



Times & Trends

Shopper Marketing

Every Decision Begins & Ends with the Shopper

MAY 2012

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Symphony **IRI** Group

Insight.
Innovation.
Impact.

Shopper Marketing: Every Decision Begins & Ends with the Shopper

The Shopper Is in Control!

The most amazing products, with incredible advertising, in an impeccable store with the perfect assortment are nothing without one critical factor: shoppers. And, today's shoppers are more unique, demanding and more in control than ever before. They make individual decisions about what they will buy, how much they will pay for it and where they will go to get it—despite efforts made by marketers to persuade shoppers where to shop and what to buy. The shopper is in control!

To best grasp the shopper marketing transformation, it is critical to understand the changes in the marketplace that are driving the evolution from product-focused business philosophies to shopper-focused strategies. The combination of a vast brick-and-mortar retail space and innumerable Internet-based sites means shoppers have more choices of where and how to shop than ever before. Thanks to incredible growth in instant, easily accessible digital, social and mobile communication platforms, shoppers can spend just a few minutes online to gather information to make smarter choices at home, on-the-go and in the store that has fundamentally changed how shoppers interact with companies, products, services and stores.

There is enormous opportunity for companies to re-establish and hone their shopper relationships and equity as messaging becomes more personal and customized, thus more effective and more intimate. Opportunities abound for retailers and manufacturers willing to evolve philosophies and tackle the shopper experience with concerted, focused direct-to-shopper marketing efforts—one shopper at a time. With the right tools and state-of-the-art thinking, manufacturers and retailers can find a new equilibrium, regain some control and embrace the transformational era that has emerged.

SymphonyIRI has been working diligently to help its CPG and retailer partners navigate the rapidly-evolving shopper marketing highway. By optimally leveraging CPG and retailer resources for developing product, promotion, pricing, store and shelf layout, assortment and other strategies that are aligned with shopper needs, we are creating a “win-win” shopper experience for both organizations' mutual best shoppers. The SymphonyIRI process is designed to maximize influence throughout the complex interplay of factors that determine how, where and when shoppers make their purchase decisions.

As you build and hone your own shopper-centric processes, I hope that SymphonyIRI can play a part in your success.



Jim Dippold
Senior Vice President, Consumer & Shopper Marketing



Executive Summary: Turning Insights Into Action

INSIGHT

- It is now *the shopper* that it is in control in the CPG marketplace, having taken it from the retailer and the manufacturers
- Today's shoppers are a business's most valuable and scarce resource
- Shoppers are spending more in a personalized and convenient shopping experience
- Shopper activation can't be done by the retailer alone
- The ability to predict shopper behavior has become a reality

ACTION

- Influence rapidly changing shopper purchase behavior by providing easy access to product and pricing information through digital, social and mobile communications platforms
- Obtain shopper sales and profit potential by knowing and identifying shoppers' habits and purchase and promotional response history
- Deliver highly personal and customized messages through highly-targeted, direct-to-shopper marketing and in-store experience programs
- Identify "win-win" shopper experiences for mutual best shoppers across retailer/manufacturer partners and develop product, promotion, pricing, store and shelf layout, and assortment programs that create those scenarios
- Recognize and identify hidden potential among shoppers and reduce wasted marketing spend by recognizing and limiting offers to shoppers less likely to respond to the offers

Introduction

The marketplace looks totally different from where the shopper is standing. Shoppers no longer act independently of each other. Today's shopper is more connected to other shoppers, as they have become attracted to third-party information providers and are increasingly acting on a wide variety of media, such as collaborative product reviews, rankings, ratings and price comparison services.

Manufacturers and retailers acknowledge that their shoppers are important. Indeed, shoppers are a CPG business' most valuable asset. The business only survives when it has shoppers, and grows only when it can retain and develop them while simultaneously recruiting new ones. Therefore, the business must be focused and managed around the shopper.

A shopper-centric manufacturer or retailer business seeks to identify what creates value for each shopper and then to deliver that value to them. The foundation for growing a profitable business lies in establishing stronger relationships with individual shoppers. The challenge is to understand how to establish these critical relationships and optimize them for profits. This will provide the framework for understanding how to build the value of the shopper base. Increasing the value of the shopper base will benefit the business.

To build strong and growing relationships at the individual shopper level, businesses must first transform—across all business units and at all levels—from the mass marketing, product siloed thinking of the Industrial Age to the shopper-based culture of the Information Age.

In this new business model, the primary goal is to engage shoppers to become a measurably more valuable asset to the business. The key to bolstering this incredible asset is to sell the best shopper as much as possible over their lifetime, rather than simply attempting to sell as many products as possible to as many shoppers as possible.

