Different days,
different needs

The world according to shoppers

A study conducted for The Coca-Cola Retailing Research Council of North America by TNS NFO

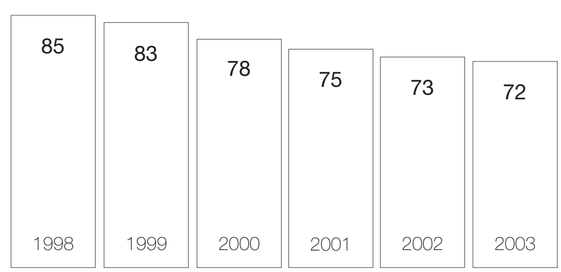
Contents

Whose agenda is it anyway?

The supermarket's share of the total grocery business has declined broadly in recent years. The average number of visits made by U.S. households to supermarkets fell from 85 in 1998 to 72 in 2003. Consumers have moved a significant portion of their grocery spending to other types of stores. The broad question that The Coca-Cola Retailing Research Council of North America confronted was this: How can supermarkets develop a clearer and more relevant connection with today's consumers?

Supermarket trips per household per year

Source: ACNielsen, "Channel Blurring."



The strengths and weaknesses of new competitors — supercenters, warehouse clubs, health food supermarkets, etc. — are well understood in terms of price, variety, quality, and service. But is this understanding enough? As members of the Council debated this issue, it became clear that the answer was "no," and that current thought processes may even be limiting our ability to develop the most effective responses.

Early discussions focused on new competitors "stealing our customers," but it didn't take long to realize that these were not really OUR customers. They are customers making their own decisions about how best to satisfy their needs at the range of different stores available to them. Despite the fact that some of these stores have narrower product offerings than supermarkets, in some respects they do a better job of serving specific consumer needs.

Today, most supermarket executives and managers still tend to think about competition in "supermarket" terms: We believe that consumers are attracted to supermarkets on the basis of price, comparable national brands and private-label products, store cleanliness, service, store hours, and quality of perishables. These are important considerations, but they are standards developed during a time when supermarkets were the obvious choice for grocery shopping. Do they speak meaningfully to today's consumer needs? Has the consumer quietly left the building while we have been talking about "our" customers and competing with each other? Whose agenda is it anyway? Ours — or the consumer's?

Shoppers' lifestyles and needs have changed a great deal over the last 10–20 years, and the supermarket's declining share of business suggests that it hasn't kept pace with the new needs and choices.

The Council saw a need to broaden and update our understanding of the consumer's agenda for grocery shopping. Doing so provoked a shift in perspective from "the world according to supermarkets" to "the world according to shoppers." The resulting study focused on developing a deeper understanding of the needs experienced by contemporary consumers, rather than competition among supermarkets — because in the world according to shoppers, there are many places to grocery shop.

Understanding the needs that drive shoppers' choices can enable supermarkets to identify new opportunities for growth, and help them avoid spending time, money, and resources on efforts that have little meaning for consumers.

The study explored the following questions:

- How are lifestyle and other pressures affecting store selection and shopping behavior?
- How do today's consumers describe their needs? How do those needs influence decisions about where to shop?
- How does supermarket performance map against the world according to shoppers?
- How can understanding need states translate into competitive advantage?

Study objective:

To identify actionable new consumer insights on the needs consumers are striving to satisfy when grocery shopping, and develop a framework that individual retailers can use to identify better ways to satisfy these needs.

Study methodology:

TNS NFO conducted the study using its online panel of approximately one million U.S. shoppers to:

- Profile the grocery shopping of more than 3,000 households.
- Conduct two week-long, online focus groups.
- Survey more than 1,500 households on their behavior and attitudes toward meal preparation and grocery shopping, including:
  - Exploring their two or three most recent grocery shopping trips, focusing on the needs households were trying to satisfy and the experiences they had in specific stores.
  - Capturing the performance of individual stores in satisfying consumer needs.
  - Inventorying the importance of store attributes.
- Analyze the shopping behavior toward supermarkets and non-supermarket competition using the TRI*M System to measure the intensity of shopper commitment to different types of stores. The TRI*M System is more fully explained in Chapter 3.

The study asked the following questions for 4,200 different shopping trips.

- What needs were you trying to satisfy on this shopping trip?
- What did you personally want to accomplish on this shopping occasion?
- At what location(s) did you shop on this trip?
- At which location did you spend the most money?
- Why did you choose to shop at this location for this shopping occasion?
- How were you feeling during the shopping trip?
- What types of products did you purchase?
- In total, how much did you spend?
- What time of day and day of week was this?
- Was the trip made alone or with other people?
- How do you rate the outlet where you did most of your spending in terms of overall performance, likelihood to recommend to others, likelihood to shop there again, and its advantages versus other outlets for this type of shopping occasion?

This detailed approach ensured that the information gathered related to specific shopping decisions, not generalizations, and that it measured specifically what consumers said they did versus generalizations about overall shopping.

Chapter 1

The climate is pressured

How's the weather out there?

Changing lifestyles are a major factor driving the shifting patterns of grocery shopping. The study provided solid evidence that consumers are experiencing four powerful pressures driven by current U.S. lifestyles. These broad pressures affect nearly all shoppers, whatever their traditional demographic grouping.

Money Today, consumers are defining "the best value" in their own terms. Whether shoppers have more or less money to spend than they did a few years ago, they want to spend it wisely. It's become increasingly difficult to use income alone as an accurate predictor of spending decisions.

Time Time limitations have a huge influence on grocery shopping behavior. In most families, both parents work outside the home. Many people are working longer hours, yet their other chores are no less time-consuming. As a result, consumers have become more impatient and less tolerant of delays — they want what they want, they want it right, and they don't want to wait for it.

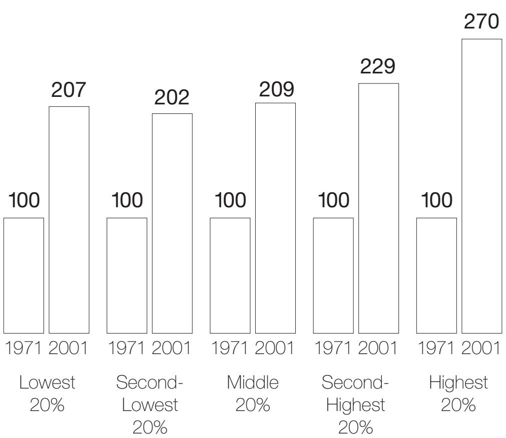
Self care A powerful need to "take care of me" has grown out of the combined pressures of making money and juggling time. As consumers struggle to balance external responsibilities and personal needs, guilt-free personal indulgences and a little "time for myself" are two ways this plays out when people shop for groceries.

Care for family Connecting with and caring for the family has also become more pressured as a result of juggling time and money. Children typically receive more focus — if not attention — than they did a generation ago, and adults are looking for new ways to maintain and fulfill their relationships and responsibilities within the family.

Money pressure

Indexed real income growth by household, 1971–2001 (in 20% groupings) Index: 1971=100.

Source: Willard Bishop Consulting analysis of U.S.Census data.



