POPAI 2014

MASS MERCHANT SHOPPER ENGAGEMENT STUDY

Executive Summary Report

*An official **POPAI** publication*

A LETTER FROM POPAI

DEAR POPAI MEMBERS, For more than 65 years, POPAI has emphasized the importance of researching shopper behavior and the influence of in-store marketing programs. To understand the whole path-to-purchase experience, we must understand how a shopper not only prepares for a trip, but how they navigate the in-store experience and where their purchase decisions are made. As the non-profit association for Shopper Marketing Professionals, POPAI has dedicated itself to assist today's top agencies, brands, producers, and retailers in understanding the shopper mindset.

In continuation of POPAI's long-standing history of producing shopper research, POPAI entered the field to take a closer look at the Mass Merchant Channel. In our 2012 Grocery Channel Study, POPAI found that 76% of all purchase decisions were made in the store. This number is key to all in-store professionals as it signaled shoppers were waiting to finalize in-store decisions. Although the Mass Merchant and Grocery Channels are different and likely have a different mindset, POPAI sees the in-store decision rate increasing to 82%.

As you read through the following pages, we think you'll see something that we have known for quite some time. Shoppers are all different, and although we can never truly know what is going on in their heads, we can see an overall difference in shopper mindset when entering a new channel. Within the Mass Merchant Channel, POPAI sees a more opened-minded shopper who is waiting to finalize more decisions in the store, and as a result emphasizes the importance of in-store marketing.

We look forward to sharing more information with all of you, as we continue to analyze the results. Please let us know if there is any further information you would like to learn about, and we would be happy to delve deeper for you.

BACKGROUND

Since 1965, Point of Purchase Advertising International -The Global Association for Marketing at Retail (POPAI) has researched shopper trends and the influence of in-store media.

Led by SmartRevenue, Shopper-Sense, and Eye Faster, the ***2014 POPAI Mass Merchant Study*** began fielding in September 2013 and was completed by the first week of November 2013.

CORE METHODOLOGY

Using a similar methodology as the 1995 Consumer Buying Habits Study and the ***2012 Grocery Channel Study***, the ***2014 Mass Merchant Study*** used a core methodology of pre- and post- shop interviews as well as a display audit. In addition to the pre- and post-shop interviews, a subset of shoppers wore eye tracking equipment to provide an unobstructed view of the shopper journey.

SAMPLE

A total sample of 2,991 Mass Merchant shoppers, all identified being 18 years or older, were intercepted prior to their shopping trip and asked to participate in store research. Unlike the ***2012 POPAI Grocery Channel Study***, which eliminated quick-trip shoppers, any shopper on a fill-in, stock-up, or quick-trip shopping trip were invited to participate. The study was executed across four broad U.S. geographic census regions, and the number of interviews conducted in each region closely reflected the census balance. The fielding took place in three major Mass Merchant retail chains.

THE METHODOLOGY

SHOPPER INTERCEPT INTERVIEWS:

Shoppers were randomly intercepted at the entrance of each store and asked to participate in store research. The interviews were conducted Thursday-Sunday in each chain.

1. Pre-Shop Interview (10 min.): Prior to entering the store shoppers were asked to identify:

- Planned purchases (unaided category and brand planning)
- Any pre-store path-to-purchase activities shoppers engaged in for planned purchases and in general
- Amount budgeted/expected to spend for planned items and total shopping trip
- General shopping behaviors in the Mass Merchant channels
- Demographics

Upon completion of the pre-shop interview, shoppers were then free to continue on their regular shopping trip without any intrusion from the ethnographers. After shoppers purchased their products they returned to the ethnographer station where their receipt was digitally scanned and the second interview began.

