THE SCIENCE OF WHY SHE CHOSE YOUR STORE

Behavioral Science Lab Decodes the Female Grocery Shopper Purchase

BEHAVIORAL SCIENCE LAB

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Proprietary MINDGUIDE℠ Platform Debunks the Concept of Unique Millennial Mom Shoppers and Develops a More Actionable Female Shopper Understanding

MINDGUIDE℠

EXECUTIVE SUMMARY

For the retail food store and CPG marketer, the cost efficiency of mass-media advertising has declined in the past 20 years. Media advertising has been replaced with promotions, discounting, merchandising and new media, but these approaches rarely deliver both the high levels of brand loyalty and payback marketers seek.

As a result, the Behavioral Science Lab (BSL), a joint Sanders\Wingo and Somerset Consulting Group undertaking, executed a shopper-marketing study with its MINDGUIDE service to develop true grocery-shopper understanding.

The initial inquiry focused on whether Millennial moms who did the bulk of the shopping for their households are different from other shoppers and, if so, how?

This study considered both the type of retail food store patronized and products purchased, ranging from food to personal care to pets. Millennial moms were a subset of a nationally representative female head-of-house primary-grocery-shopper sample of 540. BSL applied the MINDGUIDE approach to this sample in a multiphase, five-month-long study. Results are summarized as follow:

Millennial moms are neither a homogenous group with a common set of purchase habits, nor do they “stand out” from the population of principal grocery shoppers in terms of what, where and why they buy, as some suggest. Rather, they are composed of the same purchase-decision segments of shoppers that exist in the population.

Ten specific purchase “influencers” — ranging from Discounts and Price to Family Members to In-store Experience — drive shoppers’ purchase decisions of where and what to buy, whether they are Millennial moms or not.

These 10 drivers are not all “equal” in their effect. Five dominate as the shoppers’ “Primary Decision–system Influencers,” or the “first thing” these shoppers use in their decision processes. Price Discount is what 41 percent of the sample evaluate first. Household Member Influence is looked at first by 19 percent; Product Quality by 15 percent; meeting the Budget by another 15 percent; and 4 percent first look to satisfy their List/ Meal Plan. These Primary Influencers are what might be considered “System 1,” “knee-jerk” or “first-need” shopping requirements.

These Primary Influencers are only one element in decision-making processes that includes all 10 drivers. For example, among the 41 percent first looking for Price Discounts, the additional Primary Influencers of Budget, When Shopping Occurs, In-store Experience and Time Spent Shopping (among others) play important but different roles in “downstream” decision processes. Decoding these processes allows us to understand the decisions a shopper makes, in the order they are made, in selecting a retail food store from the moment they are alerted to the shopping need to the time they complete their one or several trips.

Finally, four different key sales messages, each developed to appeal to a specific Primary Influencer segment, were shown to be attractive only to the segment with their respective Primary Influencer. This “resonance” between a communication containing the information and the customer segment “looking for” it, validates MINDGUIDE.

Thus, by segmenting the consumer market with MINDGUIDE, the most-compelling messages and appeals to each segment are known in advance, giving the marketer an upfront advantage. Although not contained in this report, each MINDGUIDE segment can be targeted separately by linking the appropriate demographics, thereby delivering a true tactical store-level advantage.

INTRODUCTION

Over the past 50 years, few areas in marketing have undergone so much change as food-store marketing. What began as the cradle of packaged-goods marketing has been transformed by a panoply of retail concepts ranging from box stores, to high-end superstores to traditional retail chains to mom-and-pop bodegas. Traditional marketing has been pushed aside in favor of architects, promotion and merchandising gurus, and a focus on "shopper behavior." The media take from Progressive Grocer, the Food Marketing Institute and others has been that traditional media advertising just didn't have the payback required to sustain predictable revenue and share growth. In short, the plan-o-gram, price, promotion and merchandising have replaced traditional media advertising and marketing.

As a result, food marketers and others have focused on reaching such popular consumer segments as Millennials. Brands have undertaken a broad portfolio of studies on both Millennials and moms in order to "crack the code" in their favor. Numerous industry articles pitched this hot, new mega-niche with headlines such as ...