One way to further this goal is to develop a growing number of these best shoppers and capturing long-term, ideally lifetime, purchases and loyalty. Nurturing genuinely loyal shoppers and expanding the breadth and depth of their purchases will take the business to the next level. Of course, high-performing products are required, but getting them into the hands of the right—and best—shoppers delivers success.

To transform to a shopper-centric business, one first needs to be able to recognize a shopper when they come back, whether their return is in person or online. After all, shopper relationships are only possible

with individual shoppers, not with markets or segments. Second, a business needs to differentiate its shoppers by their value to the business and the shopper needs the business fulfills. Only then can the business focus its resources on those that will bring in the most value by executing shopper-specific strategies designed to satisfy the quest for unique and impressionable shopper experiences.

This edition of Times & Trends explores the transformation necessary to build a shopper-centric business.

Overview



Shopper marketing shifts the focus from product to shoppers—driving decisions with shopper-specific insight and behaviors.

Shopper marketing activation generates key growth opportunities and transforms businesses to meet the demands of today's shoppers. For retailers, high-value shoppers are retained, ultimately creating a larger, influential, loyal shopper base. For manufacturers, stronger relationships with retailers and shoppers will result in focused brand messaging and opportunities to extend shoppers to other segments within a brand/business portfolio. From a shopper perspective, there is a stronger value proposition than ever before with an inherently better relationship between a shopper and a retailer, as well as with the brands themselves.

With a manufacturer or retailer shopper-centric business structure in place, marketers can then work to build a continuous and impactful relationship with shoppers and their demands, but only if there is a complete understanding of the

shopper journey from planning and navigating to purchasing and consuming.

Shopper strategy is the organization's choice to organize, lead and manage the business from a foundation of their shoppers, and this gives the organization's "shopper" assets equal billing to its "product" and "store" assets.

Shopper activation becomes an organizationwide commitment to embed shopper knowledge as a way of life for doing business, such that every decision and action begins and ends with the shopper.

These organizational choices result in a shopper value proposition and experience that provides the organization with a firm competitive advantage in building equity, shopper loyalty and long-lasting, lifetime sales and results.

In order to command the most from shopper-centric solutions, the organization must approach all levels of planning and activation with five key functional pillars to guide the process:

- Shopper Strategy
- In-Store Experience
- Direct-to-Shopper Marketing Programs
- Performance Management
- Trade Partner Shopper Collaboration

With a strong foundation for all of the pillars built on information, technology, organizational capabilities, business processes and metrics, shopper marketing activation becomes just that—actionable.

The pages that follow explore the tenets of these critical pillars.

Shopper Marketing: Every Decision Begins & Ends with the Shopper

Shopper Strategy: Shopper in Control



Shopper marketing enables marketers to connect with those shoppers that make the highest percentage contribution to the business or product group, and activate these shoppers with highly personalized messages.

Mentioned earlier in this report, the shopper is the nucleus of any shopper marketing strategy. More specifically, an effective shopper marketing strategy is focused on core shoppers—those shoppers that make the highest percentage contribution to the business or a product group.

By focusing on the core shopper, CPG companies will bring their product(s) to the shopper, rather than trying to bring that shopper to their product(s). But, to bring the right products to the right shopper at the right time is a daunting task. After all, the shopper is in control.

To bring the right product to the right shopper at the right time, it is essential to

begin with a comprehensive understanding of the demographic and psychographic structure of the shopper, as well as the many and varied media that are influencing her attitudes. CPG marketers must also understand her wants versus needs, her habits, and her purchase and response history. At first blush, this may seem simple, as there is no shortage of information on shoppers. After all, this is the Information Age.

In reality, though, information is not enough to ensure relevance. Information needs to be cultivated, digested, and converted into shopper knowledge—knowledge around how the shopper behaves and what it is

that influences that behavior and how evolving consumer/marketer dynamics impact shopper dynamics. Deep shopper knowledge must serve as the foundation for all strategic sales and marketing initiatives. Only then will marketers truly be able to manage and grow shopper value with customized targeting from product development to marketing communication programs and throughout the entire retail process. Only then will marketers succeed in selling this particular individual as much as possible during the course of his/her lifetime rather than selling their products/brands to whomever will buy.