2. Post Shop Interview (15-20 min.): Shoppers' receipts were scanned and they also responded to questions regarding:

- Products purchased
- Attitudes and perception toward the retail environment, as well as specific categories (Shoppers were probed on pre-determined categories of interest)
- Recall/awareness of displays for product purchases
- Total amount of money spent

DISPLAY AUDIT:

Prior to conducting shopper intercept interviews, ethnographers audited and logged every display in each store. The purpose of the display audit was to record and identify the characteristics and placement of each display to evaluate channel trends and the overall impact of the display. The audit included a photo of each display and was coded for the following characteristics:

DISPLAY TYPES: ENDCAP • IN-LINE • POWERWING/SIDEKICK • FLOOR STAND • DEMO DISPLAY

LOCATION OF EACH DISPLAY:

END OF AISLE	IN-AISLE	RACETRACK	PLACEMENT	CHARACTERISTICS
- Back-of-Store - Center-of- Store - Front-of-Store		- Back-of-Store - Center-of- Store - Front-of-Store - Side	- Secondary - Primary	- Static - Integrated - Motion - Freestanding - Interactive

SECONDARY METHODOLOGY: EYE-TRACKING

To complement the interview data, POPAI also used eye tracking to provide additional insight into the shopper journey. Eye tracking was done in two stores for each Mass Merchant chain (a total of six stores). Objectives for the eye-tracking portion of the study were to:

- Understand shopper behavior, in particular their reaction and interactions to/with the displays in store
- Measure shopper behavior as shoppers naturally shopped in different channels
- Observe and measure shopping behavior providing measurement at three levels of engagement: Shopper Path Track, Aisle/Category/Shelf, & Displays Engagement
- Integrate shopper behavior results with self-reported pre- and post- surveys
- Identify patterns of behavior and new insights

219 of the 2,991 shoppers participated in the eye-tracking portion of the study. Participants were screened prior to taking part in this half of the study to ensure they met all of the specifications. Setting shoppers up with the eye-tracking equipment took 10 minutes.

With today's increased amount of life stressors, marketers and retailers are faced with the challenge of targeting consumers who have less time to spend in the store. The challenge is to not only understand what consumers are doing in the store, but what they are doing at home. In the 2012 Grocery Channel Study, POPAI found nearly half of the shoppers surveyed relied on mental lists. In this study, we see the Mass Merchant shopper is no different. Forty-seven percent of the shoppers relied on mental lists to guide their shopping trips. However, one channel difference is the amount of shoppers in the Mass Merchant channel that do not create a list. Compared to the 2012 Grocery results where only 12% of shoppers did not create a list, the 2014 Study found 32% of shoppers do not.

LIST CREATION TYPE

2012 Grocery · 2014 Mass Merchant

MENTAL LIST

48% vs 47%

WRITTEN LIST

36% vs 16%

DIGITAL LIST

3% vs 5%

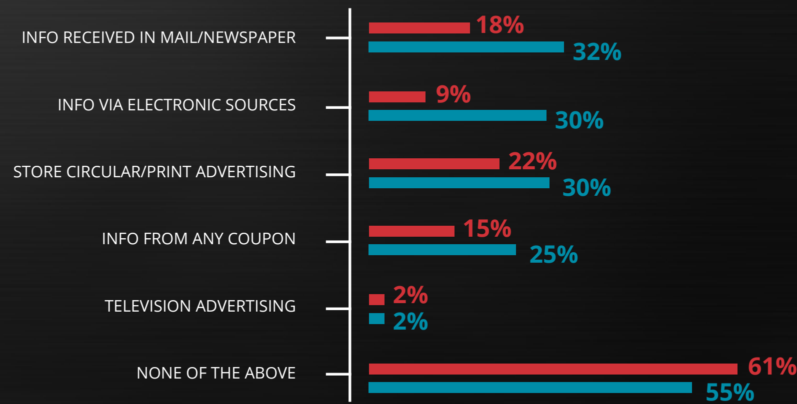
NO LIST

12% vs 32%

In addition to list making, marketers have long placed an emphasis on the use of pre-store media. In the 2012 Study, POPAI found that traditional forms of media, such as store circulars and media from the mail/newspaper were most commonly used at 30% and 32%, respectively. Although these forms of media are still used more frequently by Mass Shoppers, POPAI does see the overall use of pre-store media down with only 22% of shoppers using store circulars and 18% using media from the mail/newspapers.

PRE-STORE PLANNING MEDIA USED

2012 Grocery · 2014 Mass Merchant



Additionally, Mass Merchant shoppers were probed on the anticipated total trip spend, which found shoppers are overestimating their average spend by $7.00. All of these numbers begin to paint a picture of the open minded mass merchant shopper, and highlights the areas of opportunity for marketers. With less pre-store media planning, lower rates of list creation and overestimating trip spend; the opportunity for in-store conversion exists.