Although overall income has grown steadily, the top-earning 20% of households have captured more of the gains. This means the overwhelming majority of households haven't experienced much increase in spending power. No matter how you look at it, four out of five North American households experience some form of money pressure — and the percentage may be even higher.

As stated earlier, income alone is no longer as reliable a predictor of spending decisions as it once was. New retail options offer shoppers opportunities to trade up or trade down in ways that are not available in supermarkets. Consumers can trade down to stores that offer extremely low price points, such as warehouse and dollar stores. And they can trade up to specialty markets offering premium-quality products that tap into strong emotions not normally associated with buying grocery products, such as pride, status, and indulgence. The new players pose a challenge for "middle-of-the-road" supermarkets because they tend to polarize the shopper's attention on the two extremes, leaving stores "in the middle" without a clear, compelling appeal.

How do household money pressures influence grocery shopping decisions today?

Savings are important.

75% of shoppers believe that "stores differ significantly" in their pricing of grocery products. Whether consumers are on a budget or not, they report that an important goal of 50% of their shopping trips was to save "as much as possible"; 36% of households in the study report that they "stay within a firm grocery budget."

Store-hopping is common.

Even with the pressure of limited time, 46% of the households report that they "buy groceries in several stores to take advantage of the best deals." The true number may be even higher; shoppers who said they shopped two stores over a three-month period actually shopped at four.

Some shopping is paycheck-driven.

43% of households report that they typically plan to do their major grocery shopping after payday. This remains a powerful trigger for stock-up shopping, despite the fact that many of these households are not living paycheck to paycheck.

Time pressure

Unrelenting time pressure has a huge impact on grocery shopping experience. The most frequently reported negative feelings relate to the time pressures that shoppers encounter while shopping. This greatly exceeds any store characteristic or store problem. Time is the "unpackaged" commodity.

Some shoppers have already taken it into their own hands to minimize this discomfort.

- Almost 60% make a conscious effort to plan their shopping during times when stores are not crowded.
- About one-third of shopping trips now include the goal of reducing the need for an additional trip by buying everything in this one.

Time pressures influence consumer grocery shopping decisions in at least three ways.

The definition of one-stop shopping is changing.

The traditional supermarket — particularly the combination food/drug store — used to be the place for one-stop shopping. The availability of larger stores offering more extensive non-grocery choices changes this tradition. The survey found that one-third of grocery shopping trips today are driven by the desire to buy groceries and a range of general merchandise at the same store.

Easy shopping is expected.

Consumers strongly dislike hunting for products they know they want. For about half the trips, shoppers reportedly selected the store because they believed they could quickly find the products they wanted. This puts a premium on making it easy and intuitive for first-time shoppers to find what they're looking for.

Fast checkout is a must.

Every retailer knows this, but consumers report that fast checkout is critical — 40% become impatient if they have to wait in line "more than a minute." To get in and out faster, a surprising number are willing to pitch in: 36% indicated that they wanted self-checkout available.

Taking care of me

Finding the time to relax and rejuvenate oneself through a positive and different experience has become increasingly difficult for consumers as a result of today's pressured lifestyles. Although people generally recognize shopping as a good way to do this, can it be accomplished via grocery shopping?

Consumers' feelings are polarized.

Some find personal satisfaction in grocery shopping, and initially the numbers seem reassuring. About half report they like grocery shopping, and 36% say they get a real sense of accomplishment. But a closer look reveals that these feelings are moderate — and moderate feelings are mild motivators. At the other end of the scale, some of the negatives can be intense, and the numbers are significant. One-quarter of shoppers consider grocery shopping "an unpleasant necessity."

Similarly, although cooking and food preparation is still a strong positive for some shoppers, it's a strong negative for many others. Fully 30% of the households reportedly would avoid cooking whenever possible.

Two strong positives stand out in grocery shopping.

- 60% of the respondents report that they like to buy and/or try new grocery products.
- 60% also take the time to browse (though even with the desire to browse, only 13% of grocery shopping trips had this goal).

In general, consumers typically don't see grocery shopping as fun or as time for themselves, and the conflict between time pressure and the desire to shop thoughtfully and browse creates negative feelings about grocery shopping for many. Stores that can find ways to address this need may be able to establish a significant advantage.

Family pressure

Many consumers just don't have as much time as they'd like to spend with and take care of their families. They are still committed, but today's lifestyles present roadblocks.

Almost 60% of shoppers report that "everyone in our house eats together most days of the week." A worthwhile question for supermarkets is, "Who's doing the cooking?" While only one-third of households describe themselves as buying prepared or take-out food "often," the survey found that in reality 84% of those households bought one or more take-out or delivery meals in a typical week.

When consumers can't spend time with family, the products they buy can serve as a way to connect. They like being appreciated by family members for bringing home favorite foods, products, and treats. "Thanks, Mom" means a lot.

Store selection and shopping behavior are influenced by the following.

Trust matters.

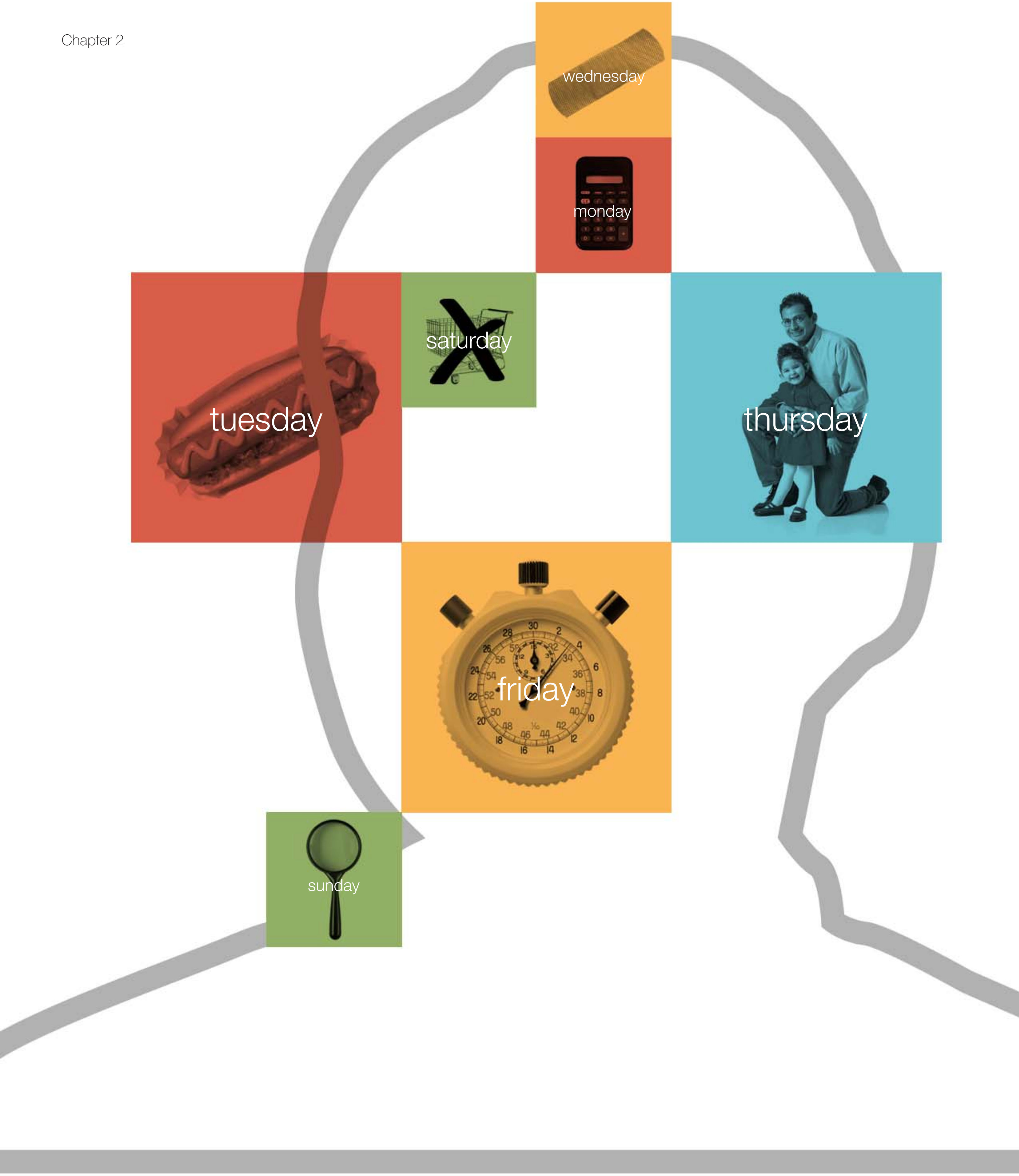
It may sound old-fashioned, but 43% of stores chosen for grocery shopping are selected because "it's the store I trust."

