

Shopper Conversion

Wie das Kaufverhalten am Regal besser ausgeschöpft werden kann



Herzlich Willkommen zum heutigen Shopper Webinar

Reihe von Shopper Webinaren 2016

- | | | |
|----|--|---------|
| 1. | Occasion Based Shopping: Wie Kaufanlässe die Umsatzpotentialsausschöpfung (UPA) erhöhen | (Feb) |
| 2. | Category Management für den E-Commerce: „Optimale Web-Shop Gestaltung als Schlüssel zum Erfolg“ | (April) |
| 3. | Shopper Conversion: Wie das Kaufverhalten am Regal besser ausgeschöpft werden kann | (Juli) |
| 4. | Promotion-Optimierung: Worauf es ankommt | (Sep) |
| 5. | Total Store Optimierung: Höhere Umsatzpotentialsausschöpfung durch Planung des Store Traffics | (Nov) |



Agenda

How to Optimize –
some Universal Insights

Conclusion



1

Meaning and Relevance
of Conversion

3

How to Measure –
Behavioural Approaches

4



Silke Leibmann



Mark Wendlandt

The term “shelf conversion” translates the traditional Online KPI to Brick & Mortar stores for FMCG



Conversion from an...



Online perspective

- KPI from **e-commerce background**, defined as:

$$= \frac{\text{Number of goal achievements (e.g. purchases)}}{\text{Visitors}}$$

- Online shop's ability to **generate web traffic** versus make some of these visitors **buy products**



Offline perspective

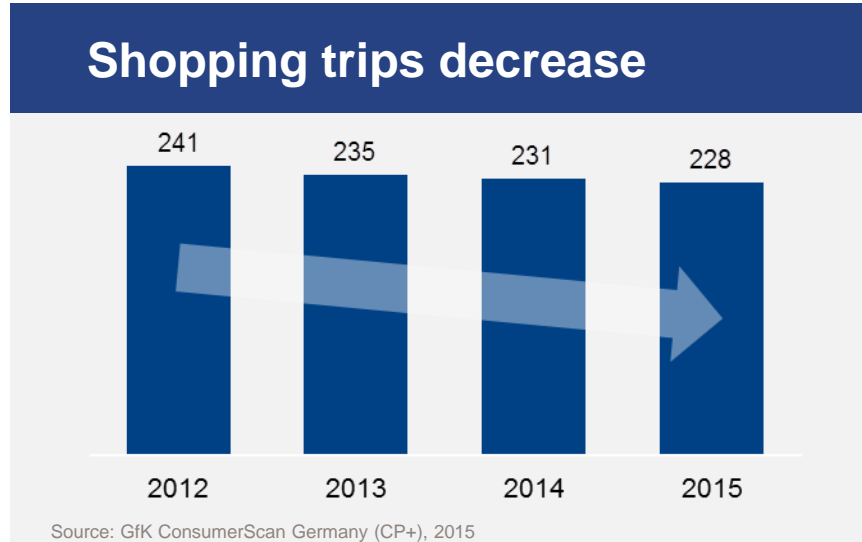
- The same logic applies to **brick & mortar** stores – **shopper traffic** is one objective, to make these people drop as many products in their basket as possible, is another
- While the first one is linked more to **location**, **communication** and **overall satisfaction**, the second one can be influenced by **category management**



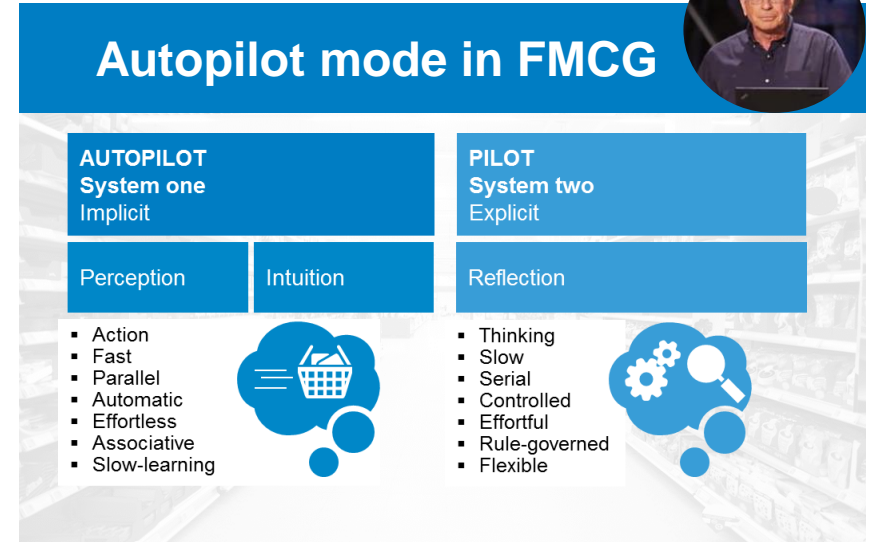
With less shopping trips, a better conversion is needed to keep the status quo – and get shoppers out of their routine in FMCG