PLANNED CATEGORIES

What does the Mass Merchant shopper actually come to buy? When looking at the top-planned categories, Mass Merchant shoppers plan for a mix of grocery and non-grocery categories. However, the top three-planned categories fall within the grocery product mix with fresh vegetables, fresh fruit, and dairy. Brands that fall within these categories may have to try harder to win the purchase conversion at the shelf, as they are the most planned product purchases.

A mix of both grocery and non-grocery items are also in the least planned categories. Within the Mass channel the top three least planned categories are fresh prepackaged vegetables, cigarettes, and meal replacements. Similar to the 2012 Grocery Study, we found that many of the categories at the top of this list are non-essential items, and less likely to be placed on a shopping list. These items are considered to be in the “fun” categories, so it is important to continue to place them on displays throughout the store to call out easily-influenced shoppers.

A LOOK AT THE SHOPPING TRIP

TRIP TYPE, LENGTH, BASKET SIZE:

Shoppers were asked to identify:

1. *If they were researching products with no specific purchases planned*
2. *If they were at the store to pick up one or two specifically planned items*
3. *If they were at the store to pick up several items.*

It may come to no surprise that more than half (58%) of the shoppers in the study were at the store to pick up one or two items, followed by 31% that were picking up several items, and 10% to research products.

Additionally, shoppers were also asked if they planned to buy any groceries during the trip, and if so were asked to classify their shopping trip from the following trip types:

In this trip segmentation, 64% of shoppers considered the grocery portion of the shopping trip a quick trip, followed by 23% a fill-in trip, and 13% a stock-up trip.

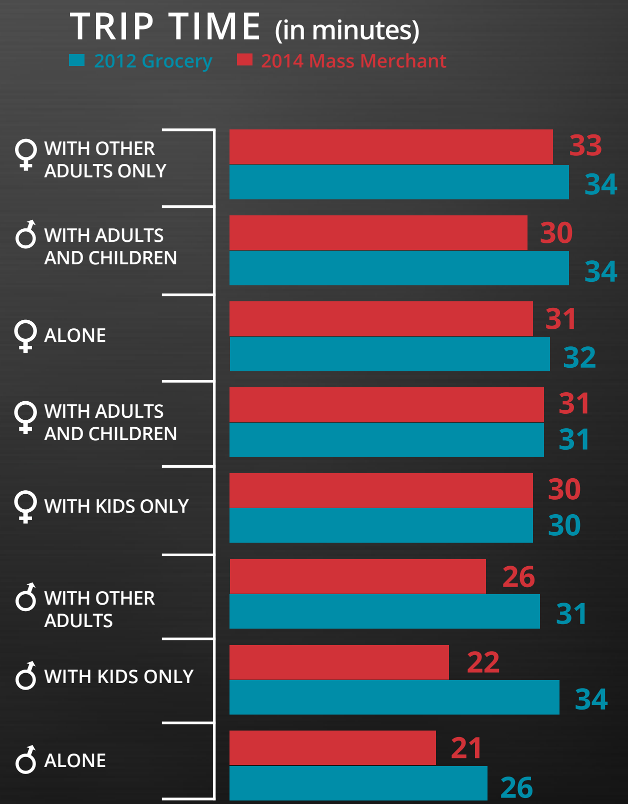
QUICK TRIP
Just a few items
I need now

FILL-IN
Additional items
to replenish

STOCK-UP
Large trip

In our 2012 Study, we found one major complication to the shopping trip, the shoppers' companion(s). In the 2012 Study, men with children spent longer time in the store with an average of 34 minutes, compared to women with children who spent an average of 30 minutes. Shopping times within the Mass Merchant channel vary slightly from the Grocery channel. In fact, men with children within the Mass Merchant channel tend to shop faster than their grocery counterparts with an average of 22 minutes in the store. Women in the Mass Merchant channel, as a whole, were more similar to their grocery counterparts. In fact, women with children in the Mass Merchant channel had the same average shop time as their grocery counterparts with 30 minutes. They also continue to have the highest shop times in the store with another adult companion.

