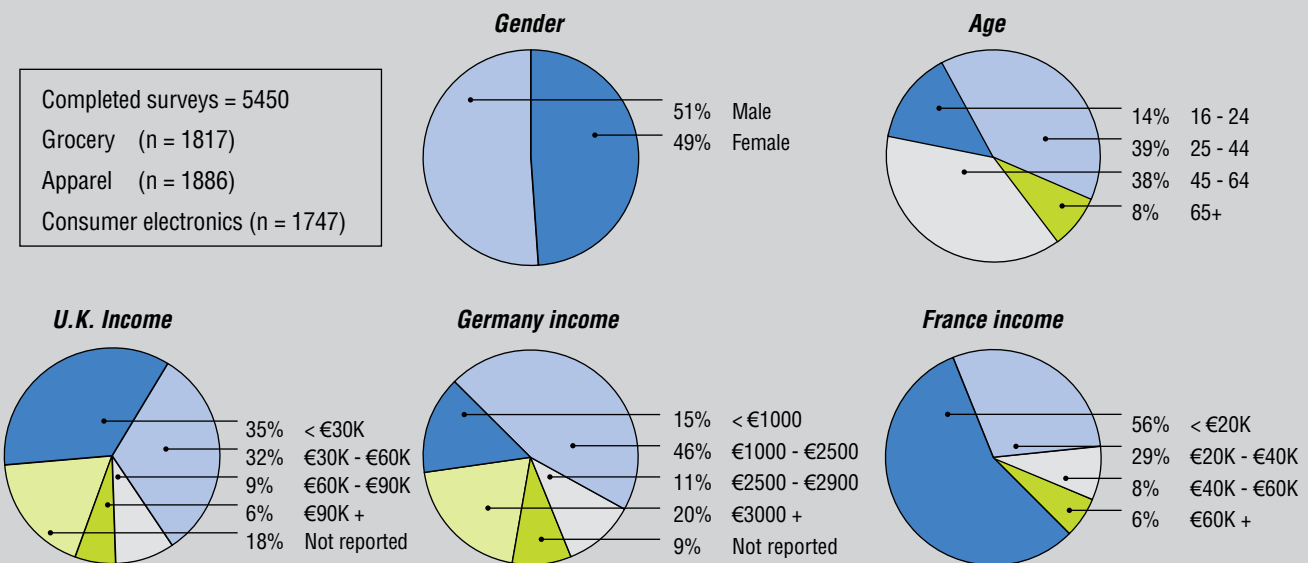
Survey methodology

The IBM Institute for Business Value, in collaboration with The Store/Kantar, conducted an online survey of a representative sample of consumers in the U.K., Germany and France between June and September 2005 (see Figure 1). Respondents were chosen based on whether they had gone shopping for groceries within the past two weeks; for apparel within the past three months; or for consumer electronics within the past 12 months. We conducted pre-tests in each country to identify any variations in the frequency or penetration of each shopping mission and weighted the survey findings accordingly.

Most of the questions were in a standard multiple-choice or rating-based format. Respondents answered questions relating to the following topics:

• The day of the week and time of day they shopped and with whom they shopped

• The list of retailers they either just browsed, or browsed and bought from

• Whether they were shopping for a particular product group or were looking for other goods as well

• What emotions they felt on the trip (such as whether it was a chore/hard work, enjoyable or relaxing)

• What items they bought, how much they spent, and whether their purchases were planned or impulse buys

• Why they chose to shop at the particular store where they made a purchase

• What activities they engaged in before shopping

• What five factors would most influence their choice of retailer for a similar mission in the future

• How interested they would be in a select group of innovative, in-store services

• Their overall attitude toward shopping and any changes in their shopping habits.

Figure 1. Key survey respondent demographics.

Gender

Completed surveys = 5450

Grocery   (n = 1817)

Apparel   (n = 1886)

Consumer electronics (n = 1747)

51%   Male
49%   Female

Age

14%   16 - 24
39%   25 - 44
38%   45 - 64
8%   65+

U.K. Income

35%   < €30K
32%   €30K - €60K
9%   €60K - €90K
6%   €90K +
18%   Not reported

Germany income

15%   < €1000
46%   €1000 - €2500
11%   €2500 - €2900
20%   €3000 +
9%   Not reported

France income

56%   < €20K
29%   €20K - €40K
8%   €40K - €60K
6%   €60K +

Note: German figures represent monthly net income, while U.K. and French figures represent annual gross income.
Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

Customers have different value drivers for different shopping missions

Shoppers are multidimensional; they want different things on different occasions, as our U.S. study previously demonstrated. We began our current analysis by asking respondents what sort of shopping trip they were on: whether they were only shopping for items in a specific product group, whether they were shopping for a wider range of goods, or whether they were just browsing.[1]

The answers we received show that the majority of customers shopping for groceries – particularly those in the U.K. and Germany – focus only, or mainly, on buying items in one product group when they undertake a shopping trip (see Figure 2). Ninety-one percent of British respondents and 86 percent of German respondents said that they were only, or mainly, shopping for groceries, compared with just 61 percent of French respondents. These sharp national differences in the missions of grocery shoppers reflect the strong influence of the hypermarket, which has a much longer history in France than in the U.K. or Germany. Conversely, customers who want to buy clothes or consumer electronics are less likely to focus solely, or largely, on the specific product groups for which they are shopping, and British customers tend to branch out most of all.

Figure 2. Customers shopping for only/mainly one product group.

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

The extent to which shoppers concentrate on one broad product group varies with product group and nationality. They also have different value drivers for different product groups and shopping missions. These differences are exhibited in numerous ways, including the frequency with which they shop, the value and composition of their baskets, their reasons for choosing a particular store, and whether or not they buy on impulse. We have compared six shopping missions – two per product group per country – to demonstrate these variations more clearly.

Profile of two clothing missions in the U.K.

Figure 3 shows that British customers shop for basic clothes much more often than they shop for work clothes. It also shows that these two types of shopping missions are quite different, with different objectives and needs. Shopping for basic clothes is a more spontaneous and impulsive activity than shopping for work clothes, and more often completed in the context of other shopping needs. Shopping for work clothes is much more purposeful and more frequently considered a chore.

But, whether they are shopping for basic or work clothes, British customers are increasingly inclined to go to multi-category stores and discount chains, as the mix of products in their baskets reveals. This trend also demon-strates the success the leading U.K. grocers have had in diversifying into clothing, and the strength of their clothing offers. As a result, clothing now plays a substantial role in stimulating trips to such retailers.

German and French customers display similar shopping behavior when they are looking for basic clothes or work clothes. However, they generally focus to a much greater extent than U.K. customers when buying basic clothes; 49 percent and 60 percent of respondents, respectively, said that they were only, or mainly, shopping for basic clothes. They also go shopping for clothes far less frequently. German respondents typically completed only eight basic and four work clothing trips a year, while French shoppers completed ten basic and three work clothing trips a year.

Figure 3. Clothing missions profile – *United Kingdom*.