Relevance of Shelf Conversion and Autopilot mode



- With less shopping trips, a better conversion is needed to keep up sales for retailers and industry

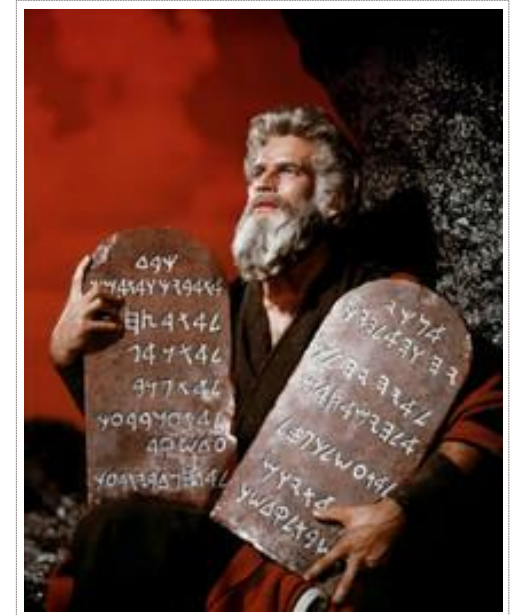


- “Conversion” in FMCG rather happen in autopilot mode – we have to understand shopper mindset!

We state a few universal „Shopper Laws“, that should be considered when working to increase Shelf Conversion



- 1** Shoppers reduce complexity to survive
- 2** Relevant occasions trigger purchase
- 3** Shoppers use their own logic to (de-)select
- 4** Flagship Brands are essential for the category
- 5** Break the routine to activate
- 6** Make cognitive elements easy accessible



Charlton Heston played Moses in Cecil B DeMille's 1956 version of 'The Ten Commandments'; <http://taylormarshall.com/2013/08/did-the-divine-law-exist-before-moses.html>

Inspired by P&G Shopper Insights

“Shoppers reduce complexity to survive”

EXPLANATION

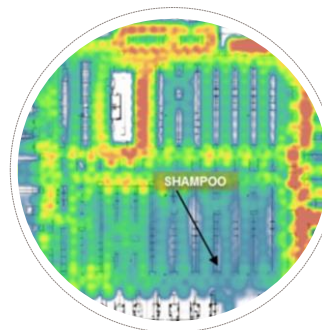
- Shoppers cannot take care for all details, they focus on the essentials
- Rule of thumb: our mind cannot work with more than five pieces of information at the same time
- Thus, shoppers use what is familiar to them and easy to digest

DATA / EXAMPLE

12 items

bought by consumer on an average trip, in hypers even 20 items.

(GfK Consumer Panel DE, 2015)



8 sec.

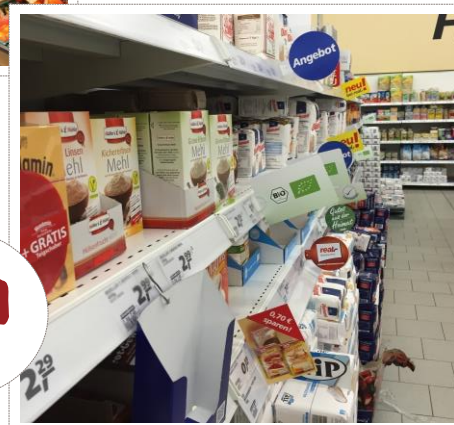
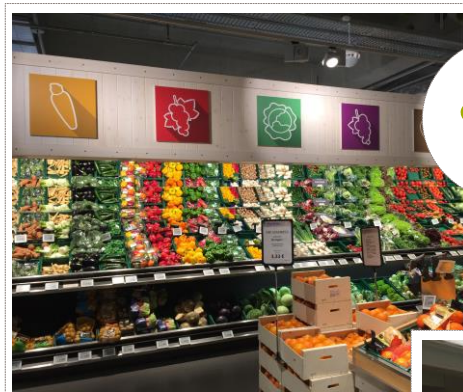
time consumer stayed at the Shampoo shelf in an observation study