Shopper Marketing: Every Decision Begins & Ends with the Shopper

Shopper Strategy: Shopper in Control

Trip Mission Overview 2011

Trip Type	# Items	All Outlet Average \$ Spent	Mindset	% of All Outlet Trips	Trip Share Pt Chg 2008-2011	% of All Outlet CPG \$	Dollar Share Pt Chg 2008-2011
Quick Trip	1-5	<\$40	Need it now, have to make a trip	56%	+1.2	24%	+1.2
Special Purpose	2-10	\$20-\$50	Buying for a specific event (not routine)	16%	(0.8)	18%	0.0
Fill In	5-15	\$30-\$80	Routine fill-in for heavy use categories	14%	0.0	19%	(0.2)
Pantry Stocking	15+	\$50+	Prepare for the coming week	13%	(0.5)	39%	(1.1)

Source: SymphonyIRI Trip Typology, SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011

While most CPG dollars are spent on pantry stock-up trips, quick trips have captured share of spending across CPG channels during the past several years.

When a consumer begins the process of planning her grocery purchases, she becomes a shopper. Her plans truly begin with a need in the home that necessitates the shopping trip in the first place. At that point a variety of other factors, including specific purchase needs, time constraints and budgetary considerations, come into play. These factors, and more, will impact her mindset—her trip mission. Trip mission, in turn, will inform a variety of shopping behaviors, including channel and store selection, product bundles and basket size.

The chart above is a summary of SymphonyIRI's Trip Typology, a comprehensive analysis of more than eight

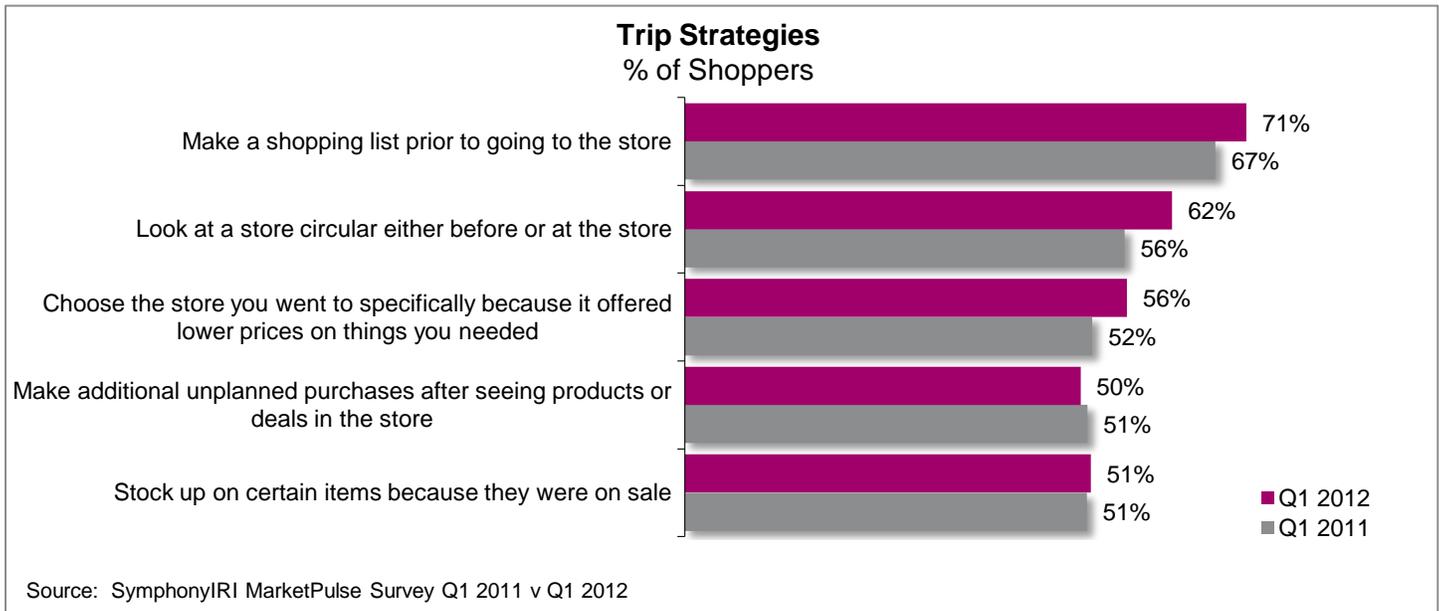
million shopping trips, boiled down to four primary trip missions. Detailed in this chart, pantry stock-up trips account for the largest share of CPG dollar sales, while quick trips hold the largest share of trips.

The prolonged economic instability of the past several years has served to exacerbate the variability of the shopper mindset. During this timeframe, for instance, pantry stock-up behavior has declined across CPG channels, while quick trip behavior has escalated. Detailed in SymphonyIRI's December 2011 edition of Times & Trends, this trend is evidenced across CPG channels, and it has had broad implications for CPG marketers.