Family is the focus.

Families are top-of-mind in terms of the specific goals behind many shopping trips: 47% of trips include the goal of satisfying the needs of family and household, and 32% of trips include the explicit goal of taking good care of family or household.

Shopping provides an opportunity to connect.

Consumers use grocery shopping to buy products that express their personal feelings to family and household members. 60% report that they buy treats or rewards for family while grocery shopping.


wednesday
monday
tuesday
saturday
thursday
friday
sunday

Same shopper, different day

Need states and shopping occasions

In "the world according to supermarkets," consumer needs are traditionally understood by grouping shoppers into segments based on household characteristics: gender, age, marital status, income, job status, ethnicity, education, geographic location, and the presence or absence of children in the household. Within each grouping, needs are by and large considered homogenous. This approach worked fairly well when supermarkets were the obvious choice for grocery shopping. But when consumers step out of their doors with keys in hand today, they see an array of stores that can better satisfy at least some of their shopping needs.

In "the world according to shoppers," the needs that consumers bring to particular shopping occasions strongly influence the store choices they make — and the same shopper has different needs from day to day and occasion to occasion. Saturday they may be trying to stock up so they won't have to do major grocery shopping for several weeks. On Thursday, they may need to stop in for one quick sack of supplies for dinner. Tuesday, they may make an emergency trip to fill a prescription. By all the traditional measurements listed above, it's the same shopper, but on each occasion the needs are different. And each occasion is an opportunity to choose a store.

By shifting perspective from "the world according to supermarkets" to "the world according to shoppers," the industry stands to gain greater relevance for today's consumers. Recognizing and responding to shoppers' need states (rather than viewing them only through a demographic lens) can translate into increased traffic, greater consumer satisfaction, and higher revenues.

The nine need states identified on the following pages are the result of the study's deep dive into the last two or three shopping occasions for more than 1,500 households. Detailed information on more than 4,200 shopping occasions revealed:

- which driving needs — both emotional and rational — shoppers were trying to satisfy for their households
- what the shopper personally wanted to accomplish
- the store where they did most of their grocery shopping on that occasion
- the reasons for shopping at that store
- trip profiles, i.e., when, how much spent, types of products purchased
- an assessment of the overall trip experience

Care for Family

Shoppers in this need state are driven to do the best they can for their families.

They want: To please household members
To do the right thing
To keep a wide variety of foods on hand

Quote: "I buy what people ask for and what I think will please them, but I always make a decision that ensures it's good for them."

The reward they seek: Appreciation from family members
The satisfaction of a job well done

Other important features: These trips take time, so the quality of the shopping experience is important.

Relevant attitudes about shopping, meal preparation, and cooking: These shoppers only go to a couple of trusted stores for groceries and usually walk through every aisle. Household members influence the brands and products they buy. Serving nutritious and balanced meals is a high priority. They frequently cook from scratch and keep their kitchens well stocked. Most days everyone in the household eats dinner together.

More frequently purchased products: High-quality refrigerated and fresh products, such as fresh fish, fresh baked goods, refrigerated prepared foods, and imported cheese

Top reasons for store choice: Product selection
Store atmosphere

Average spending per shopping trip:
$110

Percentage of grocery shopping trips:
19%

Percentage of total grocery spending:
27%

Efficient Stock-Up

In this need state, shoppers are laying in supplies to minimize the number of times they have to go to the store.

They want: To avoid unnecessary trips
To stock up for future use

Quote: "I don't like to grocery shop, so on my major trips I buy everything I can."

The reward they seek: To cross this task off their list

Other important features: These shoppers don't get any enjoyment out of grocery shopping. Though they plan their trips, they are usually in a hurry and want to spend as little time as possible in the store. Getting in and out of the store quickly is a high priority.

Relevant attitudes about shopping, meal preparation, and cooking: Frequent Efficient Stock-Up shoppers usually decide what to make for dinner when it's time to cook, so they like to keep their kitchens stocked with familiar foods and rarely buy unfamiliar ones.

More frequently purchased products: Food products that don't require a lot of time in preparation such as packaged foods and frozen entrees

Top reason for store choice: Product selection

Average spending per shopping trip:
$95

Percentage of grocery shopping trips:
13%

Percentage of total grocery spending:
16%

Smart Budget-Shopping

Shoppers in this need state want to do the right thing for the family, but saving money is important in their decisions.

They want: To stick to a budget
To seek out and stock up on bargains
To keep a wide variety of items on hand

Quote: "I'm laying in supplies for the long term. I want the store to make it easy for me to find savings."

The reward they seek: Proof that they've saved a lot on a shopping trip

Other important features: As long as they are able to get the savings, these shoppers aren't as time-sensitive as some. Free tasting samples, in-store coupon and recipe centers, and "What's New" sections appeal to them.

Relevant attitudes about shopping, meal preparation, and cooking: Shoppers in this need state are planners. They study ads and circulars, buy groceries at several stores to take advantage of the best deals, and track the money they save from coupons. They eat together at home most nights, try to plan nutritious and balanced meals, and maintain well-stocked supplies.

More frequently purchased products: Typically, products that deliver a lot of "value for money," such as quality frozen foods that are promoted often

Top reasons for store choice: Prices
Store atmosphere
Product selection

Average spending per shopping trip:
$93

Percentage of grocery shopping trips:
15%

Percentage of total grocery spending:
18%

Discovery

Shoppers in this need state are explorers hoping to find something new.