"FIVE TIPS ON MARKETING TO THE MILLENNIAL MOM: HOW TO REACH CONSUMERS WHO ARE SOCIAL, SAVVY AND SEEKING A TRIPLE BOTTOM LINE" — ADAGE

"WAL-MART'S MOM-IN-CHIEF TARGETS MILLENNIAL MOTHERS" — FORBES

"MILLENNIAL MOMS DON'T LET SEX GET IN THE WAY OF SMARTPHONE USE" — ADWEEK

While the headlines boasted near-immediate success, a review of substantive content across both product categories suggested other conclusions:

1. The Millennial segment itself was not well understood beyond its status as a "shiny object" market.
2. True insights were not new, but reflected or communicated general information about Millennials that was already well-known. For example, Gen Y is already known as the cornerstone of mobility and related apps, so conclusions that Millennial moms are highly mobile and tech-driven come as a surprise to no one.

Given the newfound interest in this segment, the lack of concrete, publicly available insights, and the value of the segment to retail food marketing, Behavioral Science Lab wanted to answer two very simple questions about Millennial moms:

1. **How do Millennial moms differ from other age segments?**
2. **Which decision processes supported these habits?**

To answer these questions, we conducted an exhaustive multiphase study using Behavioral Science Lab's MINDGUIDE system. The research process took place over a five-month period ending in April 2013. Details of the research methodology are given in a subsequent section of this report.

ABOUT MINDGUIDE

MINDGUIDE is a proprietary research methodology developed by Somerset Consulting Group and housed within the Behavioral Science Lab (BSL), a joint endeavor with Sanders\Wingo. Both SCG and Sanders\Wingo are located in Austin, Texas.

Unlike mainstream insight processes that utilize traditional tactics, such as focus groups, quantitative surveys and ethnographies, to understand topics such as customer journey or message validation, MINDGUIDE was built from the ground up to "make available" to the researcher the true decision processes that underlie purchase behavior.

MINDGUIDE produces a system of decision rules for each primary driver segment, which describe the behavioral economics of that segment for a particular type of purchase decisions. The net result is a full understanding of consumers' true needs and goals in a process that explains how they interact. MINDGUIDE enables users to clearly understand the process by which consumers make purchase decisions and how different consumer cohorts use different decision processes.

MINDGUIDE redefines customers based on how they think before they purchase, rather than trying to infer the motivations of a particular demographic group because of what they buy. The end result is a more efficient and effective interaction between the marketer and the consumer, because the marketer knows in advance what the consumer is looking for. Finally, MINDGUIDE is applicable across categories, touchpoints and goals (e.g., purchasing, promotion, brand, media, messaging and innovation).

METHODOLOGY & APPROACH

We conducted a 48-state study of 540 female head-of-household primary grocery shoppers, ages 25–49, who were high school graduates living in households with a total annual income of $35K+, balanced to a national proportion on age, ethnicity, region and household income. The marketing focus was to …

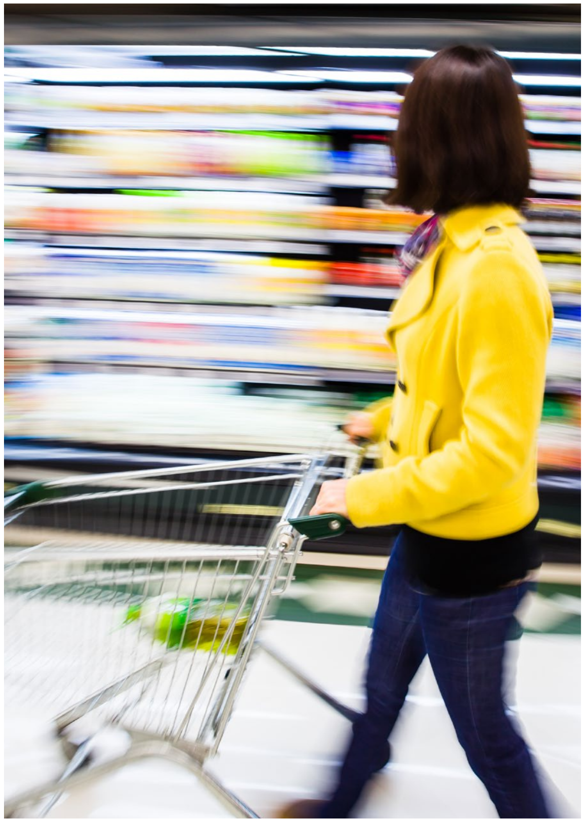
1. Uncover all emotional and rational drivers used during grocery shopping.
2. Identify behavioral segments (like-minded or similar-in-action groups) by their decision processes (systems).
3. Develop an actionable, stable and robust playing field for marketers based on how consumers made decisions.