	Shopping features and preferences	
	Adult basic clothes	**Adult work clothes**
Frequency per year	20 times	5 times
Average basket value	€64	€58
Only/mainly shopped for clothing	41%	71%
Actually bought clothing	99%	100%
Shopping was "enjoyable/relaxing"	51%	47%
Shopping was "a chore/hard work"	11%	19%
Purchase was planned	41%	64%
Reasons for visiting that particular store		
I was shopping for other goods there as well	26%	12%
There is always something new in the stores	26%	13%
The sizes and designs fit me/my children/my partner well	19%	29%

Basket composition - items over 5%				Top three retailers purchased from	
Adult basic clothes		**Adult work clothes**		**Adult basic clothes**	**Adult work clothes**
Clothing	99%	Clothing	100%	Tesco	George at Asda
Packaged foods	24%	Packaged foods	12%	Marks & Spencer	Marks & Spencer
Fresh foods	22%	Fresh foods	12%	George at Asda	Matalan
Drinks	15%	Drinks	9%		
Personal care	14%	Household products	7%		
Household products	13%	Personal care	6%		
Pre-prepared meals	12%				

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

Profile of two consumer electronics missions in Germany

Like customers who are shopping for clothes, those who are shopping for consumer electronics behave differently, depending on their goals. Shoppers who want to replace a piece of equipment are much more focused than those who are just browsing (see Figure 4 on page 6). But they are by no means always successful – only 67 percent of German respondents who went out planning to make a purchase actually did so.

The percentage of respondents who rated the consumer electronics shopping experience enjoyable or relaxing was much the same for both missions. But those who were looking for a replacement item were more likely to say that it was a chore, possibly because they found it difficult to locate an equivalent product very rapidly. Ease of shopping, access to knowledgeable staff, and the ability to research products on a retailer's Web site are much more important to such customers than they are to someone who is just browsing, as is clear from the reasons respondents cited for visiting a particular store.

Figure 4. Consumer electronics mission profile – *Germany*.

	Shopping features and preferences	
	Replace broken item/equipment	*Just browsing to keep up to date*
Frequency per year	2 times	4 times
Average basket value	€192	€129
Only/mainly shopped for electronics	80%	54%
Actually bought clothing	67%	65%
Shopping was "enjoyable/relaxing"	55%	57%
Shopping was "a chore/hard work"	20%	11%
Purchase was planned	80%	66%
Reasons for visiting that particular store		
It's easy to find what I need	47%	36%
The staff are able to give good advice	29%	22%
I was able to use its Web site in my research	19%	10%

Basket composition - items over 5%				Top three retailers purchased from	
Replace broken item/equipment		*Just browsing to keep up to date*		*Replace broken item/equipment*	*Just browsing to keep up to date*
Consumer electronics	67%	Consumer electronics	65%	Media Market	Media Market
Computers	34%	Computers	29%	Saturn	Saturn
Books and music	15%	Packaged foods	17%	Aldi	Aldi
Packaged foods	14%	Fresh food	17%		
Fresh food	13%	Drinks	15%		
Drinks	10%	Household products	12%		
Household products	10%	Clothing and accessories	11%		
Personal care	7%	Books and music	11%		
		Personal care	10%		

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

British and French customers who were looking for a replacement item seem to have had equal, or even greater, difficulty in finding what they wanted; only 69 percent and 48 percent, respectively, ended up buying something. But, perhaps surprisingly, customers who were just browsing reported similar levels of success, regardless of the country in which they were shopping. Sixty-five percent of German browsers went home with a new gizmo – and spent quite a lot in the process.

Fifty-eight percent of British shoppers and 52 percent of French shoppers who were just browsing consumer electronics also made a purchase. This suggests that browsers are far more attractive customers than many retailers might assume, and those retailers that are most effective at merchandising or inspiring customers at the point of sale can succeed in converting browsers into buyers.

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Profile of two grocery shopping missions in France
Different patterns of shopping behavior likewise emerge when shoppers are doing the main groceries run, versus making a last-minute trip to buy something they urgently need. Only 56 percent of French respondents who were stocking up said that this was their sole, or main, purpose, as opposed to 78 percent of those buying something they required right away (see Figure 5). In other words, customers who are stocking up on groceries tend to shop for goods in other product groups as well, which may

Figure 5. Grocery missions profile – *France.*

Shopping features and preferences		
	Stock up	*Urgent need*
Frequency per month	8 times	1.5 times
Average basket value	€62	€43
Only/mainly shopped for groceries	56%	78%
Shopping was "enjoyable/relaxing"	51%	46%
Shopping was "stressful"	4%	8%
Purchase was planned	93%	81%
Reasons for visiting that particular store		
It's the one I always use	60%	45%
Everything I need is in one place	47%	29%
I have a loyalty card there	36%	27%

Basket composition - items over 5%				Top three retailers purchased from	
Stock up		*Urgent need*		*Stock up*	*Urgent need*
Fresh foods	86%	Packaged foods	78%	Carrefour	Carrefour
Packaged foods	82%	Fresh foods	72%	Leclerc	Leclerc
Household products	60%	Household products	38%	Auchan	Auchan
Personal care	41%	Personal care	28%		
Pre-prepared meals	30%	Pre-prepared meals	24%		
Office supplies	16%	Clothing and accessories	10%		
Books and music	12%	Housewares	9%		
Housewares	10%	Office supplies	9%		
Clothing and accessories	8%	Books and music	8%		

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

explain why 47 percent chose a store that could cater to all their wants (versus just 29 percent of those who were searching for items they needed immediately).

Whether they were shopping to stock up on groceries or fulfill an urgent need, French respondents reported similar levels of satisfaction. But customers who are shopping for a product they urgently require are usually in a hurry; hence the fact that eight percent of respondents found the experience stressful, and that many such respondents went to a different store than the one they normally used. Only 45 percent went to the store they always visited, compared with 60 percent of those who were doing the main groceries run.

The same trend was true of shoppers in Germany and the U.K. Fifty-seven percent of German respondents who were stocking up said that they shopped at the store they always used, compared with just 45 percent of those who were looking for something urgently. In the U.K., the figures were still lower, at 43 and 37 percent respectively, suggesting that British shoppers are even less loyal to a specific store, regardless of whether they are stocking up or shopping for products they require immediately. Thus, retailers in all three countries need to consider how they can create a more convenient and less stressful experience, if they want to attract and retain shoppers who are frantically seeking that missing item.

Shopping missions can evolve

Our survey shows that whether or not shoppers focus exclusively, or mainly, on a single product group depends on both the specific product group and the mission. It also shows that many customers who go out shopping for items in one product group end up buying all sorts of other things. In short, the purpose for which they are shopping changes during the course of the trip. The varied composition of respondents' shopping baskets, which we mentioned in our discussion of mission profiles, illustrates this evolution.

Furthermore, correlation analysis of the average basket demonstrates that there are consistent relationships among some of the items bought by certain customers.[2] Statistically significant relationships exist, for example, in the case of customers shopping for consumer electronics and simultaneously buying groceries. To be sure, not every consumer electronics shopper also bought groceries, but those who did bought their grocery items in regular combinations.

British customers who were looking for replacement electronic goods, for instance, typically bought a cluster of additional items comprised of fresh foods, ready meals, household care products, personal care products and clothes (see Figure 6). However, the specific cluster of items consumer electronics customers purchased differed to some extent, depending on the shopping mission. Customers who were just browsing for electronic goods typically bought fresh foods, ready meals, drinks and office supplies, but not household care and personal care products.

Similar relationships exist among the grocery items purchased by customers shopping for clothes. A combination of ready meals, household care products, personal care products, media products, stationery and drinks regularly appeared in the baskets of respondents who were looking for children's clothing, for example, although the links were weaker.