They want: To see new ideas and products
To buy grocery and non-grocery items on the same trip
To enjoy themselves and have fun

Quote: "I like to browse during my grocery shopping trips. Every trip is a little different. I look for new ideas, new recipes, new foods — and non-grocery products like clothes."

The reward they seek: A surprise — and the pleasure of finding something new

Other important features: Discovery shoppers enjoy grocery shopping, but are also attracted to the broader opportunities for discovery offered by supercenters and mass merchandisers. "What's New" sections in supermarkets appeal to them.

Relevant attitudes about shopping, meal preparation, and cooking: On Discovery occasions, grocery shoppers are impulsive and inclined to buy and try new foods and products. Often they decide what to cook for dinner at the last moment. New recipes and meal ideas are attractive to them. Finding treats or rewards for family members is also very satisfying.

More frequently purchased products: Products with the potential for delivering personal satisfaction, such as specialty and natural products, as well as higher-involvement non-foods like magazines or high-quality cooking utensils

Top reasons for store choice: Store atmosphere
Product selection

Average spending per shopping trip:
$90

Percentage of grocery shopping trips:
7%

Percentage of total grocery spending:
9%

Specific Item

In this need state, consumers focus first and foremost on one or two urgently needed items.

They want: To satisfy an immediate need quickly
To buy something a family member needs or wants

Quote: "I need something right away: a specific food, ingredient, prescription medicine, or alcoholic beverage. If it's not on the shelf, I'm likely to go to the next store."

The reward they seek: Finding the specific item immediately
Getting what they need quickly and easily

Other important features: This is a product-focused trip, so selection is top-of-mind; out-of-stock issues are very important. This shopping occasion encompasses virtually all shoppers at one time or another and is likely to increase in frequency. People are doing less planning, and when they need something, they want it right away.

Relevant attitudes about shopping, meal preparation, and cooking: In this frame of mind, shoppers make a lot of little trips for items they run out of or will need in the next few days. Household members' requests sometimes initiate these trips. Sometimes these occasions are welcome opportunities to get out of the house.

More frequently purchased products: Items that have a unique use and value in the household such as prescriptions, over-the-counter medicines, and certain household supplies

Top reasons for store choice: Product selection
Convenience
Store atmosphere

Average spending per shopping trip:
$60

Percentage of grocery shopping trips:
11%

Percentage of total grocery spending:
9%

Reluctance

Shoppers in this need state don't want to grocery shop and seek as little involvement as possible.

They want: To make the experience as painless as possible
To spend as little time in the store as possible

Quote: "I just don't want to be here. I'd rather have somebody else do my shopping or go online."

The reward they seek: Getting done and getting out

Other important features: While these may not be the most pleasant shoppers, they have the potential to become very loyal and very profitable. They are also more likely to be early adopters of new practices like automatic checkouts and shopping online.

Relevant attitudes about shopping, meal preparation, and cooking: Shoppers in this state of mind often say their lives are hectic and that they are always in a hurry. They generally buy just what the household will use for the next few days, and try to make meals that take less than 30 minutes to prepare. They also seem to eat more meals away from home than at home. Although all kinds of shoppers fit this profile, the occasion skews to higher-income shoppers who can sometimes afford to make the store their kitchen and buy the whole meal fresh.

More frequently purchased products: Value-added foods with shorter preparation time such as fresh prepared entrees

Important services: Self-service checkout
Ready-to-eat meals section

Appealing adjacent retail: Post office/shipping
Home center/hardware stores

Top reason for store choice: Convenience

Average spending per shopping trip:
$58

Percentage of grocery shopping trips:
8%

Percentage of total grocery spending:
4%

Bargain-Hunting Among Stores

Shoppers in this need state look for tactical bargains on specific items as opposed to overall savings.

They want: Savings, savings, savings
To stock up when they zero in on a good deal

Quote: "I take pride in what I do. I like to tell my friends about the deals I find."

The reward they seek: The thrill of bagging a deal

Other important features: Bargain-hunters are some of the least loyal customers because they want only one thing — a deal. Their top reason for choosing a store is sales. Free tasting samples of new products and in-store coupon and recipe centers appeal to these shoppers.

Relevant attitudes about shopping, meal preparation, and cooking: To qualify as a great deal, products need to be of good quality, so on these occasions consumers will hunt several stores to find the best of different types of foods. They use ads and circulars to plan major trips, like coupons, love rebates, and track their savings.

More frequently purchased products: A broad range of food products on promotion as well as specially priced non-grocery items like photo/video, CDs, paper, and personal care products

Appealing adjacent activity: Nearby discount stores or mass merchandisers

Top reason for store choice: Sales

Average spending per shopping trip: $57

Percentage of grocery shopping trips: 13%

Percentage of total grocery spending: 10%

Small-Basket Grab & Go

Shoppers in this need state want to get in, grab a short list of items, and get out in a hurry.

They want: Speed and convenience
To buy products for near-term use

Quote: "Bread, milk, bananas, and beer. In and out in 10 minutes. That's what I'm here for."

The reward they seek: Getting what they came for quickly

Other important features: Shoppers in this need state are buying things that households run out of routinely, as opposed to Specific Item shoppers who are trying to satisfy an urgent need for a particular product or two.

Relevant attitudes about shopping, meal preparation, and cooking: On Small-Basket Grab & Go occasions, shoppers are in a hurry, impatient, and impulsive. Convenience is important. They are less discriminating about store choices, finding convenience and drug stores logical outlets. Some are people picking up a quick sack of dinner supplies on the way home from work, but Small-Basket Grab & Go shopping for perishable staples is routine for others. Younger shoppers in particular say things like "This is the way we do it — this is the way we live." A lot of the items purchased in this need state don't have a long shelf life and might do as well as impulse items if located near a checkout.

More frequently purchased products: Regularly consumed foods that households are most likely to run out of, such as bananas, milk, soft drinks, and beer

Appealing adjacent activity: Banking
Video rental

Top reason for store choice: Convenience

Average spending per shopping trip:
$41

Percentage of grocery shopping trips:
9%

Percentage of total grocery spending:
5%

Immediate Consumption

In this need state shoppers seek to satisfy a craving.

They want: To satisfy an immediate craving
To get in and out fast

Quote: "I'm thirsty, I'm hungry, or I need cigarettes."

The reward they seek: Immediate gratification

Other important features: Sometimes this need state piggybacks on other shopping occasions.

Relevant attitudes about shopping, meal preparation, and cooking: The high importance of convenience makes store selection somewhat random, but certain high-traffic retailers might find an advantage here. These shoppers like self-service checkout.

More frequently purchased products: Products that supply immediate personal satisfaction, from bottled water and soft drinks to magazines, snacks, and tobacco.