These three areas of marketing focus drove three research areas of inquiry built into MINDGUIDE:

1. Which elements and decision systems drive purchase?
2. What consumer segments use the same decision systems?
3. Which message resonates best with each segment?

MINDGUIDE accomplishes these three tasks in four unique and proprietary ways:

1. The "building-block" elements of a purchase-decision system are "built" by consumers, not by researchers either applying their own biases or their own analytic techniques. This approach makes these elements more valid and "available" for consumers to use in developing their decision processes.
2. The roles these "building-block" elements play in a decision process are as different as the decision processes themselves. This concept of dynamic "flexibility within flexibility" allows a one-to-one "fit" between the decision models and how consumers actually make decisions.
3. Since the decision models are such a good "fit" to actual behavior, only a limited number of models are required to describe the consumer market, thus creating an easily understood, useful and highly proprietary marketing landscape.
4. The elements, decision systems and consumer cohorts are described in the same language respondents use with no "filtering" by the researcher and, thereby, no need for further interpretation. This makes the results immediately understandable and useful to the marketer without further time, expense or possible misunderstanding.



The end benefit to the marketer who uses MINDGUIDE is a clear map of how customers make purchase decisions, allowing them to profitably drive the consumer to buy their brand and engender both engagement and loyalty using a proprietary system available only to them.

DECISION DRIVERS

The first stage in the MINDGUIDE process is the identification of the elements in all purchase-decision systems using a proprietary qualitative process. Once the elements have been obtained, named and described by respondents, they are used in a quantitative phase to assign each element's place in a decision system. By so doing, some elements will take on the role of Primary and Secondary Influencers in a system. The following are the elements isolated in this study, with the definitions given to them by respondents:

PRICE DISCOUNT
Reductions from everyday price, including sales, coupons, discounts and in-store promotions.

PRODUCT QUALITY
Degree of product freshness, healthiness or nutrition.

HOUSEHOLD MEMBER INFLUENCE
Needs and wants of household members expressed before, during and after shopping.

BUDGET
Amount of money you have to spend for regular household shopping.

WHEN YOU SHOP
Time of day and day of week when you shop.

IN-STORE EXPERIENCE
Everything in the store environment that impacts your shopping.

MULTIPLE STORES
Going to more than one store to complete your regular household shopping.

STORE SELECTION
Store chosen for your regular household shopping.

TIME SPENT SHOPPING
Total amount of time to complete regular household shopping.