Conversely, there was a negative or nonexistent correlation between consumer electronics and computers. British customers who were shopping for electronic items (with the exception of those who were looking for special offers) were *less* likely to buy computers. The same was true of German customers shopping for consumer electronics, regardless of the reason for which they were shopping, whereas there was no relationship at all between the purchasing of consumer electronics and computers in France. This is not very surprising. Both consumer electronics and computers are complex kinds of product – and buying them often involves a lot of prior research or consideration at the point of purchase. But since they are used in quite different ways or to satisfy quite different needs, customers see shopping for such products as entirely separate missions.

Figure 6. Correlation analysis of items purchased: U.K. consumer electronics replacement shopper.

	Packaged	Fresh	Prepared	Household	Personal	Prescription	Clothing	Computers	Electronics
Packaged	1								
Fresh	0.76687 <.0001	1							
Prepared	0.42534 <.0001	0.40358 <.0001	1						
Household	0.73312 <.0001	0.69728 <.0001	0.49596 <.0001	1					
Personal	0.78736 .0144	0.63542 <.0001	0.55207 <.0001	0.60771 <.0001	1				
Prescription	0.19203 .0144	.39528 <.0001	0.25117 .0013	0.37851 <.0001	0.25117 .0013	1			
Clothing	0.54601 <.0001	0.5195 <.0001	0.55207 <.0001	0.38422 <.0001	0.70138 <.0001	0.25117 .0013	1		
Computers	-0.05117 .5179	-0.05946 .4523	-0.01021 .8974	-0.06725 .3952	-0.01021 .8974	-0.04888 .5367	0.0725 .3593	1	
Electronics	0.13012 .0989	0.09022 .2535	-0.05205 .5107	-0.04439 .5749	0.07868 .3196	-0.04458 .5732	0.01332 .8664	-0.46401 <.0001	1

Note: The relationships represented here are a sample of the items customers purchased. The top figure in each box represents the strength of the relationship between two product groups; the bottom figure represents the significance level. The items that are highlighted in green are those with correlations above 0.4 and with significance levels greater than 99.99 percent, or less than 0.001 percent due to chance.
Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

"What starts as a mission to purchase a particular product can morph into browsing – and retailers that understand what persuades shoppers to put other things in their baskets can design their stores to capture such impulse buying."

The positive and negative correlations we identified also reflect the nature of the stores shoppers are frequenting and how they are responding to the in-store environment. Many U.K. retailers sell consumer electronics, for example, so British shoppers can buy what they need in stores that sell multiple product groups, rather than having to go to specialist stores. That, in turn, means they can be influenced by a myriad of things – including the assortment and placement of merchandise, and special promotions – to look at a much wider range of products.

So, what starts as a mission to purchase a particular product can morph into browsing – and retailers that understand what persuades shoppers to put other things in their baskets can design their stores to capture such impulse buying.

However, correlation analysis of the average basket of groceries shows that the situation is very different when it comes to shopping for food. While there was a greater statistical probability that customers from all three countries who bought personal care products would also buy household goods, the composition of their baskets (particularly those of British customers) was otherwise relatively random. Indeed, they did not even show the sort of correlations among different grocery items that characterized the baskets of clothing and consumer electronics shoppers.

Since replenishment forms a large part of grocery shopping, it is possible that customers buy what they need when they need it, not in any particular combination. Alternatively, the fact that grocery shoppers often respond to in-store offers and buy on impulse may account for this feature. Such unpredictability reinforces the importance of the shopping experience, as distinct from the merchandise itself. In other words, the more customers view groceries as commodities, the more they will concentrate on basic features like convenience and availability. So it becomes even more important for grocers to deliver a positive overall shopping experience.

Mood makes a difference in how much shoppers spend

We looked earlier at how specific shopping missions affect customers' emotions, but mood also makes a big difference in how much shoppers spend. We asked customers shopping for goods in each of the three product groups to identify how they felt while they were shopping. In general, those who were shopping for groceries reported lower levels of enjoyment or relaxation than those who were shopping for clothes and consumer electronics. Grocery shoppers were also most likely to say that it was a chore (see Figure 7).

Only 44 percent of German respondents who were shopping for groceries enjoyed the experience, for example, compared with 55 percent of those who were shopping for consumer electronics and 59 percent of those who were shopping for clothes. French grocery shoppers seem to have had a better time; 51 percent described the trip as enjoyable/relaxing. But British grocery shoppers were very critical indeed; only 34 percent thought that the trip was enjoyable, while 17 percent thought that it was a chore and 20 percent that it was boring (see sidebar, *Supermarket snore*).[3]
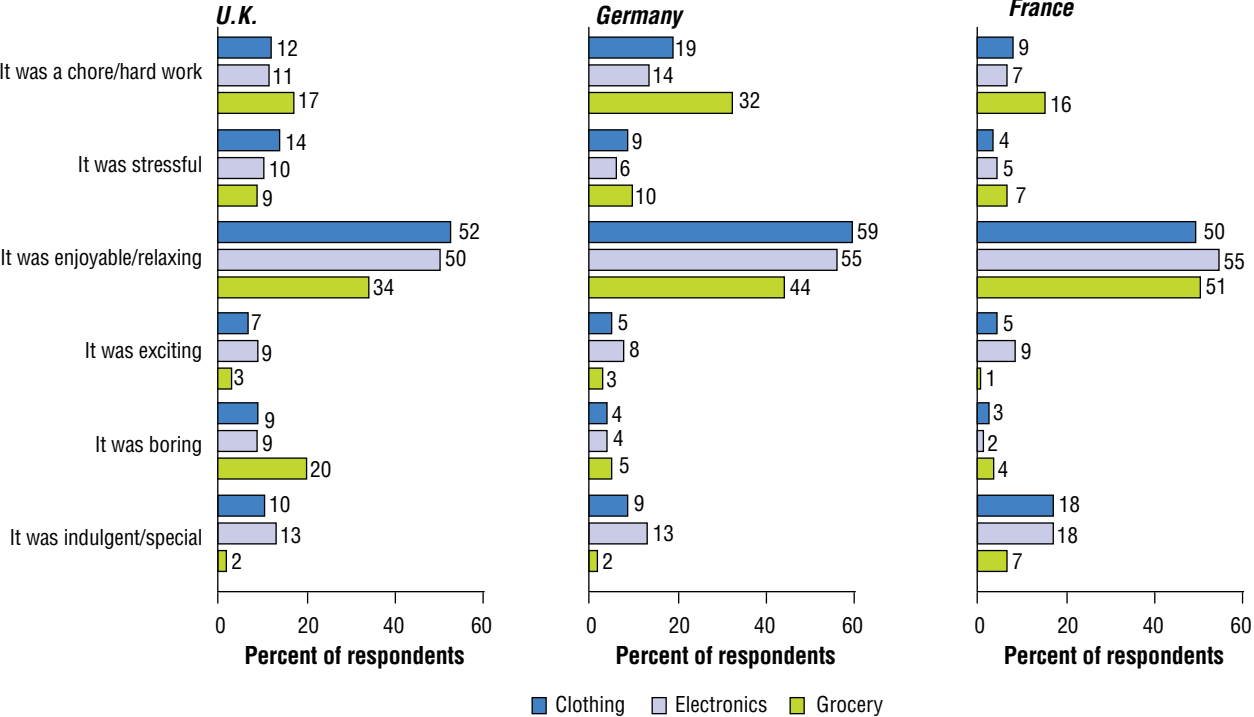

Supermarket snore

Clearly, British customers are not alone in thinking that grocery shopping is tedious. Speaking at a recent industry conference, Andy Bond, chief executive of U.K.-based Asda/Wal-Mart, said that it is no wonder so many people hate supermarket shopping because it is boring. He believes the success of the largest retailers is attributable to the fact that they have so many outlets, not to the quality of their product offerings. Mr. Bond claimed that the gray suit brigade had taken over the running of the retail sector, and called for more flair and innovation.