As the economy continues its slow march toward stable ground, trip missions will continue to shift. Understanding these shifting trip missions will remain absolutely essential to developing and executing powerful shopper marketing programs, and to intercepting shoppers at their new desired acquisition point.

The pages that follow provide deeper insights into the diverse and changing consumer mindset. Channel migration patterns will be explored in detail in the June 2012 edition of Times & Trends.

Shopper Strategy: Shopper in Control



Though the recession officially ended some time ago, consumers are holding onto, and sometimes notching up, conservative behaviors around grocery shopping.

In addition to impacting trip mission trends, consumers' perceptions of the evolving economy are impacting trip strategies.

For example, though The Great Recession officially ended in mid-2009, the grocery shopping process appears to be getting more deliberate and more strategic still today. According to SymphonyIRI's MarketPulse survey series, list-making has escalated during the past year, and today nearly three-quarters of shoppers enter the retail environment with a pre-made list in hand.

About half of consumers stick tightly to that list, avoiding additional, unplanned

purchases in order to stay within their established grocery budget. They are also stocking up on sale items and trying new brands—including private label items—in the name of saving money.

The strength of the pre-planning trend speaks volumes to the need to begin to impact shoppers well before the grocery purchase process begins. And, with means of connecting with shoppers inside and outside the store growing and changing quickly, CPG marketers must be on their toes.

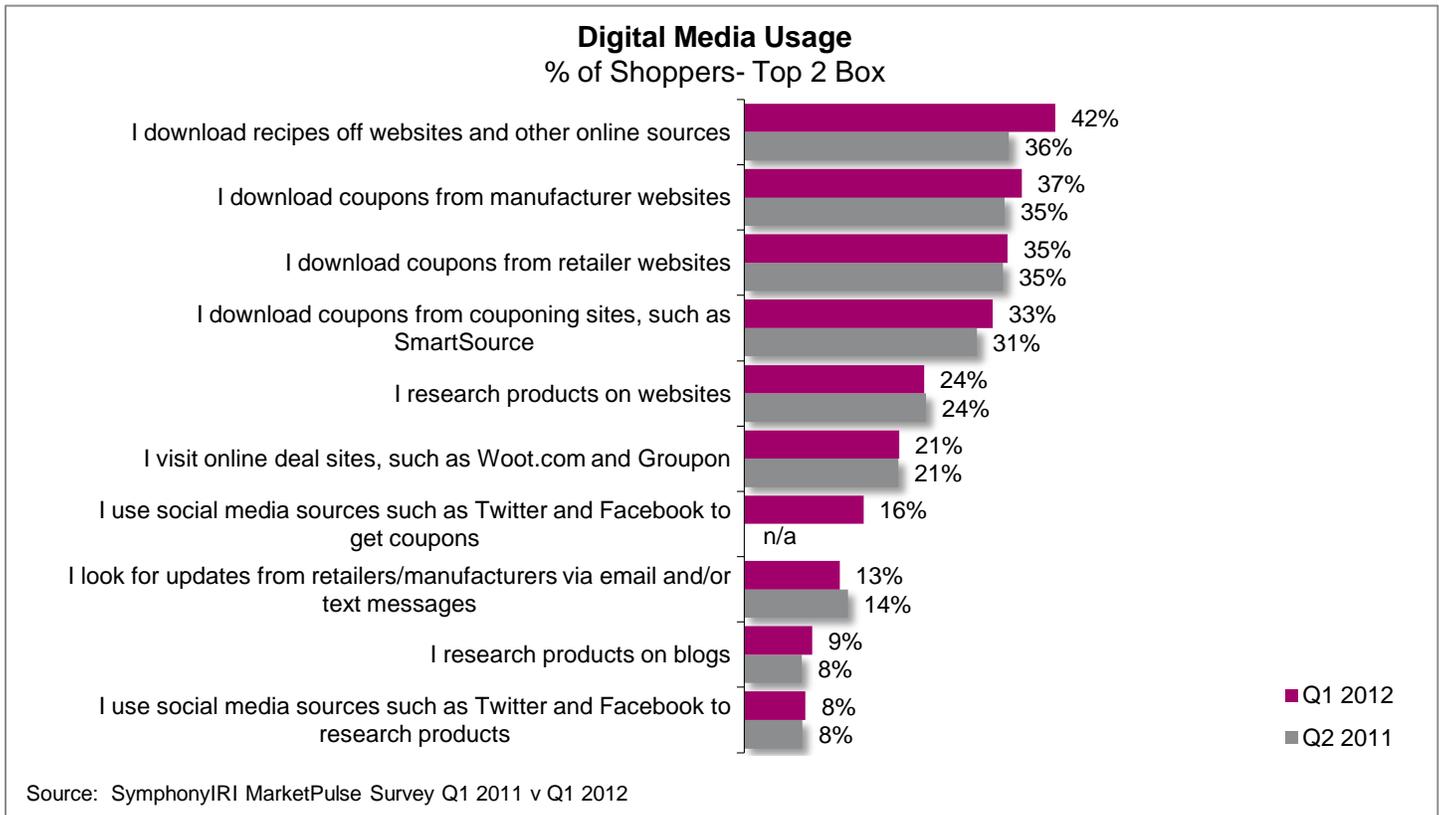
The ability to identify and leverage the most effective tools *at the shopper level*