Within this new study, POPAI included researching multiple trip types. As discussed earlier, one of the preliminary trip question was if shoppers were there to research products, buy only one or two products, or pick up several products. In addition to these questions, shoppers were also asked if they were planning to buy any grocery items in the store. If a shopper was there to buy grocery items, they were then asked if they were there for a stock-up, fill-in, or quick-trip. Unlike the 2012 Grocery Study, which did not include quick-trip shoppers, this study, to gain more insights, included how shoppers navigated the store. With multiple trip segmentations possible, POPAI has only included the overall basket size of nine products for all shoppers in the Mass Merchant channel.



As discussed earlier, this study included additional trip types to account for the channel differences. As such there are a variety of basket sizes to report, but most notably it can be seen that shoppers within the Mass Merchant channel consistently have a larger basket size than their 2012 Grocery counterparts.

AVERAGE BASKET SIZE FOR MASS MERCHANT TRIPS

04

Here to browse or research products, **no specific purchases are planned**

06

Here to pick up just **one or two specifically planned items**

15

Here to pick up several or **many items that you planned to buy**

AVERAGE BASKET SIZE FOR GROCERY SHOPPERS

2012 Grocery ■ 2014 Mass Merchant

Fill-in trip of more than just a few items that I need before my next stock-up

Quick trip to get a few items that I need now

Routine stock-up trip

1 BASKET = 1 ITEM

THE IN-STORE DECISION

Having an understanding of where shoppers are making purchase decisions provides retailers, brands, producers, and agencies a better idea of what shoppers are seeing and interacting with in the store. Today, more than ever, it is important to understand not only if a shopper is purchasing your product, but where and when their decision occurs. Since 1965, classified purchase decisions are categorized as:

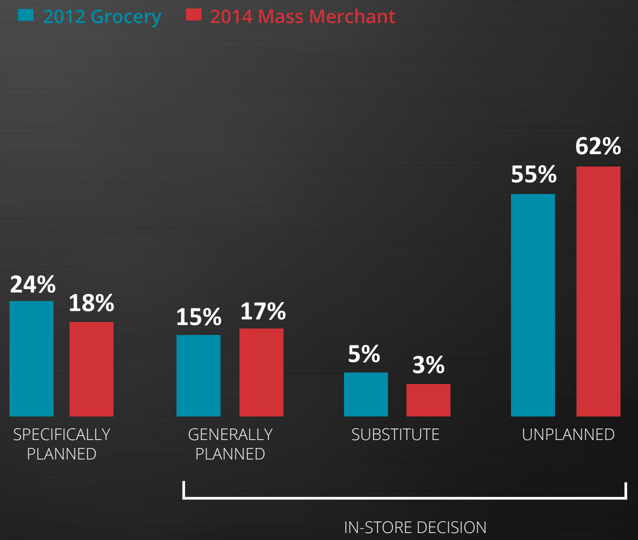
SPECIFICALLY PLANNED: Purchases the shopper specifically identified by name in a pre-shopping interview

GENERALLY PLANNED: Purchases referred to generically in the pre-planning interview, but not by brand

UNPLANNED: Purchases not mentioned in the pre-shopping interview and bought on an impulse

SUBSTITUTES: Purchases that were specifically identified by name in the pre-shopping interview, but the actual purchase reflects a different brand or product.