Clearly, emotions are subjective and may be influenced by a wide range of factors. However, our findings show that they have a major bearing on consumers' expenditures; respondents who were shopping for groceries and consumer electronics, and who described their shopping trips as exciting, consistently spent more – sometimes very much more – than those who did not find the experience exciting. This was true of customers in all three countries (see Figure 8).

For instance, French respondents who thought shopping for consumer electronics was exciting spent more than three times as much as those who thought it was boring (€302 versus €95). Ge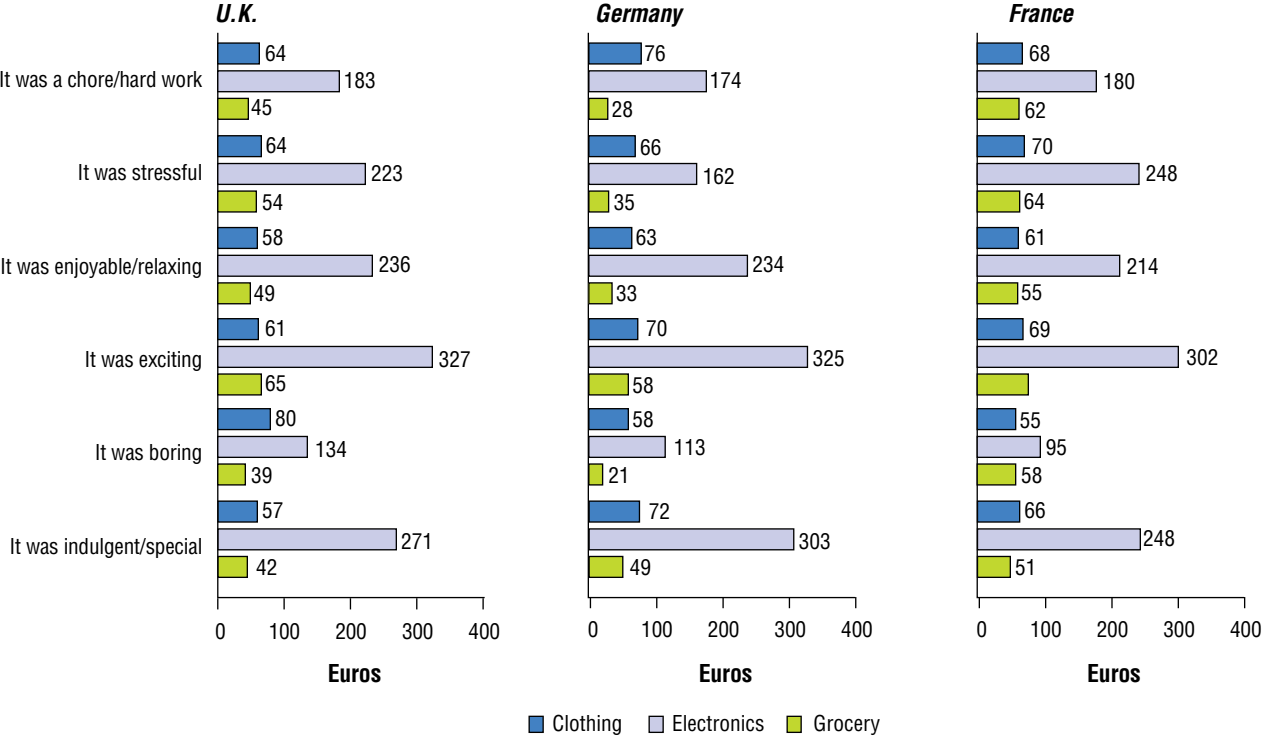rman respondents who thought shopping for consumer electronics was exciting spent nearly three times as much as those who thought it was boring (€325 versus €113). And British respondents who thought shopping for groceries was exciting spent almost 50 percent more than those who thought it was hard work or a chore (€65 versus €45).[4]

Figure 7. How customers felt on their shopping trip.

U.K.

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	12	11	17
It was stressful	14	10	9
It was enjoyable/relaxing	52	50	34
It was exciting	7	9	3
It was boring	9	9	20
It was indulgent/special	10	13	2

Percent of respondents

Germany

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	19	14	32
It was stressful	9	6	10
It was enjoyable/relaxing	59	55	44
It was exciting	5	8	3
It was boring	4	4	5
It was indulgent/special	9	13	2

Percent of respondents

France

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	9	7	16
It was stressful	4	5	7
It was enjoyable/relaxing	50	55	51
It was exciting	5	9	1
It was boring	3	2	4
It was indulgent/special	18	18	7

Percent of respondents

■ Clothing □ Electronics ■ Grocery

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

Figure 8. Spending by mood across product groups and countries.

U.K.

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	64	183	45
It was stressful	64	223	54
It was enjoyable/relaxing	58	236	49
It was exciting	61	327	65
It was boring	80	134	39
It was indulgent/special	57	271	42

Euros

Germany

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	76	174	28
It was stressful	66	162	35
It was enjoyable/relaxing	63	234	33
It was exciting	70	325	58
It was boring	58	113	21
It was indulgent/special	72	303	49

Euros

France

Mood	Clothing	Electronics	Grocery
It was a chore/hard work	68	180	62
It was stressful	70	248	64
It was enjoyable/relaxing	61	214	55
It was exciting	69	302	
It was boring	55	95	58
It was indulgent/special	66	248	51

Euros

■ Clothing □ Electronics ■ Grocery

Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

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This close relationship between the emotional responses and spending patterns of consumers shopping for groceries and consumer electronics shows how vital it is to engage with customers during the shopping experience. When customers feel engaged and excited, they stay longer in a store and spend more money. When they feel bored or regard the trip as hard work, they spend less.

However, the situation is very different when it comes to shopping for clothes. Again, our findings are consistent across all three countries; customers who were shopping for clothes spent more when they had a *less* pleasant experience. The biggest spenders were those who described the trip as a chore or hard work in Germany, as boring in the U.K., and as stressful in France – although the difference in clothes spending between customers who disliked the experience and those who enjoyed it was much smaller than in the other two product groups.

This apparently negative connection between the mood and expenditure of clothing shoppers may reflect the fact that buying clothes is inherently difficult. Shopping for clothes for oneself is a much more personal matter than shopping for groceries or consumer electronics, since it involves issues related to self-image. It is also often hard finding clothes that fit, finding the right outfit or finding the right size in stock. So, the challenge for clothing retailers is to concentrate on making the experience as painless as they can. For example, this includes maintaining high in-stock levels on key items and making it convenient for customers to purchase product that is unavailable, such as ordering it from other stores at the point of sale or from the store Web site while they are shopping.