will define the winners in the battle for share of spending and loyalty.

Traditional tools, such as store circulars, continue to see high—sometimes growing—levels of usage as consumer approaches to learning about, purchasing and consuming CPG products evolves. To be discussed on the following pages, new media are also very much a part of this process.

In-store strategies, too, are changing quickly. In-store strategies will be discussed later in this report.

Shopper Strategy: Shopper in Control



New media are playing an important and rapidly escalating role in the decision-making and grocery purchase processes.

New media provide consumers with a quick and convenient way to learn about CPG products—their attributes, their uses, their value propositions. For sure, consumers are embracing these new tools.

For instance, one-quarter of consumers are researching products online, and one-third are downloading coupons from manufacturer or retailer Web sites.

But, consumers are going beyond manufacturer/retailer-generated information, leveraging a variety of other sites, for example, to find deals or to quickly ascertain what their social group thinks of products—their quality, their “fair”

price and how and where they should be purchased. And, they are tuning into text and e-mail messages for updates and special offers.

Given the fact that nearly half of consumers are cooking more from scratch and with fewer convenience items, it is logical that nearly as many are looking online for recipes and meal ideas.

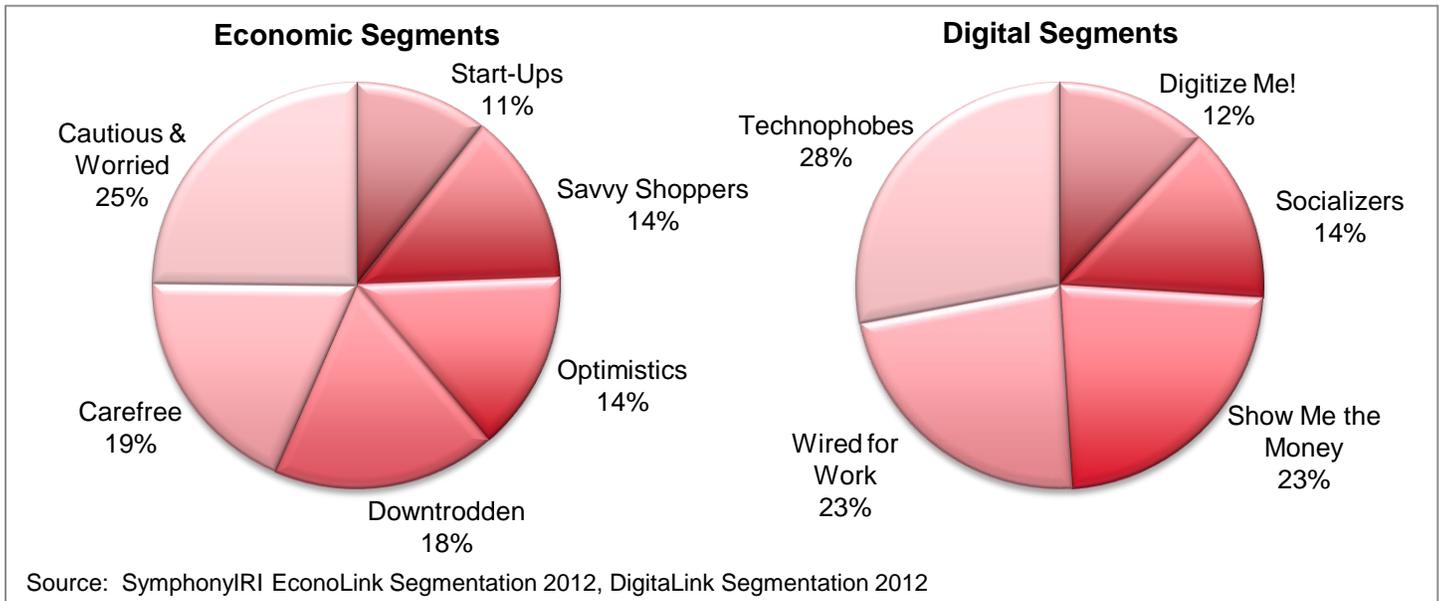
Interestingly, though the number of consumers cooking more from scratch has remained largely unchanged during the past year, the ranks of those seeking meal ideas and recipes online has increased during the same timeframe. This is just

one example of the growing acceptance and adoption of the Internet in day-to-day life.