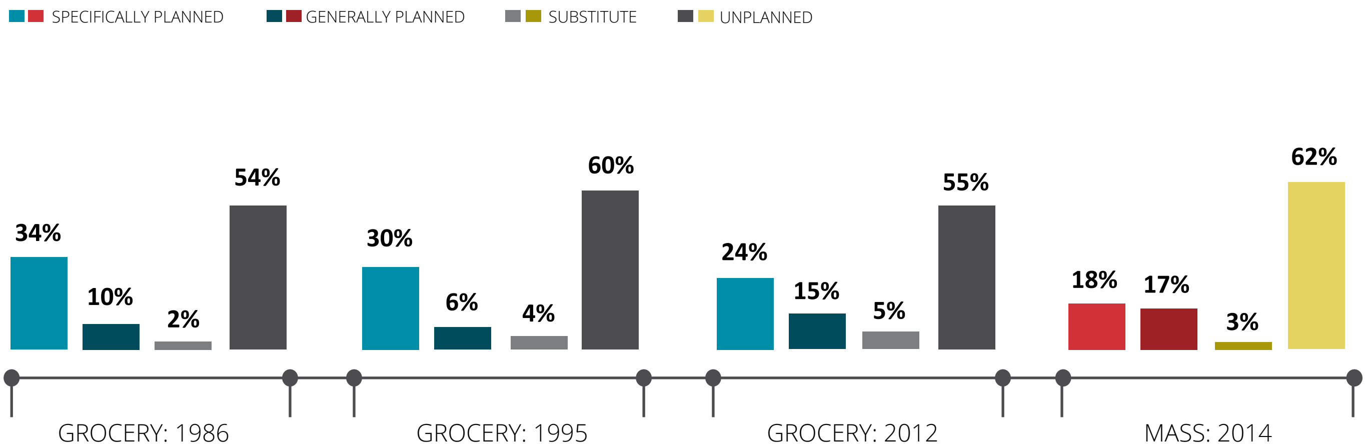
IN-STORE DECISION RATE



[IN-STORE DECISION = **76%** for Grocery
82% for Mass Merchant]

POPAI calculates the in-store decision rate by taking the sum of all purchases in the Generally Planned, Unplanned, and Substitute categories. In the 2012 Study, the in-store decision rate climbed to a high of 76%. The 2014 results show the in-store decision rate continues to climb to 82%. Despite this increase in the in-store decision rate, it is important to note the difference in channel, which is likely an influence.

PURCHASE DECISION OVER TIME

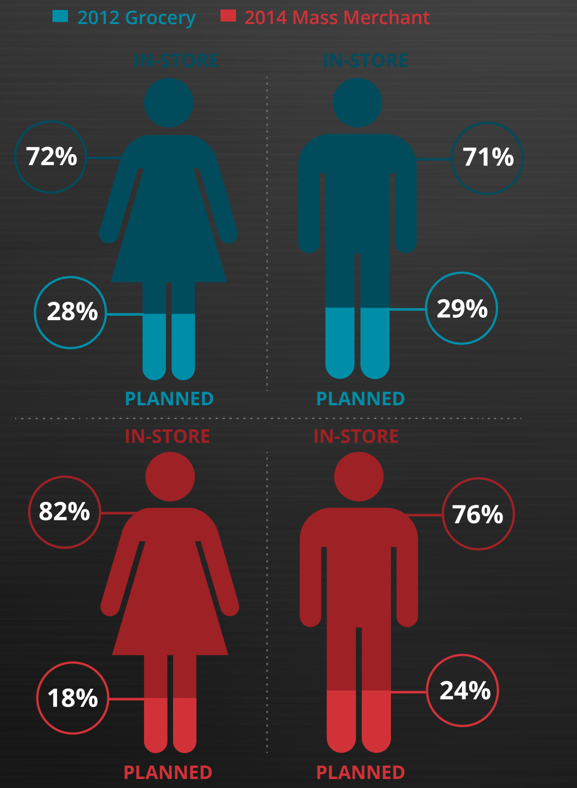


DECISION RATES AND DEMOGRAPHICS

Knowing where a shopper makes the purchase decision is only part of the battle. Segmenting the purchase data provides additional insights and allows for planning customization. By further comparing the in-store decision rate by gender, it can be seen that women continue to have the higher in-store decision rate with 82% of all decisions made in store. Men's in-store decision rate, although lower than women's, continue to climb from the 2012 results with a high of 76%.

Further segmenting the data to look at the in-store decision rate by age, similar to our 2012 results, it can be seen that age is not a factor for the in-store decision rate.