Customers want convenience

Shopping for clothes may be especially difficult, but a growing number of customers are impatient with any sort of inconvenience, regardless of what they are shopping for. Technologically-literate consumers are increasingly turning to online tools to find out what they need before they go shopping. When they enter a store, they also have higher expectations than ever for a hassle-free experience that gives them the information they need to make the right decision and gets them through the store as efficiently as possible.

Our survey findings show that customers in all three countries are actively embracing the Internet. Forty-four percent of German respondents, 40 percent of French respondents and 37 percent of British respondents strongly agreed with the statement: "These days the Internet is becoming a much more important part of my overall shopping process." Predictably, perhaps, customers who were shopping for consumer electronics used the Internet most heavily in their pre-shopping activities – primarily by gathering technical information, looking for ideas about what to buy, comparing prices and searching for special offers. Between 70 percent and 90 percent of respondents engaged in such activities.

The extent to which shoppers are comfortable with other technologies varies more widely from one country to another. For example, 46 percent of German respondents said that they felt confident using the automated services now available in many stores, whereas only 31 percent of British respondents and 24 percent of French respondents felt the same way. However, customers in all three countries expressed interest in several new in-store services, and French customers showed the greatest interest of all.
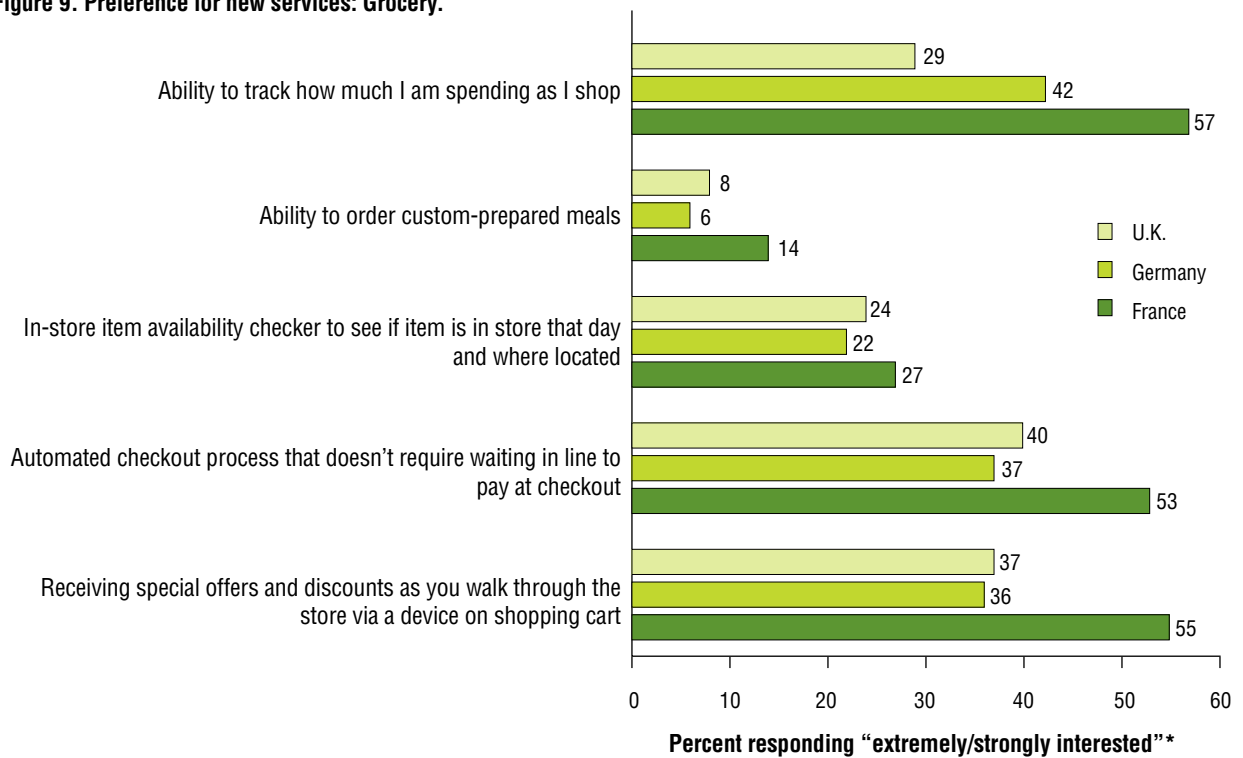
Grocery

Customers who were shopping for groceries were particularly interested in being able to track their spending as they walked around the store (via devices mounted on their shopping carts); using automated checkout processes that would save them from having to wait in line; being able to confirm the availability of an item while they were in the store; and being able to receive promotions and special offers via their shopping carts. Between 22 and 60 percent of respondents expressed a strong, or very strong, interest in these services. German respondents were especially enthusiastic about being able to track their spending while they were shopping, which reflects the extent to which they focus on costs. Conversely, interest in services such as the ability to order custom-prepared meals was much more muted (see Figure 9).

Taken as a whole, these responses suggest that grocery shoppers would welcome self-service devices that can get them more quickly through the store and provide them with more control over the process. Such tools would ease, or overcome, what many people see as the negative aspects of the shopping experience.
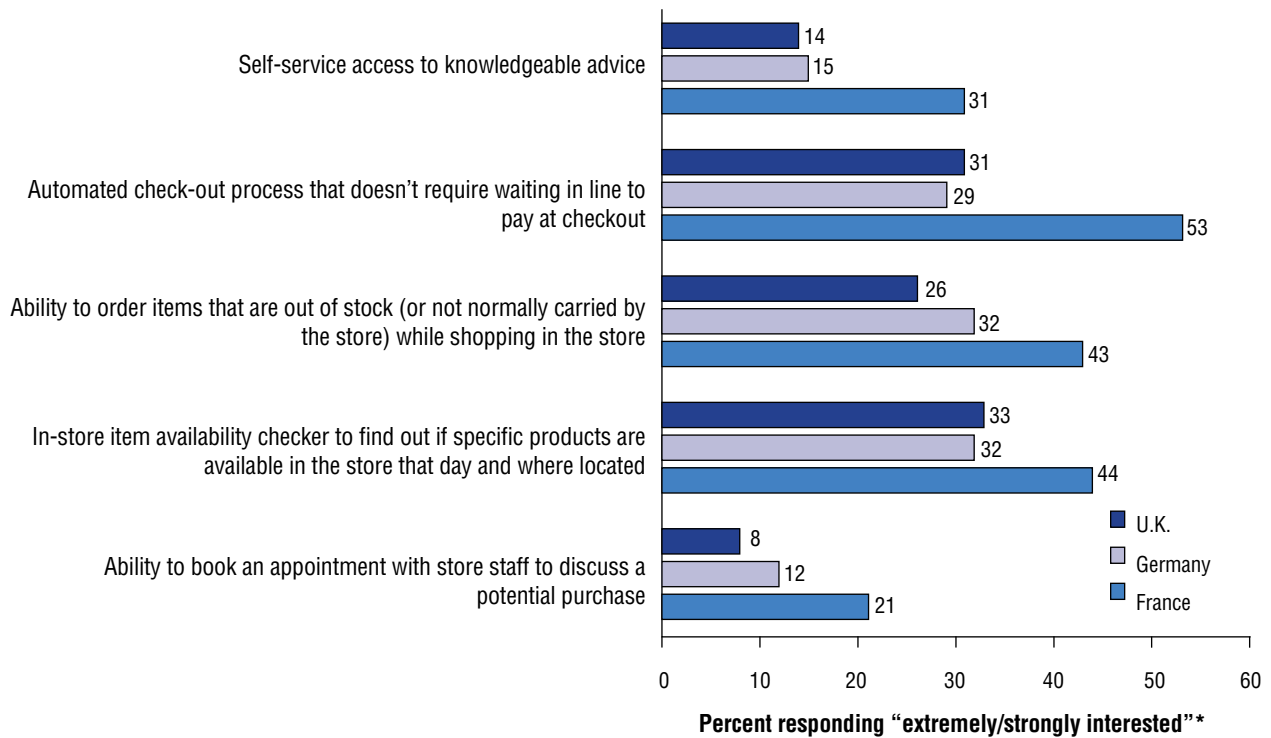
Clothing