Appealing adjacent activity: Fast-food restaurants
Video rental

Top reason for store choice: Convenience

Average spending per shopping trip: $32

Percentage of grocery shopping trips: 5%

Percentage of total grocery spending: 2%

Chapter 3

Mapping supermarket performance against the world according to shoppers

Consumers haven't abandoned supermarkets for any of their need states; but from a need state perspective, supermarkets don't hold the number-one share for any shopping occasion. Non-supermarket competitors serve every need state, and some outlets demonstrate their specialized strengths by attracting a disproportionate percentage of shoppers in one or more need states.

The study measured two related features of supermarket performance: Where do shoppers choose to shop when they are operating in each need state? And what quality of experience do consumers report for stores selling groceries? Since specific shopping trips were examined, it was possible to identify where shoppers actually went and what they experienced as they operated in each of the grocery need states. Based on the level of spending, the need states can be organized into three categories.

High-Spend

- Care for Family ($110 per trip)
- Efficient Stock-Up ($95 per trip)
- Smart Budget-Shopping ($93 per trip)
- Discovery ($90 per trip)

Medium-Spend

- Specific Item ($60 per trip)
- Reluctance ($58 per trip)
- Bargain-Hunting Among Stores ($57 per trip)

Low-Spend

- Small-Basket Grab & Go ($41 per trip)
- Immediate Consumption ($32 per trip)

The average amount of money spent on some of the occasions seems high until one remembers that these are trips to grocery stores triggered by the respective need state.

Share of shopping occasions by need state
(% of trips)

	Total Occasions (%)	Supermarkets (%)
High-Spend		
Care for Family	19	20
Efficient Stock-Up	13	13
Smart Budget-Shopping	15	16
Discovery	7	6
Medium-Spend		
Specific Item	11	10
Reluctance	8	8
Bargain-Hunting Among Stores	13	12
Low-Spend		
Small-Basket Grab & Go	9	10
Immediate Consumption	5	5
TOTAL	100	100

Share of shopping occasions for stores that best serve High-Spend need states
(% of trips)

	Total Occasions (%)	Supermarkets (%)	Supercenters (%)	Warehouse Clubs (%)
High-Spend				
Care for Family	19	20	22	26
Efficient Stock-Up	13	13	15	15
Smart Budget-Shopping	15	16	15	19
Discovery	7	6	9	9

As the chart above shows, the distribution of supermarket trips by need state closely parallels that for total shopping occasions. Clearly, supermarkets serve all nine need states.

While all nine can be important, some supermarkets will find their greatest opportunity in strengthening their capability to attract and serve the high-spend need states, while others will go for higher trip frequency by stressing the low-spend need states. Both strategies can drive significant incremental sales. However, the primary battlefield for many stores will involve the four high-spend need states.

For the high-spend need states, two types of stores — supercenters and warehouse clubs — attract a larger share of trips than supermarkets.

- Warehouse clubs are particularly strong in attracting Care for Family and Smart Budget-Shopping trips.
- Supercenters attract one of the higher shares of trips in the Discovery need state, and they also have more pull than supermarkets for Care for Family and Efficient Stock-Up.
- Supermarkets, on the other hand, pull a little more strongly than supercenters with trips involving Smart Budget-Shopping.

Share of shopping occasions for stores that best serve Medium-Spend need states
(% of trips)

Medium-Spend	Total Occasions (%)	Supermarkets (%)	Drug Stores (%)	Mass Merchandisers (%)	Dollar Stores (%)
Specific Item	11	10	21	12	11
Reluctance	8	8	10	9	6
Bargain-Hunting Among Stores	13	12	24	15	30

Share of shopping occasions for stores that best serve Low-Spend need states
(% of trips)

Low-Spend	Total Occasions (%)	Supermarkets (%)	Drug Stores (%)	Convenience Stores (%)
Small-Basket Grab & Go	9	10	17	26
Immediate Consumption	5	5	6	43

In the medium-spend need states, supermarkets also have strong competition.

- Drug stores have done a good job of satisfying what can generally be called fill-in trips. They show surprising strength across all three medium-spend need states.
- Mass-merchant strength in the mid-spend need states is broad, but they do not particularly dominate any individual category.
- Dollar stores' strength is concentrated in the Bargain-Hunting Among Stores need state, where it maintains a very significant share. Somewhat unexpectedly, these stores also pull trips for shoppers on Specific Item occasions.

In the low-spend need states, supermarkets pull a "fair share" of trips for the low-spend need states, but two other types of retailers are much more effective.

- Drug stores' strength in this category is concentrated primarily in Small-Basket Grab & Go, another indication that they have earned the role as a fill-in grocery outlet.
- Convenience store strength for Immediate Consumption probably isn't surprising, but the percentage of Small-Basket Grab & Go trips they pull indicates that they serve as an important grocery provisioner for many consumers.

The quality of the shopping experience.

The quality of the consumer shopping experience is a good indication of how well a store is serving shopper needs. Highly satisfying experiences forge strong bonds. Less satisfying experiences create weaker bonds.

To arrive at an overall measure of the quality of the consumer shopping experience, the study used the TRI*M Index, a measure used for the last 10 years by businesses all over the world to assess how their customers' experiences translate into satisfaction and loyalty.

The index used in this study combines four dimensions of grocery shopping behavior. Each gauges a different way that the shopping experience is reflected in the mind of the consumer:

- Satisfaction — how would you rate your overall shopping experience with this type of store on this shopping occasion?

- Recommendation — how likely are you to recommend this type of store to your friends for shopping occasions similar to this one?

- Revisit — how likely are you to shop at this type of store for future shopping occasions of this kind?

- Advantage — given what you know about other stores, how would you rate the overall advantage of shopping at this type of store versus another type of store for this kind of shopping occasion?

These four sources of information are combined into a TRI*M score that provides a means for comparing the quality of shopping experiences across different shopping options.

The TRI*M Index can range from a negative number, which seldom occurs for viable businesses, to a score that can exceed 100, which indicates exceptional quality experience. Differences of 3 or more in the TRI*M Index are significant.

All grocery-buying occasions don't produce the same quality of experience for consumers. Some hold the potential for more satisfaction and even enjoyment and generate higher-quality shopping experiences. Others don't appear to hold the same emotional potential and produce lower scores.

Quality of shopping experience by need state

(TRI*M Index for all stores; differences of 3 or more are significant)

70 to 100 = strong experience
100 plus = very strong experience

Smart Budget-Shopping	100
Discovery	100
Care for Family	97
Efficient Stock-Up	92
Specific Item	91
Bargain-Hunting Among Stores	90
Reluctance	86
Small-Basket Grab & Go	84
Immediate Consumption	83

When compared to the TRI*M database of all customer studies in North America, the TRI*M scores for all need states fall into the top 20% range — indicating relatively high-quality shopping experiences even for lower-scoring trips and store types.

The high scores generated by Smart Budget-Shopping, Discovery, and Care for Family show that consumers have particularly strong experiences when operating in these need states.

For Small-Basket Grab & Go and Immediate Consumption, lower scores suggest they don't involve much energy and emotion.