IN-STORE DECISION RATE BY GENDER



THE IN-STORE DECISION RATE BY AGE

2012 Grocery 2014 Mass Merchant

AGE	2012 GROCERY IN-STORE	2012 GROCERY PLANNED	2014 MASS IN-STORE	2014 MASS PLANNED
<25	73%	27%	83%	17%
25-44	73%	27%	80%	20%
45-64	71%	29%	79%	21%
65+	67%	33%	82%	18%

BRAND CONVERSION

What does the Mass Merchant shopper actually come to buy? When looking at the top-planned categories, Mass Merchant shoppers plan for a mix of grocery and non-grocery categories. However the top three planned sub-categories fall within the grocery product mix with entrees-shelf stable, fresh fruit, and fresh vegetables topping the charts at 75%, 74%, and 73% respectively.

In addition to shoppers specifically planning categories, they also plan down to the brand. However, brands making it on the shoppers list do not always convert to and in-store purchase. In particular, a brand like Tide falls prey to the open-minded Mass Merchant shopper with an in-store conversion rate of less than 70%. Not only does this suggest today's Mass Merchant Shopper is less brand loyal, but it also suggests the power of in-store media.

TOP BRAND MENTIONS & CONVERSION

BRAND	GROCERY	MASS
Lays	100%	100%
Yoplait	92%	94%
Kraft	85%	94%
Purina	85%	86%
Pepsi	83%	75%
Coca-Cola	83%	70%
Tide	71%	67%

SHOPPER SEGMENTATION PROFILES

No shopper is the same, but they do share similar beliefs and perception of the store. POPAI's predictive shopper profiles, established in the ***2012 Grocery Channel Study***, contain insights of what shoppers like, such as store preferences, browsing habits, and product purchases.

Through a series of questions and factor analysis, shoppers were clustered into segments to understand the attributes and characteristics that influence where they shop. Shoppers were asked to rate their level of agreement with a broad set of lifestyle and shopping characteristics on a five-point sale. Shoppers were clustered into four segments, each with unique attitudes and attitudes related to shopping patterns and retailer selection.

These groups can be analyzed to form a better understanding of each segments overall shopping behavior patterns, price sensitivity, and retailer loyalty to modify conversion strategies.

TIME STRESSED

- High rate of completely unplanned purchases (**56%**)
- Average basket spend of **$54**
- Skews younger **(18-44)**
- Describes themselves as easily tempted

29% vs **27%**

EXPLORER

- Skews towards the **25-35** year old range
- Average basket spend of **$44**
- Most likely to use a circular when selecting the store to shop in
- **83%** of basket composed of in-store decision purchases

23% vs **23%**

TRIP PLANNER

- Second lowest rate of completely unplanned purchases at **51%**
- Average basket spend of **$48**
- Describes self as controlled & restrained
- Skews towards younger women (**25-44**)

22% vs **24%**

BARGAIN HUNTER

- Skews younger (**25-44**) and works full time
- Typically makes two grocery trips a week
- Over half of the basket composed of unplanned purchases
- Average basket spend of **$39**

26% vs **25%**

■ 2012 Grocery ■ 2014 Mass Merchant

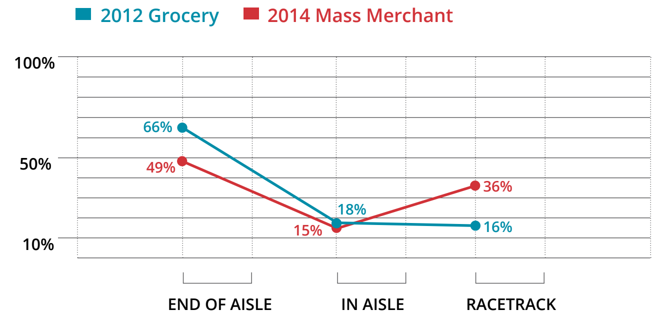
DISPLAY AUDIT

A significant component of our research in the Mass Merchant Study was each store's display audit. A number of details were recorded by field ethnographers, such as location of displays, type of displays, characteristics of displays, and if products were on sale in the display. In addition to manually logging the information, pictures were taken and associated with the correct audit information. Over 8,000 displays were audited and recorded in the study.