Customers who were shopping for clothes expressed similar preferences to those who were shopping for groceries. Between 29 percent and 53 percent of respondents were particularly interested in services that would enable them to check the availability of specific products, order out-of-stock items via the cashier at the checkout or self-service kiosks linked to the store's Web site, and pay for their purchases more rapidly (see Figure 10 on page 14).

Figure 9. Preference for new services: Grocery.

Service	U.K.	Germany	France
Ability to track how much I am spending as I shop	29	42	57
Ability to order custom-prepared meals	8	6	14
In-store item availability checker to see if item is in store that day and where located	24	22	27
Automated checkout process that doesn't require waiting in line to pay at checkout	40	37	53
Receiving special offers and discounts as you walk through the store via a device on shopping cart	37	36	55

Percent responding "extremely/strongly interested"*

*Note: Response of 6 or 7 on a scale from 1–7, where 1 is "not interested at all" and 7 is "extremely interested."
Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

Figure 10. Preference for new services: Clothing.

Self-service access to knowledgeable advice
- 14
- 15
- 31

Automated check-out process that doesn't require waiting in line to pay at checkout
- 31
- 29
- 53

Ability to order items that are out of stock (or not normally carried by the store) while shopping in the store
- 26
- 32
- 43

In-store item availability checker to find out if specific products are available in the store that day and where located
- 33
- 32
- 44

Ability to book an appointment with store staff to discuss a potential purchase
- 8
- 12
- 21

■ U.K.
■ Germany
■ France

0   10   20   30   40   50   60

Percent responding "extremely/strongly interested"*

Note: Response of 6 or 7 on a scale from 1-7, where 1 is "not interested at all" and 7 is "extremely interested."
Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

However, German and British clothing shoppers showed little interest in being able to book an appointment with a "personal shopper" to discuss a potential purchase or access advice on a self-service basis. Fewer than 14 percent of respondents expressed a strong preference for either of these facilities. French shoppers were rather more enthusiastic; 20 percent of respondents strongly favored being able to book an appointment with a member of staff to discuss a potential purchase, while 31 percent welcomed the idea of self-service access to knowledgeable advice.

This evidence suggests that clothing shoppers want convenience and ease of shopping, but are also concerned about retaining control over the shopping process. Such reservations may stem from the fact that when a particular brand of groceries or consumer electronics is out of stock, it is often possible to substitute that brand with another. But it is rarely possible to substitute items of apparel in the same way because they are an expression of the wearer's individual style. Thus, if customers know that the products they desire are in stock or have in-store access to a retailer's Web site to order something that is not on the shelves, they are likely to have a more satisfying shopping experience.
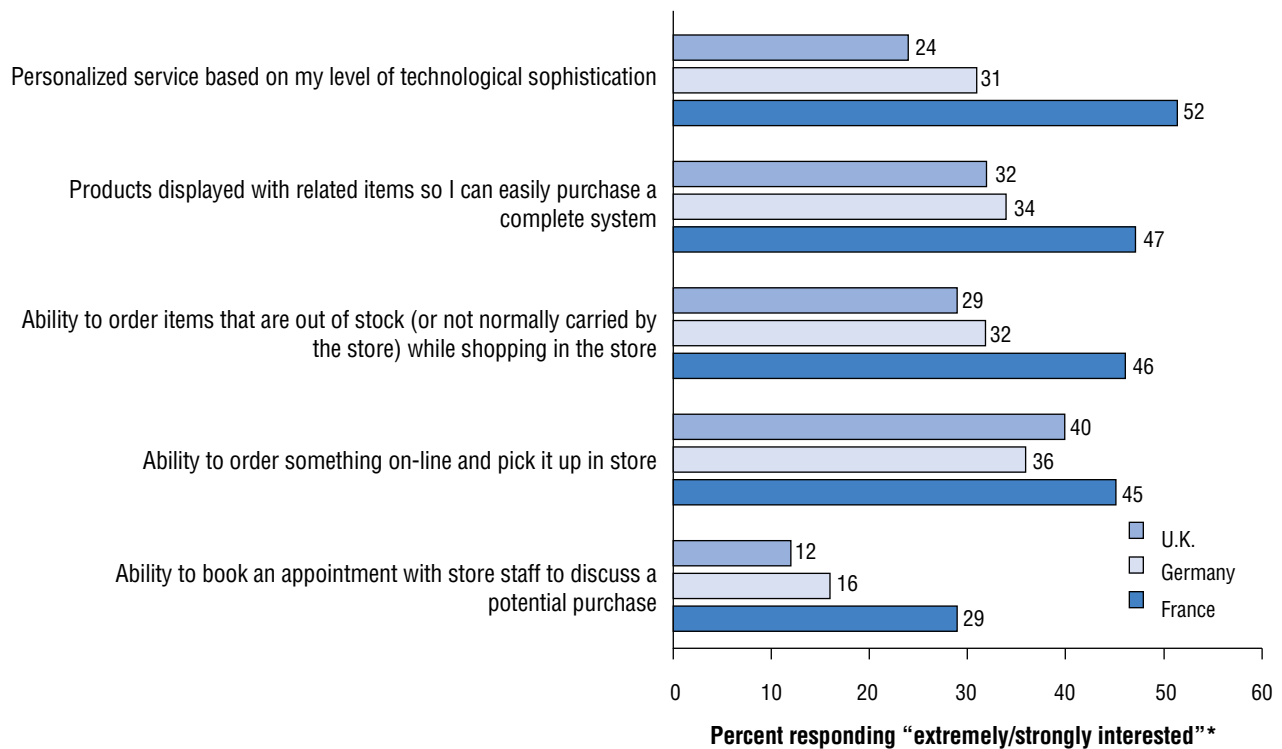
Consumer electronics

Interest in new in-store services is even higher among customers shopping for consumer electronics (see Figure 11). Between 29 and 45 percent of respondents said that they would like to be able to order out-of-stock items via the cashier at the checkout or self-service kiosks linked to the store's Web site, and to order goods online for collecting later. Between 32 and 47 percent preferred to see related products merchandised together in order to make the purchasing process easier. A substantial percentage of consumer electronics shoppers also liked the idea of getting a personalized service tailored to their

level of technological knowledge, although relatively few wanted the ability to book an appointment with a member of staff at a given store to discuss a potential purchase.

In short, consumer electronics shoppers are interested in receiving the sort of information that will enable them to make the right purchases. They also want convenience and ease of shopping – as do grocery and clothing shoppers. Indeed, the evidence suggests that, whatever the product group for which they are shopping, most customers will embrace new services which are relevant to their particular needs and for which they can see a clear value.