Quality of shopping experience by channel

(TRI*M Index; differences of 3 or more are significant)

70 to 100 = strong experience
100 plus = very strong experience

Limited-Assortment Stores	106
Warehouse Clubs	101
Dollar Stores	100
Mass Merchandisers	93
Supercenters	93
Supermarkets	91
Drug Stores	87
Convenience Stores	80

Across different shopping channels, there is a significant degree of variation in the quality of experience reported.

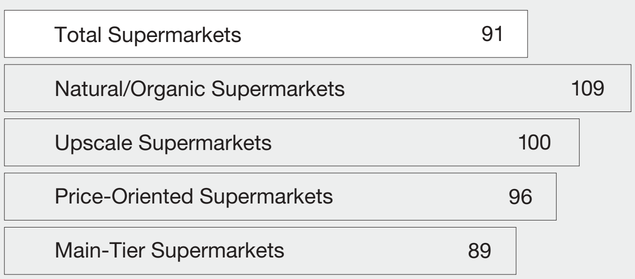
The supermarket TRI*M score of 91 indicates that supermarket shoppers have a good experience and, as a result, are not actively looking for another place to shop. The challenge is that limited-assortment stores, warehouse clubs, and dollar stores generate significantly higher scores. These new competitors appear to have raised the bar when it comes to shopping experience.

Supercenters and mass merchandisers generate scores that are close to supermarkets, indicating that even though they can draw the business, consumers don't have a much stronger experience with them than they do with supermarkets. In other words, these stores are doing a good job of meeting consumers' needs, but not an exceptional one.

Quality of shopping experience by supermarket type

(TRI*M Index; differences of 3 or more are significant)

70 to 100 = strong experience
100 plus = very strong experience



The same range of experience found across different types of stores can be found across different types of supermarkets.

Both natural/organic and upscale supermarkets earn exceptionally high scores for quality of experience. Price-oriented supermarkets also draw very strong ratings.

This suggests that once supermarkets have established a clear positioning, they attract consumers who are looking for what the store offers and, as a result, generate higher assessments. Those strong experiences have a high potential for developing store loyalty.

Quality of shopping experience by need state and channel

(TRI*M Index; differences of 3 or more are significant)

70 to 100 = strong experience
100 plus = very strong experience

	Supermarkets	Supercenters	Mass Merchandisers	Warehouse Clubs	Drug Stores	Convenience Stores	Dollar Stores
High-Spend							
Care for Family	95	96	102	105	na	na	na
Efficient Stock-Up	92	87	91	97	na	na	na
Smart Budget-Shopping	97	101	97	108	na	na	na
Discovery	101	98	102	102	na	na	na
Medium-Spend							
Specific Item	88	87	96	na	95	na	na
Reluctance	82	83	86	na	na	na	na
Bargain-Hunting Among Stores	88	94	81	103	84	na	105
Low-Spend							
Small-Basket Grab & Go	82	87	na	na	84	na	na
Immediate Consumption	81	na	na	na	na	80	na

Comparing the TRI*M scores of supermarkets and their competition by need state provides a clearer picture of which competitors do the best job of providing high-quality experience for specific need-state-driven occasions.

- Supermarkets deliver strong levels of shopping experience across all high-spend need states.
  - Warehouse clubs are the strongest competition for high-spend need states, generating significantly higher scores for three of the four need states.
  - Supercenters are also strong supermarket competitors but generate significantly higher scores for only one need state, Smart Budget-Shopping.
- Supermarkets don't deliver quite as high a level of experience for medium-spend need states and face some strong competition for these shopping occasions.
  - The quality of experience serving the Specific Item need state is significantly higher for both mass merchandisers and drug stores.
  - Dollar stores, warehouse clubs, and supercenters all deliver higher levels of experience than do supermarkets for Bargain-Hunting Among Stores.
- Supercenters provide a higher level of shopping experience for Small-Basket Grab & Go than do supermarkets.

The trip distribution data as well as the TRI*M scores show that supermarkets are grocery stores with general appeal that also deliver strong shopping experiences across all need states. But, they are generalists operating in a market where competition is now getting more specialized.

One response to this situation involves striking a balance between being recognized by your execution as a great generalist and, at the same time, establishing a unique position as the retailer who's known for exceptional focus on one of the consumer need states.

The first step toward being an outstanding generalist is to get the fundamentals right by executing well against what consumers are looking for in all the need states that are important to the store.

Guidance on how to do this can be found in the tables at the end of this chapter. By need state, and in order of importance, they list the most significant supermarket vulnerabilities and strengths when competing with non-supermarket outlets.

Experience over the years in applying similar insights drawn from other TRI*M studies indicates that the biggest benefits are typically realized by reducing or eliminating vulnerabilities.

For example, in the Care for Family table on the next page, two of the top three vulnerabilities suggest that merchandising decisions — not price reduction alone — will help make the supermarket a more attractive destination.

The supermarket strengths listed for Care for Family show the specific things consumers are looking for — and finding — in the supermarket: selection of fresh fruits and vegetables, quality and freshness of deli meats and cheeses, and carrying all leading brands. All are required to successfully attract and retain Care for Family need-driven trips.

Taken together, the tables show one supermarket strength that is nearly universal among need states. “Selection of fresh fruits and vegetables” appears in eight of the nine need states.

One universal characteristic shows up on the negative side as well. “Not an interesting place to shop” was cited as the first- or second-place vulnerability in every need state.

Characteristics unique to a single need state are highlighted by an asterisk in the tables.

Once a retailer has identified and reduced the seriousness of vulnerabilities and made sure the strengths are in place, the foundation elements are in place to perform well as a generalist against all shopping occasions.

The second step, establishing a unique position as a retailer known for exceptional focus on one of the consumer need states, is discussed in Chapter 4.

Top supermarket vulnerabilities and strengths (and unique attributes), by need state and order of importance

Care for Family

Vulnerabilities	Strengths
Not an interesting place to shop	Selection of fruits and vegetables
Lack of low prices day in and day out	Quality/freshness of deli meats/cheeses
Doesn't feature new and interesting products	Carries all the leading brands*
Isn't modern or up to date*	

Efficient Stock-Up

Vulnerabilities	Strengths
Not an interesting place to shop	Quality of fruits and vegetables
Lack of low prices day in and day out	Draws my attention to sale and promotional items*
Not a rewarding place to shop	Has plenty of grocery baggers*
Out-of-stock products*	Is easy to find store employees when I need help*

Smart Budget-Shopping

Vulnerabilities	Strengths
Lack of low prices day in and day out	Quality/freshness of fresh meats
Not an interesting place to shop	Availability/selection of dairy products*
Not a rewarding place to shop	Selection of fruits and vegetables
Not enough open checkout lanes	Quality of fresh prepared foods
Not predictable	

Discovery

Vulnerabilities	Strengths
Not an interesting place to shop	Quality/freshness of fresh meats
Doesn't feature new and interesting products	Selection of fruits and vegetables
Not a place that kids enjoy going*	Quality/freshness of deli meats/cheeses
Limited non-grocery customer services	Is not too noisy*
Limited brand-name non-food products*	

*Unique attribute

Specific Item

Vulnerabilities	Strengths
Not an interesting place to shop	Selection of fruits and vegetables
Not enough open checkout lanes	Quality/freshness of fresh meats
Limited non-grocery customer services	Availability/selection of fresh baked goods
Slow checkout	