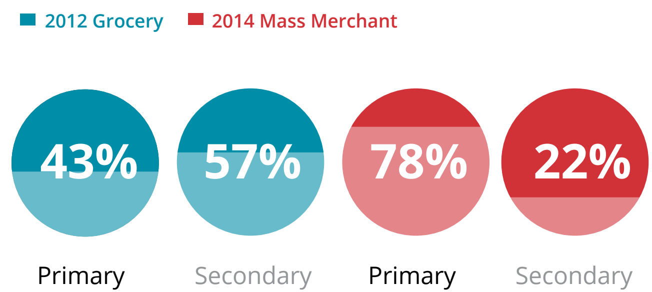
Compared to the 2012 Study, one immediate difference can be seen in the placement of displays. In the 2012 Grocery Study, 57% of all displays were placed in secondary locations. In the Mass Merchant Channel, secondary location displays are used only 22% of the time.

Additionally, the audit looks where displays were placed in the store. Nearly half of the displays were placed at the end of the aisle (49%), followed by the racetrack at 36% and finally in aisle at 15%.

DISPLAY PLACEMENT



DISPLAY LOCATION



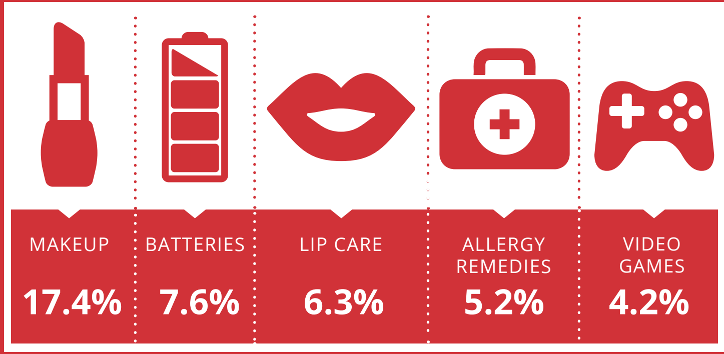
The last audit was the types of displays evaluated. It can be seen again, that there are differences among the Grocery and Mass channels. The 2012 Study showed that floor-stands were predominantly used (55% of all displays). The 2014 results show floor stands are rarely used (3%), but endcaps are the dominant display at 80%.

DISPLAY	GROCERY	MASS
ENDCAP	55%	80%
IN-LINE	33%	3%
POWERING/SIDEKICK	10%	12%
FLOOR STAND	1%	3%
DEMO DISPLAY	N/A	2%
IN-STORE MEDIA	1%	N/A

DISPLAY LIFT

With more than 8,000 displays present in the Mass Merchant channel, in-store marketing professionals might ask how effective their in-store execution is. Return on investment and success rates are a priority for any business and a metric often used to justify future programs. The 2014 results suggests a true importance of in-store marketing being present in store as Mass Merchant shoppers are spending less time preparing for their shopping trip.

To evaluate the overall effectiveness of a display present in the store, a display lift was calculated for the 2014 Study. The lift was calculated by looking at the ratio of products purchased from a store when there is a brand present and product purchased from a store when the brand was not present. The results show the overall display lift index for the Mass Merchant Channel is 1.4, which means when a display is present in the store, sales can increase by 1.4 times.



This calculation in addition to the overall shopper characteristics of the Mass Merchant shopper supports the overall importance of placing displays in the store.

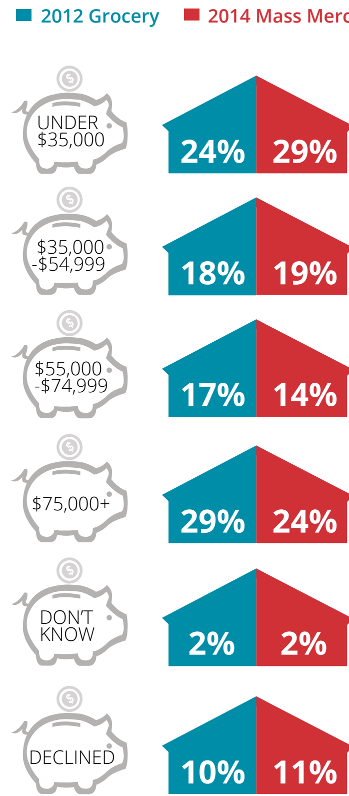
DEMOGRAPHICS

Similar to the 2012 Study, women continue to be the dominant presence in stores representing 78% of the sample. Men, however have less of a presence in the Mass Merchant channel representing 22% of the shoppers compared to the 2012 Grocery results where they represented 25% of the sample. This dominant presence of women in the Mass Merchant channel, as well as women's high in-store decision rate should be kept in mind when placing product on display.