(GfK Shopper Conversion Study, 2015)

“Shoppers reduce complexity to survive”

RECOMMENDATION

- Use familiar elements, like logos, colors etc
- Don't overload the shelf with too much stuff
- Pictures are usually stronger than words



“Relevant occasions trigger purchase”

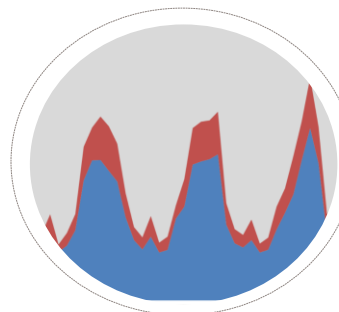
EXPLANATION

- “Occasions” like festive events, meeting with friends or school start trigger purchases
- By using these themes in store, shoppers are reminded and inspired and thus buy more
- Occasions differ by time of the year, region and also target groups – for an effective program, these pattern should be explored

DATA / EXAMPLE

~40%

of FMCG trips are
related to an occasion.
(GfK Occasion Study 2015/2016)



Categories can be extremely
driven by season – up to Index

360

versus Off-Season.

(Food Category, GfK Consumer Panel)

“Relevant occasions trigger purchase”

RECOMMENDATION

- Approach shoppers with the right occasion, according to seasonal and regional pattern
- Use occasions to stimulate cross-category purchase and increase basket size
- Occasions need to have critical size – do not look for mini-niches, but balance new ideas with mass appeal



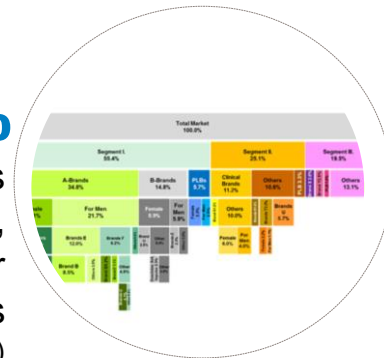
“Shoppers use their own logic to (de-)select”

EXPLANATION

- Shoppers cannot make a decision on SKU level, they need a heuristic to simplify the decision
- Usually, shoppers look for some group of products to be excluded, if this is repeated several times, they get closer to a decision
- It is important to understand by which criteria the shopper groups the category, to help the shopper with a logical shelf design

DATA / EXAMPLE

In **~85%** of categories, segment was the most important attribute, followed by packsize, price tier and then separate brands
(Several GfK CDH Studies)



“I would never consider buying beer brand X, it’s just not possible”

(GfK Category Perception Workshop)

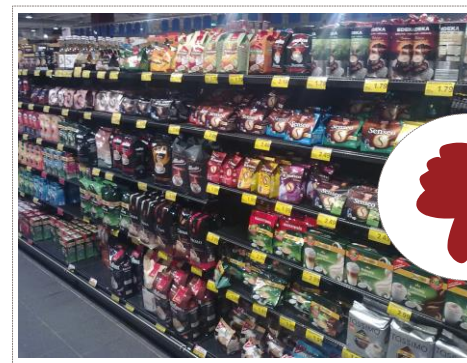
“Shoppers use their own logic to (de-)select”

3



RECOMMENDATION

- Help shoppers to understand the structure of the category by using the heuristics of the majority of shoppers, e.g.:
 - Color – e.g. red / white wine
 - Product – e.g. powders / liquids
- Use Consumer Decision Trees to create a shelf structure that is logical for the shopper
- Use visual elements to separate the most decisive segments of the category



“Flagship Brands are essential for the category”

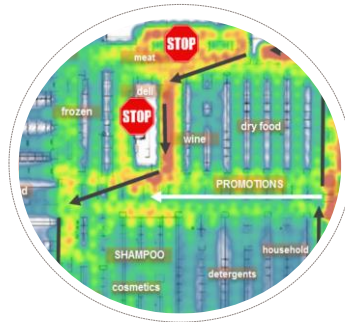
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GfK