Reluctance

Vulnerabilities	Strengths
Not an interesting place to shop	Selection of fruits and vegetables
Doesn't offer one-stop shopping*	Availability/selection of fresh baked goods
Not a rewarding place to shop	Quality/freshness of deli meats/cheeses
Distance from other stores I use	Quality of artisan breads/baked goods
Employees unfamiliar with product locations*	Availability/selection of fresh prepared foods

Bargain-Hunting Among Stores

Vulnerabilities	Strengths
Not enough open checkout lanes	Quality/freshness of fresh meats
Not an interesting place to shop	Selection of fruits and vegetables
Not a rewarding place to shop	Quality of fruits/vegetables/produce
Employees not competent/knowledgeable*	Availability/selection of fresh prepared foods
Inconvenient store layout	Quality of artisan breads/baked goods

Small-Basket Grab & Go

Vulnerabilities	Strengths
Not an interesting place to shop	Selection of fruits and vegetables
Distance from other stores I use	Quality of fresh baked goods
Not a rewarding place to shop	Quality of fruits/vegetables/produce
Not predictable	Quality of fresh prepared foods
Not enough open checkout lanes	Availability/selection of fresh prepared foods

Immediate Consumption

Vulnerabilities	Strengths
Distance from other stores I use	Selection of fruits and vegetables
Not an enjoyable place to shop*	Quality of fresh baked goods
Inconvenient store layout	Quality of fruits and vegetables
Slow checkout	Quality of fresh prepared foods
Hard to find items I want to buy*	

*Unique attribute

Chapter 4

Translating need states into competitive advantage

In “the world according to shoppers,” consumer needs vary from shopping occasion to shopping occasion. Each one is the basis for choosing a store from among the set of retail outlets available. And shoppers form the strongest attachments to stores that meet those specific needs most successfully.

Do all supermarkets serve all need states? The answer depends on the capabilities and strategy of each retailer. Some supermarkets — such as those focused on natural and organic, upscale, or price-impact — have already made the decision to serve a specific segment of the market. The results shown in Chapter 3 indicate that, on average, these stores deliver a stronger experience to their customers than do main-tier supermarkets.

Other supermarkets — some of which are very successful — seek to serve the broader market with a strong offering. For these operators, the answer is that they do want to serve all segments, and the tables at the end of Chapter 3 provide some guidance on how to strengthen their offerings against each need state.

It’s evident, however, that just executing well against each need state doesn’t always generate the place a retailer wants on the shopper’s agenda. This requires clearly standing for something in the minds of shoppers.

Designing new strategies based on consumer need states is uncharted territory for most supermarket retailers, and best practices have yet to be developed. How, then, can industry executives and managers approach this new information? Branding strategies, with their intense focus on consumers rather than competitors, offer some promising tools.

Branding is a way of identifying yourself in the marketplace. Though it is usually guided at the corporate level, the principles apply to all levels of an organization, down to individual stores. By identifying the nine need states, this study provides individual retailers with a new set of “lenses” for branding and positioning their stores.

If a retailer chooses to follow this approach, the first step is to identify the need state where it can really deliver and be known as the expert. This choice can be made based on a review of how consumers are using your stores today, as well as an assessment of your capabilities, relative to the competition, for serving what consumers are looking for in each need state. The online tool developed along with this report can help with this task (see page 37).

Four of the key characteristics of well-positioned brands are particularly relevant to plotting strategies for need states.

Branding keys.

- Great brands go after a distinct segment of the market. They don't try to be all things to all people. Once they identify the segment of the population that's their chosen target audience, they go after them with a vengeance. Highly differentiated stores like warehouse clubs and limited-assortment outlets outperformed supermarkets in this study, and highly differentiated grocery stores tended to outscore more general supermarkets.

- Great brands have a clear and relevant point of difference. Having a clear area of expertise and a point of difference that's meaningful to the target audience is essential. Consumers always seek out an expert, and if they feel you are the expert in a particular area they will bypass the competition and come to you.

- Great brands connect with consumers on an emotional level and by doing so, provide greater value. A distinctive personality helps forge close relationships and strong bonds with customers. In many of the need states identified here, shoppers cited "not an interesting place to shop" as a supermarket negative. It's an emotional response, and stores that can reduce or eliminate this negative will create advantages for themselves.

- Great brands understand the need states of their target audience. Companies with great brands do more than just look at the demographics of the people who use their products. They study the lifestyles and need states of their target audience. This information helps them define the role the brand needs to play with the target audience.

Listen to Howard Schultz, the CEO of Starbucks:

"Starbucks has succeeded because we've focused on the need states of our consumers. We knew they wanted a whole lot more than just a cup of coffee. Once we really understood the needs of our consumers, things fell into place. We figured out what our role had to be."

Once supermarkets have identified the need states they currently serve, the next step is to pinpoint the one need state that the chain or store serves best. What a store does best is its starting point for brand-building. Next comes creating a clear image that makes the store or chain stand apart from the competition. Finally, it's important to take credit for this uniqueness and make sure the consumer is aware of it.

Define your difference.

One useful tool for pinpointing and communicating a brand is a statement of "meaningful difference." The statement highlights the brand's area of expertise and points out differences with the competition. It provides all participants with a clear vision of the brand to help guide decision-making. Programs that align with the brand and reinforce brand image should be implemented; those that are not in alignment or dilute the brand should be eliminated.

For a hypothetical supermarket named "Pete's" — whose target need state is Care for Family and whose customers have average incomes — the meaningful difference statement might sound like this:

"For consumers who want to be able to find the best fresh foods for their families without blowing their budgets, Pete's Fresh Market offers a different supermarket shopping experience — it's a treat to shop here. Shopping at Pete's you feel great from when you enter the store to buy groceries to when you serve that food to your family."

The hardware and software of brand architecture.

The structure of "Pete's" brand can be traced through the four important avenues marketing professionals use to define brand architecture: product features, functional benefits, emotional benefits, and brand personality. What's helpful about this approach is that it details both the tangibles (product features and functional benefits) and the intangibles (emotional benefits and brand personality). The tangibles are like hardware; they are the price of entry, and without them you have nothing. The intangibles are like software; they make the hardware sing.

"Pete's" brand architecture.

Product features

- A warm store environment making extensive use of natural light.
- A large and beautifully merchandised produce department.
- Large displays of unique and high-value items offered "while they last," e.g., quarts of aseptic mango juice from the Middle East.
- High-service, colorful meat and deli departments.
- High-quality Mexican baked goods for immediate consumption, since the store serves a large base of Mexican customers.
- Comfortable décor — unique colors, display fixtures with round corners.

Functional benefits (consumer “I” statements)	“I’ve never seen such beautiful fruits and vegetables.” “I like having new products that I’ve not seen before that I can try without risking a lot of money.” “My family likes to shop here because there’s more to look at.” “We can get the products that remind us of Mexico.” “I like being able to see outside through the windows high on the walls.”
Emotional benefits (high-level consumer “I” statements)	“I have a relaxed feeling when I enter the store. It feels open and organized, so it’s a nice place to be.” “I feel that we’re well taken care of and safe when we shop there.” “I like the special treats that are there for me and the family.” “I feel wanted because employees are friendly and help me have a good experience.”
Brand personality	“Nice place to be.” “Lots of good things.” “Uniquely serves our community.”