The full-time workforce increased since 2012 (from 50% to 54%), but the annual household income decreased with only 71% of the sample making more than $35,000, compared to 76% in 2012. The education profile shifted as well. Fifty-two percent of the Mass Merchant sample achieved at least a college degree or higher, which is a slight decrease from 2012. In 2012, at least 52% of the sample had achieved at least a college degree or higher.

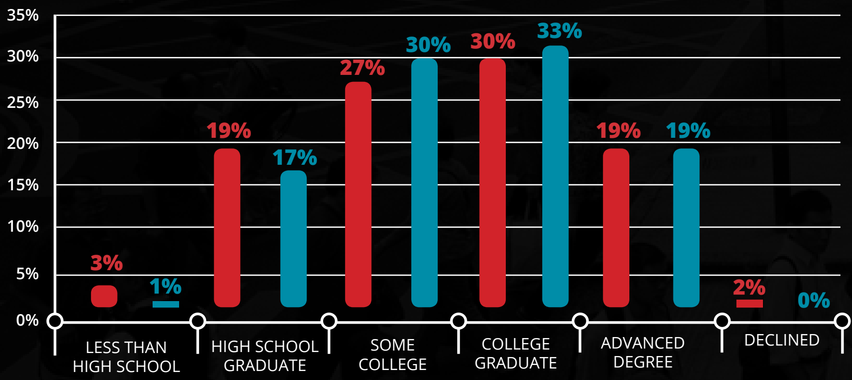
The 2014 Study is more ethnically diverse than the ***1995 Consumer Buying Habits Study*** and the ***2012 Grocery Channel Study*** with 64% of the sample White/Caucasian 75% in 2012 and 85% in 1995.

HOUSEHOLD INCOME



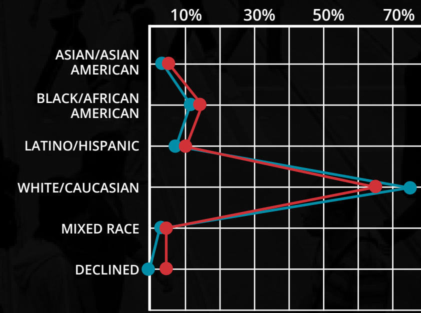
SCHOOL STATUS OF TODAY'S SHOPPER

2012 Grocery
2014 Mass Merchant



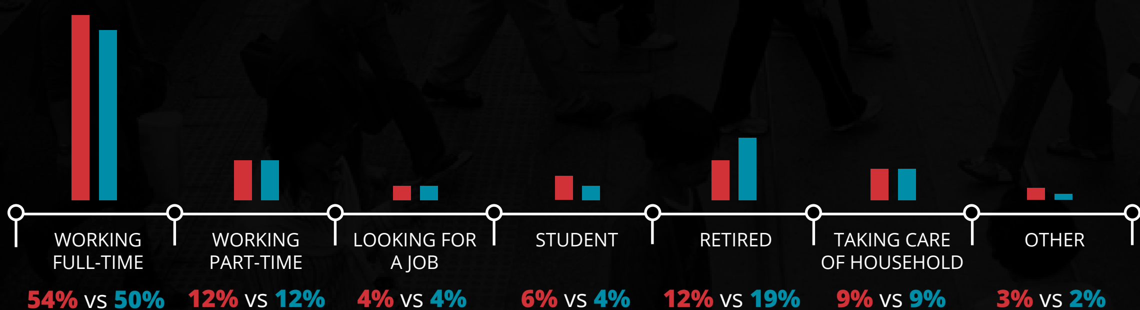
TODAY'S SHOPPER BY ETHNICITY

2012 Grocery
2014 Mass Merchant



TODAY'S SHOPPERS WORK STATUS

2012 Grocery
2014 Mass Merchant



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Actionable research from the industry's dependable and devoted source

A Special thanks to...

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