Figure 11. Preference for new services: Consumer electronics.

Personalized service based on my level of technological sophistication
- U.K.: 24
- Germany: 31
- France: 52

Products displayed with related items so I can easily purchase a complete system
- U.K.: 32
- Germany: 34
- France: 47

Ability to order items that are out of stock (or not normally carried by the store) while shopping in the store
- U.K.: 29
- Germany: 32
- France: 46

Ability to order something on-line and pick it up in store
- U.K.: 40
- Germany: 36
- France: 45

Ability to book an appointment with store staff to discuss a potential purchase
- U.K.: 12
- Germany: 16
- France: 29

Legend: ■ U.K. □ Germany ■ France

Percent responding "extremely/strongly interested"*

*Note: Response of 6 or 7 on a scale from 1-7, where 1 is "not interested at all" and 7 is "extremely interested."
Source: IBM Institute for Business Value and The Store/Kantar 2005 Shopper Survey for U.K., Germany and France.

National differences in spending patterns and shopping channels
We have touched on a number of differences in the way shoppers in the U.K., Germany and France behave. But there are also some interesting variations in spending patterns and shopping channels.

Spending
France is the land of *haute cuisine*, so it comes as no surprise that French shoppers spend more than their fellow Europeans on groceries, with an average basket worth €56. German shoppers spend just €32, but make up for it by splurging on clothes (particularly clothes for work and special occasions), with an average basket worth €66. That said, the French presumably have the best-dressed offspring; they spend an average €71 per trip buying basic children's wear and make 16 such trips a year (compared with five trips by British parents and three trips by German parents). The British spend the smallest sum on clothes (and there is little variation in spending levels across shopping missions), but they spend the most on consumer electronics (€222) while Germans spend the least (€154).

Channels
The French market for groceries and consumer electronics is dominated by Carrefour; the hypermarket giant is the top retailer for all such shopping missions. Boutiques play a much more important role in the clothing sector, as do Kiabi, C&A and H&M. In Germany, hard discounters Aldi and Lidl lead the way. They are the two top choices for groceries, and among the top five choices for consumer electronics, after Media Market and Saturn. Aldi is also one of the top five retailers for most clothing missions, together with H&M and C&A. Tesco holds almost equal sway in the U.K. It is the number one retailer of groceries, followed by Asda (a subsidiary of Wal-Mart). It is also among the top ten retailers for most clothing missions and the first choice for customers buying basic clothes and children's clothes, although it is only a minor player in the consumer electronics sector, where Argos and Comet are the leading retailers.

Implications

A retailer armed with deeper insights about its customers through sophisticated analysis of their patterns of shopping behavior can develop a more satisfying shopping experience. A better understanding of its customers gives the specific information necessary to design and drive its operating strategy. What, then, do our findings signify? We believe that there are three major implications for retailers:

- Provide a more tailored shopping experience that reflects not only who your target customers are, but also how they want to shop

- Create an emotional connection with your customers by capturing their attention and imagination, and building a sense of excitement; and

- Use technology to satisfy your customers' shopping needs and expectations.

Provide a more tailored shopping experience that reflects not only who your target customers are, but also how they want to shop
The results of our survey clearly demonstrate that shoppers are multidimensional; the value drivers they apply vary according to the product groups and purposes for which they are shopping. This means that, instead of providing a "one-size-fits-all" experience, retailers must deliver an offering that is tailored to their target customers, and to the missions they are most likely to be pursuing, because customers will continue to search out the retailer that best meets their individual needs.

Equipped, for example, with the knowledge that shoppers who want to replace electronic equipment require more information and a higher level of service than those who are just browsing, and that they prefer related items to be displayed together since that makes it easier to buy complete systems, a consumer electronics retailer can shape its product/service offering accordingly. It can adjust its staffing levels to help ensure that the right number of personnel with the right skills is available

on the days and at the times when such customers shop. It can also use self-service facilities like kiosk-based, guided selling tools to help customers match the features they want with the goods for sale; Virgin Entertainment Group is already pioneering the use of self-service tools to create a more interactive and more personalized shopping experience (see sidebar, *Try before you buy*).[5] Lastly, a retailer that understands how customers looking for replacement items really go about the shopping process can improve its merchandising displays so that they can easily identify the products they need. Meanwhile, it can stimulate the interest of shoppers who are "just looking" by creating an environment that emphasizes novelty and encourages them to convert from browsing to buying.

> **Try before you buy**
> Customers at Virgin Entertainment Group's mega-store in Manhattan's Times Square can now preview CDs, watch video trailers, or see reviews and screenshots before they spend a cent. Virgin has installed 150 IBM Anyplace Kiosks with full-screen video and high-quality sound facilities in its flagship outlet, enabling shoppers to sample more than 250,000 CDs, 11,000 DVDs and 7,000 games. The kiosks will eventually include a "guided selling" application that provides product recommendations based on shoppers' music preferences and past purchases.

Similarly, a grocery retailer that appreciates the different needs of shoppers who are doing the main food run and those who are making a last-minute trip to buy something they urgently require can manage its store layout and product offerings in a way that accommodates the "browsing" behavior of the stock-up buyer without impeding shoppers who are in a hurry. The U.S.-based grocer Food Lion has, for instance, designed the front of its Bloom stores specifically to sell convenience foods and staples, thus eliminating the need for customers to walk through the entire store to pick up such essentials.[6]

The first challenge is thus to identify the different intentions of customers when they walk through the door – whether, for example, they want to browse new technologies, look for accessories, shop for something new

or replace something they already have. One possible approach for doing this is to encourage customers to select different "paths" through the store, based on their particular needs on a given day.

The second challenge is to provide customers with different ways of shopping. How much or how little service do they want, for example? One customer might be a "surgical" shopper who knows exactly what he or she wants, and likes to get in and out of the store as fast as possible, while another requires lots of advice and personal service. Individual preferences and the nature of the shopping mission will both play a part in determining how customers want to shop.

An understanding of the relationships among the items in customers' baskets provides retailers with other opportunities. At present, they often organize and merchandize their stores in the way that is most convenient for their own needs (such as selecting and buying merchandise or refilling shelves). But analyzing how shoppers move about a store on a particular mission, and the products they put in their baskets during each mission, enables a retailer to organize and merchandize its stores in the way that best suits the needs of its customers. It can also provide cues throughout the store to help customers who are on a particular mission find what they want.

However, it is important to bear in mind that it is impossible to create tailored experiences for every sort of shopping mission. So retailers should aim to understand, and address, the core missions of their best customers. Otherwise, they risk creating an experience that does not properly serve anyone's needs.

"...retailers should aim to understand, and address, the core missions of their best customers. Otherwise, they risk creating an experience that does not properly serve anyone's needs."

Creating an emotional connection with your customers by capturing their attention and imagination, and building a sense of excitement

Creating an emotional connection with customers while they are shopping can become a key means of differentiation for all but the most time-sensitive missions. When customers are engaged in the experience – whether because the service is highly personalized, the product range is unique, the atmosphere is stimulating, the merchandising is imaginative or the ambiance generates a sense of affinity – they will stay longer in a store and they will often spend more. They will also seek out such retailers; they will walk or drive farther to find such places, ignoring more conveniently located but less appealing outlets. In other words, creating an emotional connection can help build loyalty to a retailer's brand, as well as to a particular store.