Across other online activities, adoption is solid and growing, but not quite as quickly. However, with more than 72 million Americans already owning a smartphone, Internet access is going to continue to become easier, and adoption will continue to grow. As this happens, the opportunities to use new media as a tool to solidify and advance relationships with shoppers are going to continue to grow, as well.



Shopper Strategy: All Shoppers Are Not Created Equal



Classifying shoppers into segmentations based upon economic and digital influencers provides in-depth insights into consumer behaviors across all tracked categories and brands.

Shoppers are a business’s most valuable and scarce resource. No doubt, it is easier to grow existing shoppers—those that are already present and engaged—than it is to attract new shoppers. Indeed, profit and sustainable corporate growth comes from continuing to groom and cultivate repeat shoppers. One difficulty with this task is that shopper options are growing quickly.

Another difficulty is that, to date, much of the CPG industry has operated on the notion of serving “the average shopper.” In reality, however, “the average shopper” simply does not exist. Everyone learns about, prepares for, purchases and consumes CPG products differently.

A major influencer of these attitudes and behaviors in recent years has been the economy. SymphonyIRI identified six segments of the population based on both

attitudes and actual behaviors toward the economy. For example, the segmentation reveals that Start-Ups shop more frequently in drug versus other segments, and show an inclination to view the drug channel as “the new convenience channel.”

Similarly, SymphonyIRI’s DigitalLink segmentation identifies different consumer groups that exist based on ownership of digital devices, attitudes about and usage of digital media, and how quickly media are being adopted. Here again, significant differences occur between segments. Technophobes, for instance, are older shoppers who feel very uncomfortable sharing any personal information online. They are not very adept at using online media, so they don’t use it much. In contrast, Digitize Me!

consumers view the Internet as a great source of fun—they talk to everyone online!

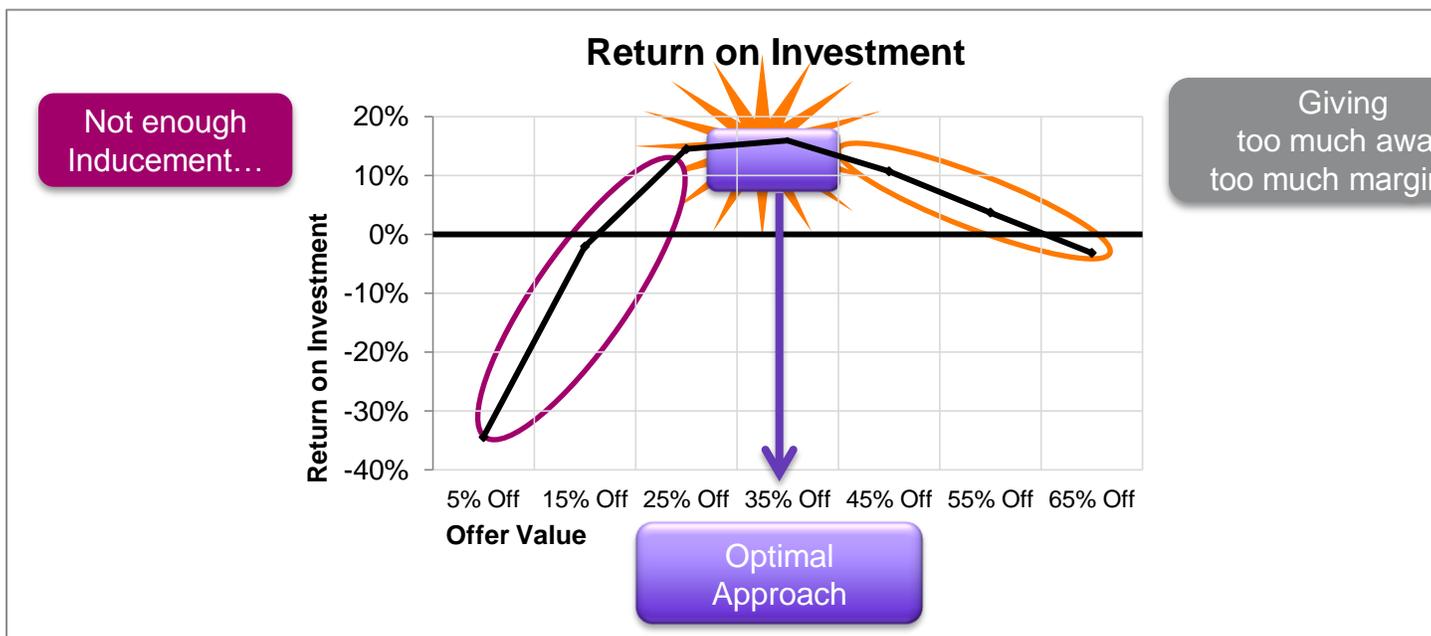
Because consumers’ view of the economy, their finances, and the Internet have such profound impact on how shoppers approach CPG, they must also heavily influence how CPG marketers reach out to and connect with these shoppers.