EXPLANATION

- Flagship brand are market leader or have a strong heritage, associated with the category
- Many purchases of a category are made by looking for Flagship brands
- If these brands are not visible, shoppers may miss the category

DATA / EXAMPLE



Flagship brands were touched

2-3x

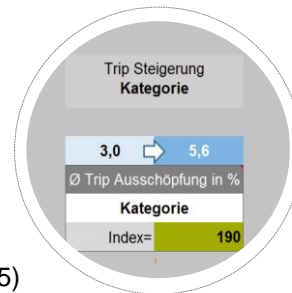
more as regular brands

(GfK Shopper Conversion Study, 2015)

Up to **90%**

more category conversion in a hypermarket due to promo of a leading food brand

(GfK Consumer Panel, Promo Uplift Tree, 2015)



“Flagship Brands are essential for the category”

RECOMMENDATION

- Use Flagship brands to help shopper's orientation and bring traffic to the category
- If you are the Flagship brand, convince retailers to get more visibility – if you are not, be as close as possible to this brand
- If you can't use your whole brand equity, use at least a part of branding to improve recognition

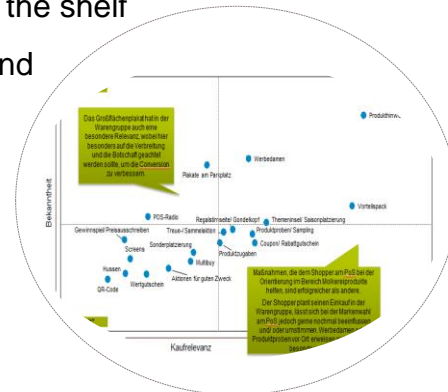


- Even if shoppers like the routine, unusual elements catch their attention
- If shoppers are confronted with “disruptive” features, they need to think about it and awareness increases
- Unusual elements can be created via colour, lights or shapes

Special markers* on the shelf

relevance for purchase.

(GfK POS Touchpoints Study, 2015)



* „Produkthinweise am Regal“



Discontinuity triggers:

Respondents said the shelf triggered them to buy more products, and significantly more products were sold.

(GfK-Norm, Virtual Planogramm Test for FMCG category, 2015)

“Break the routine to activate”

RECOMMENDATION

- Interrupt shoppers in autopilot, via displays, curved ends, special lights, tastings, ...
- Still, all this has to fit into the context of the retailer to get permission
- Unusual elements that provoke a negative perception should be avoided of course



“Make cognitive elements easy accessible”

EXPLANATION

- Even when shopping for FMCG, people can be influenced with cognitive messages
- E.g. the decision to buy a category can be supported with positive arguments (healthy, natural, trendy, ... = the right choice)
- Still, these informations need to be available in a convenient and easy format, so that it can be processed in a few seconds

DATA / EXAMPLE



Purchase intent of non-buyers increased by **30%** points due to translation of liters to number of drinks
(GfK-Norm, Planogramm Test, 2015)

Information helps to educate:
28% of the respondents answered that the shelf seduces them to buy more different kinds of oil.
(GfK-Norm, Planogramm Test, 2015)



“Make cognitive elements easy accessible”

RECOMMENDATION

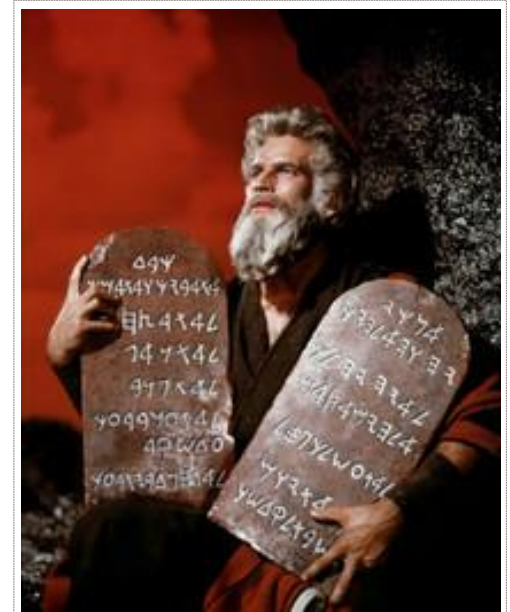
- Help the shopper with visual information (displays, shelf marker, video, ...)
- Use a format that is easy and quick to digest
- Use education to trigger curiosity and unplanned purchases, or to confirm shopper in their purchase decisions



The general Shopper Laws give recommendations to create POS layout and communication – of course the “devil is in the details”!