A good example of a retailer that has engaged its customers and changed how they feel is the U.S. grocer Whole Foods Market. As we saw earlier, many consumers regard shopping for food as a boring or unpleasant task. They are driven by the need to replenish their cupboards and are motivated by price, convenience and availability – all basic features which retailers must deliver, but which offer little opportunity for competitive differentiation. However, Whole Foods Market has succeeded in transforming a boring experience into an exciting one, and increased its sales dramatically in the process (see sidebar, *Foodie fun*).[7]

Using technology to satisfy your customers' shopping needs and expectations

Customers want convenience, greater control over the shopping experience and ever more information, as evidenced by the fact that a growing number of consumers use the Internet to do their preliminary research, particularly for electronics. A retailer that recognizes these needs can consider innovative ways of employing technology to enhance the shopping experience. It can, for example, equip its stores with Web-based tools that enable shoppers to compare features, conduct price comparisons and read third-party reviews.

Foodie fun
Whole Foods Market, the U.S. organic groceries chain, works on the premise that shopping for groceries should be fun. Its new flagship store in Austin, Texas, sells a huge array of organic groceries and clothing in an environment that is designed to appeal to all the senses. The different sections are arranged like Disney World attractions; in Candy Island, customers can dip fresh strawberries in a chocolate fountain; in Lamar Street Greens, they can sit among the organic produce eating handmade salads; and in Fifth Street Seafood, they can order any of 150 seafood items cooked, sliced, smoked or fried for instant eating. Classical music plays in the background and the produce is illuminated with the sort of lighting that is used in art galleries. The Whole Foods Market recipe has proved incredibly successful; in the 2004 financial year, sales grew 23 percent to US$3.9 billion and comparative store sales increased 14.9 percent. The company is now expanding overseas. It bought the U.K.-based Fresh & Wild in 2004, and is planning to open a store in London in 2007.

Bringing the Web to the store lets customers simultaneously access the information they require, see the products for themselves and discuss any queries with a member of staff. If they have everything that is essential to make an informed purchasing decision, they are less likely to make multiple visits, return products or take their business elsewhere.

However, as our findings show, what customers need varies according to their individual missions, their preferences and the degree to which they are comfortable with technology. Thus, any retailer that plans on introducing new services or technologies must first confirm that it has a sound understanding of its target customers and that the services it intends to install will indeed add value. Other considerations include what sort of technology to use and where to put it – whether, for example, it is easy to operate, whether it simplifies the purchasing process and the critical decision-making point at which it should be located. The most successful technologies will generally be those that are transparent to customers.

Conclusion

Customers walk into stores every day with specific shopping missions; it is the task of retailers to provide a product/service offering that stimulates them to make a purchase. But the ability to develop relevant offerings that are tailored to people with different missions, and create an experience they enjoy, requires that retailers have deeper insights than before.

The traditional way of segmenting customers according to basic demographic divisions is not enough. No customer can be classified simply as a "30-year-old single woman with a full-time job and a dog" or a "45-year-old man with two teenage children." On the contrary, customers are individuals with different histories, values, attitudes, preferences and prejudices. People who might superficially seem similar may well have quite dissimilar requirements, especially if the purposes for which they are shopping are different. Equally, people who might superficially seem very dissimilar may have similar requirements, if they are on the same shopping mission.

Developing a better understanding of customers is an essential first step in creating a more customer-centric shopping experience. Retailers need to understand what missions attract customers to their stores, what customers need while on those missions, and how they go about shopping (and global retailers need to understand any national differences). Once they have these insights, they can develop store formats, merchandising and servicing strategies that are more closely aligned with the shopping strategies, needs and preferences of their target customers.

However, the most advanced retailers will ultimately go much further. They will use the proprietary insights they acquire to create personalized shopping experiences that are tailored to the preferences of their customers – as those preferences change in the course of a particular shopping mission or from one shopping mission to another. The more tailored the experiences they provide, the more they will be able to differentiate themselves from their rivals. And the more they help customers to convert "mission impossible" into "mission accomplished," the greater the rewards they will reap.

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Appendix: Key shopping missions

Groceries

- A main household stocking-up trip

- A top-up trip to replace key staples

- A trip specifically to look for good promotions and special offers

- A last-minute trip to buy something you need urgently/ have run out of

- A trip specifically to buy groceries for a special meal/ occasion.

Clothing

- Shopping for basic items, everyday items for yourself or another adult

- Shopping for a special occasion or event for yourself or another adult

- Treating yourself to something new (i.e., not necessarily something you need)

- Specifically looking for good promotions/special offers/ bargains for yourself or another adult

- Shopping for work clothes

- Shopping for basic, everyday items for your children.

Consumer electronics

- Shopping to replace equipment that has broken down

- Shopping for a new type of equipment you haven't owned before, but you have identified a need/use for

- Shopping for accessories

- Specifically looking for good promotions/special offers/ bargains

- Just browsing to keep up to date with what's in the shops.

Related publications

- "The retail divide: Leadership in a world of extremes." IBM Global Business Services. July 2004. http:// www-1.ibm.com/services/us/index.wss/ibvstudy/imc/ a1002881?cntxtld=a1000063

- "Deeper customer insight: Understanding today's complex shoppers." IBM Global Business Services. December 2004. http://www-1.ibm.com/services/ ondemand/business/deeper_insights.html

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References

[1] We asked respondents to choose from one of the following four statements which best described the shopping trip they were on: I was shopping *only* for groceries, clothes or consumer electronics; I was shopping *mainly* for groceries, clothes or consumer electronics; I was shopping *for all sorts of goods* and groceries, clothes or consumer electronics was just one of the product categories for which I was shopping; or I was mainly shopping for other types of goods but *took the opportunity to browse for, or buy,* groceries, clothes or consumer electronics while I was out.

[2] We analyzed the statistical frequency with which customers who bought one item also bought another using the Pearson correlation coefficient, which is found by dividing the covariance of two variables by the product of their standard deviations. The closer the coefficient is to either 1 or -1, the stronger the correlation between the variables.

[3] Brummer, Alex. "Bond offers a licence to sell." *Thisismoney.co.uk*. 19 October 2005. Available at http://www.thisismoney.co.uk/news/columnists/article.html?in_article_id=404476&in_page_id=19 (accessed December 12, 2005).

[4] For purposes of comparison, British pounds have been converted to euros at the prevailing rate of €1.488337 to £1.00 on November 11, 2005.

[5] "Virgin Megastore Times Square Features 150 New IBM Anyplace Kiosks That Help Create an 'Emotionally Exciting' Shopping Experience." *Market Wire.* September 20, 2005. Available at http://www.marketwire.com/mw/release_html_b1?release_id=95691&tsource=3 (accessed November 23, 2005).

[6] Tucsik, Richard. "The pursuit of relevance: an easy-to-shop format, buttressed by improved customer service and time-saving technology, is becoming the mark of a supermarket that connects with its shoppers." *Grocery Headquarters.* December 1, 2004.

[7] Whole Foods Market. "2004 Annual Report." Available at http://www.wholefoodsmarket.com/investor/ar04.pdf (accessed November 21, 2005); Horovitz, Bruce, "A whole new ballgame in grocery shopping; Whole Foods turns drudgery into entertainment." *USA Today*. March 9, 2005.

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