Through a combination of rapidly-evolving science and art, savvy marketers will continue to uncover new influencers of shopper attitudes and behaviors by studying needs versus wants, then using the knowledge gained through those efforts to create new segments, then continually refine their marketing programs to ensure that they are telling personalized stories to consumers via the media to which those shoppers are most readily responding.



Shopper Marketing: Every Decision Begins & Ends with the Shopper

Shopper Strategy: Predictive Behavior Is Possible



Granular shopper insights provide CPG marketers the opportunity to understand which customers to invest most heavily in, how to connect with those shoppers and the level of deal with the highest propensity to stimulate purchase behavior.

Very often, marketers approach shopper behavior with a “rear view mirror” perspective. They look at how the shopper has behaved in the past, and use that information to predict what will happen in the future. Certainly, it is important to understand past behavior, as history does offer great insight into future propensities.

But, relying entirely on past behavior makes it difficult—if not impossible—to discover hidden potential among shoppers who might be excluded from target segments based solely on past purchase patterns. These old methodologies also result in a great deal of marketing waste—efforts and money spent to get messages to less likely shoppers rather than high-probability shoppers.

But, in the world of shopper marketing, these old methodologies are falling by the wayside. They are quickly being replaced with new, powerful and precise analytic models. And, these models are revolutionizing the way shopper insights are developed, interpreted and acted upon.

Today’s CPG marketers are collecting shopper data more quickly than any time in history. Some of this information is in the form of past purchase trends and behaviors, but other data, such as household shopper panel data, are also readily available to CPG marketers today.

Happily for CPG marketers, art, science and technology have merged to harness these disparate data sets, quickly and

easily apply analytical rigor to them, and bring to light precise insight around, for example, which shoppers contribute disproportionately to trips and dollar sales for a given category across ALL retail channels.

Such granular insights are a boon to CPG marketers, providing opportunity to better understand potential in a wide range of areas, including which consumers to invest most heavily in, how to connect with those shoppers, and the level of deal with the highest propensity to stimulate purchase behavior while minimizing negative impact on margin potential.

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Shopper Marketing: Every Decision Begins & Ends with the Shopper

In-Store Experience: The Total Shopper Experience

A key premise of shopper marketing is making the in-store experience as unique and impressionable as possible. Still, shopper activation cannot be done by the retailer alone. Manufacturers play a critical role in helping to define the total shopping experience.

For manufacturers, creation of the total shopping experience begins well before the shopper enters the retail marketplace. According to SymphonyIRI's MarketPulse survey series, more than three-quarters of shoppers are deciding on products to buy before entering the store. And, the survey goes on to reveal, many will continue to make purchase decisions ahead of time throughout the coming year.

Manufacturers must wire their marketing strategies to ensure that they begin to impact the shopper in the home.

Furthermore, manufacturers must work with retail partners to continue to build and refine the shopping experience throughout the purchase process. Manufacturers must understand and embrace the fact that the retailers that take a shopper-centric approach do not seek to optimize

performance at the brand level, but rather to create the best possible shopping experience. Manufacturers can and should adopt this mindset, for success in this area will reap rewards for manufacturers and retailers alike.

Creating an idyllic experience for core shoppers is no easy task. While this experience is tailored to the core, other shoppers, too, must have an enjoyable experience. Furthermore, since retailers generally operate in many and varied markets, a "one size fits all" strategy simply will not work.

Instead, retailers need to cluster their stores based on core shopper characteristics, then design assortment, store layout, pricing structures and promotional programs that will align with the characteristics of each market's shopper base. Certainly, product mix, depth of stock selection, price, placement and promotion will vary based on what priority customers buy frequently/heavily in any given market.

Indeed, these are critical considerations for shoppers in today's CPG marketplace.

According to SymphonyIRI's Q1 2012 Brand & Retailer loyalty survey, for instance, nearly two-thirds of consumers indicate that ease of finding in-store sales and specials is very important to having a simplified shopping experience. More signage and effective product groupings are also important.