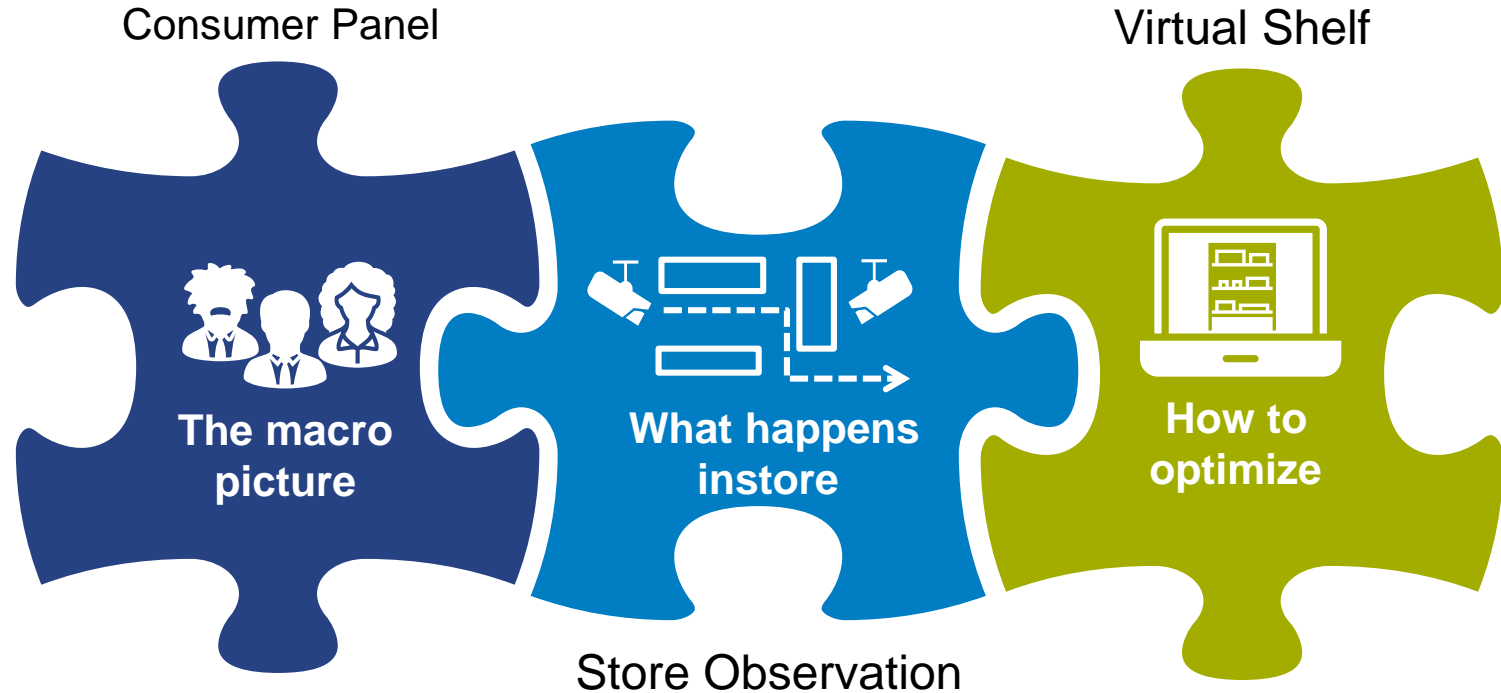


- 1** Skip too much details and avoid overload
- 2** Use occasion-based initiatives to inspire
- 3** Consider the shopper logic in shelf layout
- 4** Use strong brands to bring awareness to category
- 5** Surprise shoppers from time to time to engage
- 6** Use information to trigger unplanned purchases



Charlton Heston played Moses in Cecil B DeMille's 1956 version of 'The Ten Commandments'; <http://taylormarshall.com/2013/08/did-the-divine-law-exist-before-moses.html>