“Pete’s” has paid close attention to the needs of Care for Family shoppers. Because these trips take time, the store has taken pains to make itself a comfortable place to be. It stocks the kinds of foods these shoppers like to find. And it makes the trip interesting by showcasing new foods and products, and featuring “while they last” specials.

There is, of course, a whole lot more involved in branding, but that’s another report. The information contained here can be used to identify and take advantage of opportunities presented by any of the need states.

Conclusion. Supermarkets face a challenge in the world of contemporary retail because they are generalists. They serve every need state and every demographic, and they do it very well. Their greatest competitive challenge comes from specialists who concentrate on fulfilling specific consumer needs and often satisfy those needs better.

This report is not a call to abandon the generalist platform, but it is a call to become the best generalist possible. Look at the need states, determine which are most important to you, and take steps to excel in those areas. Once you've accomplished this, select one shopping occasion, become the undisputed expert in it, and use that expertise as the focal point for differentiating your store in the minds of consumers. This involves paying more attention to the customers you are trying to serve, and paying only enough attention to competitors to ensure you are outperforming them in your strategically selected need states.

Online tool available

Bringing the world according to shoppers into your business*

Looking at consumer needs through the lens of shopping occasions can help retailers identify opportunities to grow their businesses and lay the groundwork for retailers to sharpen the definition of what they stand for in the minds of consumers.

This report has laid out a set of needs-driven shopping occasions and the characteristics and preferences for consumers operating in each of the occasions. For retailers who are interested, a web-based tool has been developed—Getting Inside the Mind of Your Shopper—that will help them apply this approach to their own businesses. Putting this tool to work will take some time and effort, but at the end of the process, retailers will have a good idea of where and how they can focus their attention on shopping occasions to profitably grow their businesses.

The tool is not for everyone. To use it effectively takes time. It also requires an unflinchingly honest, clear-eyed assessment of the strengths and vulnerabilities of a store's operations, as well as those of its competition; otherwise the results will not be meaningful.

The tool walks retailers through five steps.

Step 1

Learn what is on the minds of consumers during their various shopping occasions.

Step 2

Determine how elements of your in-store customer experience compare to your top three competitors.

Step 3

Evaluate your performance versus your top three competitors on satisfying the driving needs of shoppers operating in the various need states.

Step 4

Determine where and potentially how you can strengthen the quality of the shopping experience for all the need states relevant to your stores.

Step 5

Select the primary need state you wish to focus on and begin to formulate a strategy.

**For additional information, please contact The Coca-Cola Retailing Research Council of North America website at www.CCRRC.org*

Acknowledgments

The Council wishes to thank Bill Bishop, founder and President of Willard Bishop Consulting, Ltd., for providing essential guidance and counsel as the facilitator and coordinator of the project for the Council, and for his support in developing the online tool. Appreciation is also extended to Jim Emery for his valuable expertise and contributions to the branding material contained in this report. Tom Van Aman, Keith Holzmueller, and Kathleen Lee of TNS NFO carried out the research for the study.

Coca-Cola Retailing Research Council of North America Commissioned Research Projects

Grow with America: Best Practices in Ethnic Marketing and Merchandising Cultural Access Group and About Marketing Solutions, Inc.	2002
New Ideas for Retaining Store-Level Employees Blake Frank, PhD, Graduate School of Management, University of Dallas	2000
Building a Meal Solution Delivery System: Understanding Supply-Side Costs and Strategies for Supermarket Foodservice The Hale Group, Ltd.	1998
Where to Look for Incremental Sales Gains: The Retail Problem of Out-of-Stock Merchandise Andersen Consulting	1996
Measured Marketing: A Tool to Shape Food Store Strategy Brian P. Woolf, Retail Strategy Center, Inc.	1993
New Ways to Take Costs Out of the Retail Food Pipeline Mercer Management Consulting	1992
Strengthening Your Relationships with Store Employees Robert M. Tomasko, Washington, DC–based consultant to Arthur D. Little, Inc.	1991
Supermarket Merchandising for the 1990s Booz, Allen & Hamilton	1989
Assessing and Capturing the Soft Benefits of Scanning Professor Robert Blattburg, Graduate School of Business, University of Chicago	1988
Improving Store Manager Effectiveness Human Synergistics, Inc.	1986
Managing the Large Food Store of the Future Arthur D. Little Co.	1984
Lessons from Japan Michael O’Connor	1983
Planning Your Financial Growth in the 1980s: A Financial Planning Model for Food Retailers Robert D. Buzzell, William E. Fruhan, Walter Salmon	1982
Product Improvement Techniques & Strategy for the Supermarket Industry Professor Bobby Calder, Graduate School of Management, Northwestern University	1981
The Impact of Energy on Food Distribution in the 1980s John Morrissey, Senior Vice President, Super Valu Stores, Inc.	1980
An Economic Analysis of the Distribution Industry in the United States Arthur Andersen & Company	1980
Social Trends and Food Retailing SRI-International	1980

Coca-Cola Retailing Research Council of North America VI

The Coca-Cola Retailing Research Council of North America was created by The Coca-Cola Company to address issues of strategic importance to the U.S. supermarket industry. The Council is responsible for identifying and framing the strategic issues to be addressed.

The process allows for retaining consulting resource(s) to conduct the research and analysis associated with the identified issue, directing and guiding the conduct of the research and analysis, and ensuring the results are reported/presented to the supermarket industry in a way that is useful to and actionable by the industry.

The Council consists of 13 supermarket industry executives who carry out the responsibilities and tasks associated with the previously mentioned mandate. They are:

Rick Anicetti, President, COO, and CEO, *Food Lion Stores, Inc.*

Jonathan Berger, General Manager for North America, *CIES*

Kevin Davis, Chairman, President, and CEO, *Bristol Farms*

Leonard Harris, President and Owner, *Chatham Food Center, Inc.*

Russell T. Lund, III, President and CEO, *Lund Food Holdings, Inc.*

David Marsh, President and COO, *Marsh Supermarkets, Inc.*

Bill McEwan, CEO and President, *Sobeys, Inc.*

Don McGeorge, President and COO, *The Kroger Company*

Patrick Raybould, President, *B&R Stores*

Michael Sansolo, Senior Vice President, *Food Marketing Institute*

Ray Stewart, Executive Vice President, *Hy-Vee, Inc.*

Suzanne Allford Wade, Executive Vice President, Retailing, *H.E. Butt Grocery Company*

Colleen Wegman, Senior Vice President, Merchandising, *Wegman's Food Markets, Inc.*

Designed and produced by Thinkhouse Creative.

The Coca-Cola Retailing Research Council of North America is a body of food retailers and wholesalers whose independent research activities are sponsored by Coca-Cola North America.

www.CCRRC.org