Consumer perspective on "effective product groupings," appropriate levels of signage, and many other measures of the in-store experience, will certainly vary across and within retail markets. To address these variances, category managers across categories must step out of the silo mentality, instead converging on the singular goal of making the shopping experience better for core shoppers in each and every store under the retail banner. Again, working in harmony with key manufacturer partners will only serve to strengthen these efforts.

Conclusions: CPG Manufacturers

Manufacturers looking to develop an organizationwide, shopper-focused strategy that creates relevance, builds relationship value and drives sustainable growth should consider the following action items:

❖ Shopper Marketing

- Supplement “tried and true” consumer and market assessment processes with segmentation to provide a 360-degree perspective of shopper behavior where shopper knowledge is applied at the individual household and store level
- Establish profiles of existing “best customers” by creating discrete behavioral segments based upon their habits, purchase response and history with competitors; develop marketing programs that are geared toward protecting and growing share and loyalty among best shoppers
- Work closely with retailers that have similar “best shopper” profiles to your own
- Partner with key retailers in the development of loyalty program offers targeted against the needs/wants of key shopper segments

❖ Product Marketing

- Communicate with core shoppers early and often—in the home, on the Web and mobile devices and in the store—using highly targeted messaging
- Partner with key retailers to build and refine their product offerings based upon high-frequency product lines

❖ In-Store Marketing

- Work collaboratively with key retailers to develop pricing strategies based upon the needs, wants and appetite of your “common” best shopper; continually measure and hone to maximize best shopper response
- Reduce out-of-stock situations by developing inventory management strategies that are reflective of best shopper trip missions and purchase patterns at the market and/or individual store level

Conclusions: CPG Retailers

Retailers looking to develop an organizationwide, shopper-focused strategy that creates relevance, builds relationship value and drives sustainable growth should consider the following action items:

❖ Shopper Marketing

- Supplement “tried and true” consumer and market assessment processes with segmentation to provide a 360-degree perspective of shopper behavior where shopper knowledge is applied at the individual household and store level
- Establish profiles of existing “best customers” by creating discrete behavioral segments based upon their habits, purchase response and history with competitors; develop marketing programs that are geared toward protecting and growing share and loyalty among best shoppers
- Partner with key manufacturers in the development of loyalty program offers targeted against the needs/wants of key shopper segments

❖ Product Marketing

- Communicate with core shoppers early and often—in the home, on the Web and mobile devices and in the store—using highly targeted messaging
- Develop and manage core product offerings based upon what your priority customers are buying frequently

❖ In-Store Marketing

- Develop pricing strategies based upon the needs, wants and appetite of your best shopper; continually measure and hone to maximize best shopper response
- Frequently conduct basket analyses to determine what lines are bought at the same time, particularly by best shoppers; align planograms and merchandising displays to encourage cross-purchase behavior
- Reduce out-of-stock situations by developing inventory management strategies that are reflective of best shopper trip missions and purchase patterns

Resources

To gain insight into opportunities that exist to leverage unique and actionable content about consumers and shoppers, and analytical solutions and platforms that drive more effective and efficient 'direct-to-consumer/shopper' marketing, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

Account Loyalty Builder™

Account Loyalty Builder is a single, integrated tool that delivers the critical answers required to understand shopper loyalty and evaluate category management strategies designed to increase loyalty.

SymphonyIRI Loyalty Advantage™

SymphonyIRI's Loyalty Advantage™ is the best solution for shopper marketing programs with comprehensive decision-specific insights based on basket and customer-level detail and incorporating the industry-leading segmentations of SymphonyIRI's Shopper Marketing Suite™.

SymphonyIRI ShopperSights™

ShopperSights is a new consumer and shopper targeting and segmentation solution delivering actionable insights at the individual household and store level.

SymphonyIRI Trip Typology™

Trip Typology is an analysis that divides CPG shopping trips into four broad missions and further into 31 trip types, based on total trip expenditure, number of items purchased, and the product categories purchased.

New Media Solutions

New Media Solutions is a Consumer & Shopper Marketing solution, providing manufacturers and retailers the ability to target digital media more effectively and efficiently, and quantify the effects of online advertising.

SymphonyIRI ProScore™

Shopper ProScore is a syndicated scoring system that predicts each household's sales propensities across multiple products, maximizing the effectiveness of sales, category and promotional efforts.

FOR MORE INFORMATION

Please contact Susan Viamari at Susan.Viamari@SymphonyIRI.com with questions or comments about this report.

About SymphonyIRI Group

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management.

SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit www.SymphonyIRI.com.

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