Three behavioural approaches that are answering a set of business questions

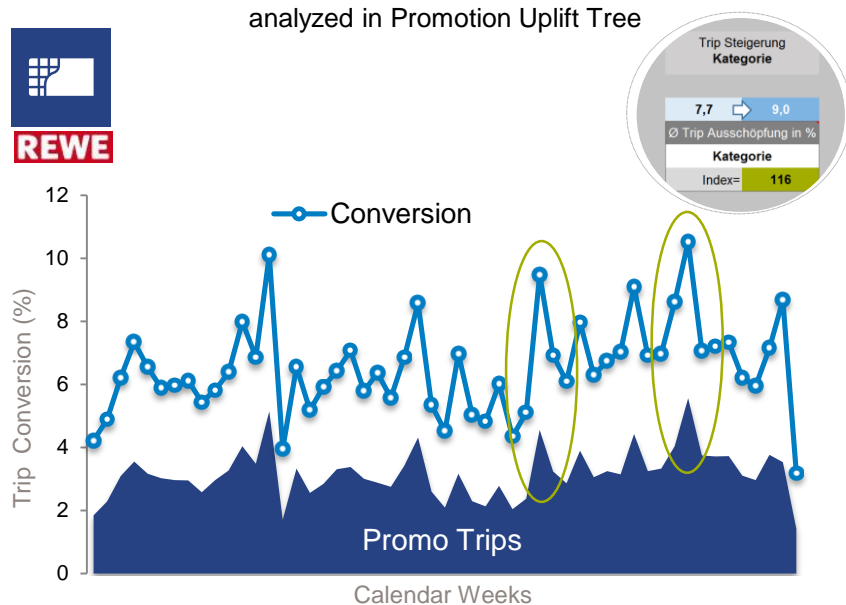


Panel allows us to look at impact of promotions and assortment depth on conversion – but cannot evaluate POS execution

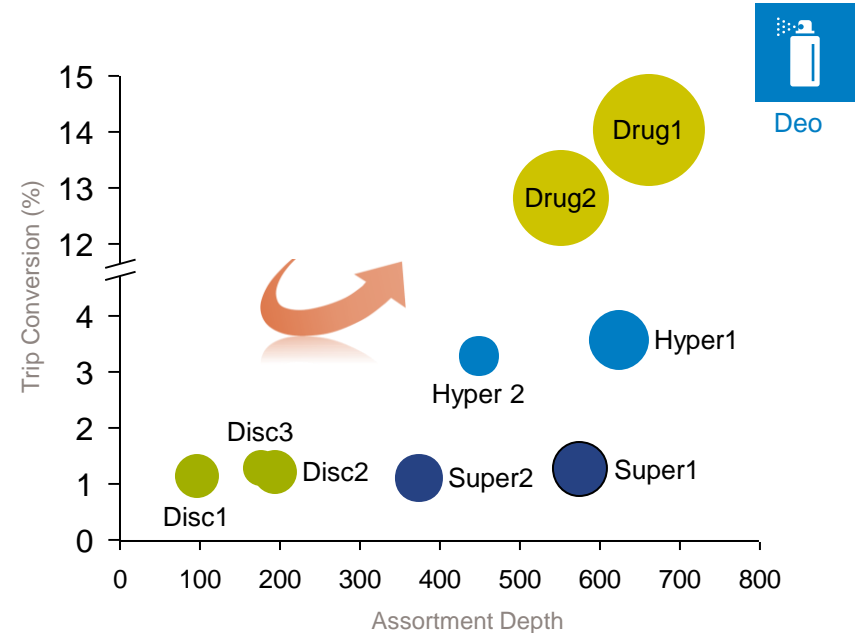


Panel Approaches to measure influence on conversion

Impact of Promotional Activity on Conversion rate



Assortment Depth and Conversion



Source: GfK ConsumerScan Germany (CP+), 2015

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Different shops from one banner could be vary regarding conversion



Observation detects the journey
in-store to understand the differences

Observing behavior gives relevant and meaningful KPI's

Different data sources are combined to a 360° data set.



Test your key in-store scenarios in a real life in-store environment

Real life test



GfK ShopperLab

- The testing environment is set up in Haßloch, the established GfK microcosm, located in the Rhine-Neckar Metropolitan Region
- The test store is a Edeka supermarket of 1.500 m²
- Validation of sales trends through retail panel data comparison with relevant competitive stores within the region



Heatmaps detect white spots in the store and explain conversion rates.

Browse, visit and touch – RTLS & OSS

The store heatmap shows hot and cold zones in the store.



The touch heat maps visualize the interactions with the shelf.



Rank conversion influencers to maximize in-store marketing turnover and investment

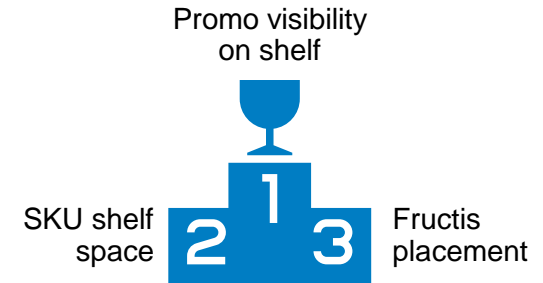


What drives conversion at category and brand level

Business measures for key conversion gates

Store level	Shampoo	Visit index	22%
		Stop index	6%
		Conversion index	1%
Shelf level	Elseve Fructis Nivea	Visit index – category	22%
		Stop index	1.6% - 1.0% - 1.0%
		Touch index	1.4% - 0.8% - 0.7%
		Conversion index	1.1% - 0.5% - 0.5%

Top 3 sales drivers for Conversion



Business recommendation

- Shampoo conversion factors require attention. Shampoo business is under-exploited
- The retailer needs to refine promo visibility at shelf for the category
- The retailer needs to review shelf design and allocation (focus on flagship brands with Fructis placement driving stop and touch power)

Test changes on the shelf before going live in a virtual shelf

Understanding and predicting



- ▶ Understand and predict shopping behavior
(e.g. decision tree, optimal assortment, ...)
- ▶ Measure the impact of marketing activities
(e.g. test of shelf material, promotions, new launches, new placements, ...)
- ▶ Effective: fast, valid and affordable

Simstore: respondents can zoom in on, look closer at and purchase individual products



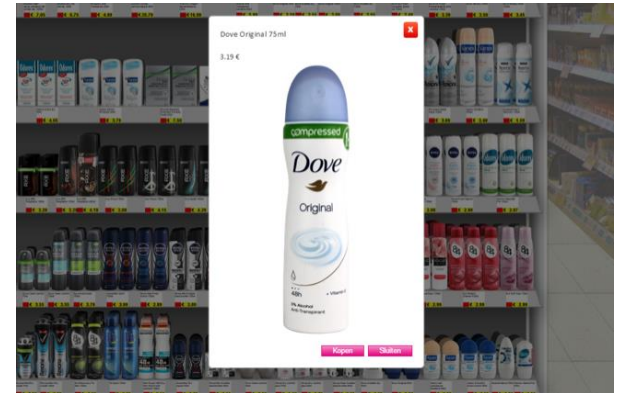
View of the shelf



“Zoom in”



“Pick up/look closer”



Scenario testing provides insights about shelf design



Outputs from Planogram Test

Different shelf lay-outs reviewed in simstore

Output: navigation, sales, evaluation

Scenario 1 Brand blocking – Horizontal (Current)






Scenario 2 Brand blocking - Vertical



Scenario 3 Brand blocking - Vertical + POS



	Scenario 1	Scenario 2	Scenario 3
	Correct product 45%	47%	59% (AB)
	Time to find correct product 42 Sec.	39 Sec.	34 Sec. (A)
	Basket size #1,5	#1,6	#2,1 (AB)
	Money spent (total) 4,25€	€5,10 (A)	€5,89 (AB)
	Brand A €2,95	€3,10	€3,20
	Brand B €1,30	€2,00	€2,69 (AB)
	Inspiring shelf 45%	47%	59% (AB)
	Helps me better understand products 29%	28%	46% (AB)

Scenario 3

OPTIMAL SHELF FOR DRIVING CATEGORY VALUE, INCREASING BRAND SHARES AND IMPROVING SHOPPER SATISFACTION

Understanding the shopper to increase shelf conversion

Conclusion



Shopper conversion is an relevant measure for successful shopper marketing.



Consumer Panel gives a broad benchmark capability and helps to see the macro picture.



Store observation helps to optimize store traffic, shelf layout and thus shopper conversion.



Virtual Stores enable to test possible executions in a fast and efficient way, to finally optimize shelf conversion.

Your point of contacts



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Thank you