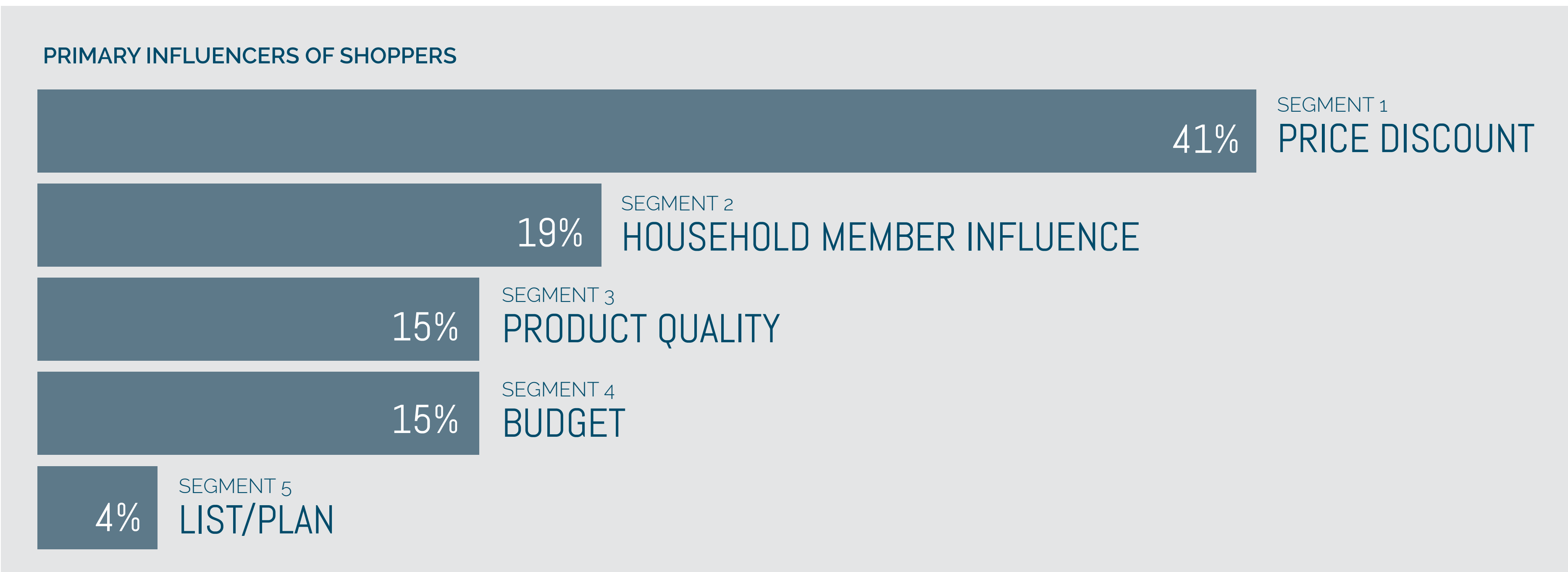
LIST/PLAN
All requirements you need to complete regular household shopping.

PRIMARY DECISION SEGMENTS

The MINDGUIDE Grocery Shopper Study found five primary customer segments based on the elements listed in the prior section. This report goes into greater detail in the following sections to explain the specific MINDGUIDE decision maps for each group.

These five segments represented 94 percent of the overall shopper population. Only 6 percent of shoppers do not utilize one of the five elements listed above as their Primary Influencer. In fact, the remaining 6 percent of shoppers distributed themselves nearly evenly across the remaining five elements, using each as their Primary Influencer. This suggests that nearly all female head-of-household shoppers have an understandable and predictable decision process. Only 6 percent have relatively rare decision processes for shopping.

It is important to reiterate that these segments are defined by their purchase-decision systems and not by their demographics, e.g., mothers ages 25–34 with children ages 6 or younger. Demographics that differentiate MINDGUIDE segments, and can be used to reach them, are identified, but such breakouts are provided for each primary segment later in this report.



DECISION SEGMENT

DECISION SEGMENT: OVERVIEW & EXPLANATION

As mentioned earlier, the MINDGUIDE perspective is that purchase behavior is driven by distinctly different economic, psychological and social drivers, operating within a distinct system that specifies the order and value placed on each element. Each segment's distinct system will describe to marketers and brands the specific decision habits their customers and noncustomers use to either buy or not buy. Utilizing each segment's decision system ("co-opting") is the key to unlocking the power of MINDGUIDE.

It is important to note that each of these decision systems (one for each segment) are "entered" by members of that segment on the left and are "exited" on the right. In this way, each system represents the mental and emotional journey through each element in the system.

The customer is prepared to expend energy to progress through the system itself. However, the overall shopping experience can either be frustrated, with any element causing disillusionment, negativity and anxiety, or enhanced, with an experience "enhancer" smoothing the road to purchase and greater engagement and loyalty. For example, a specific element within the system may become "insurmountable," thereby making the mental path to purchase unreachable.

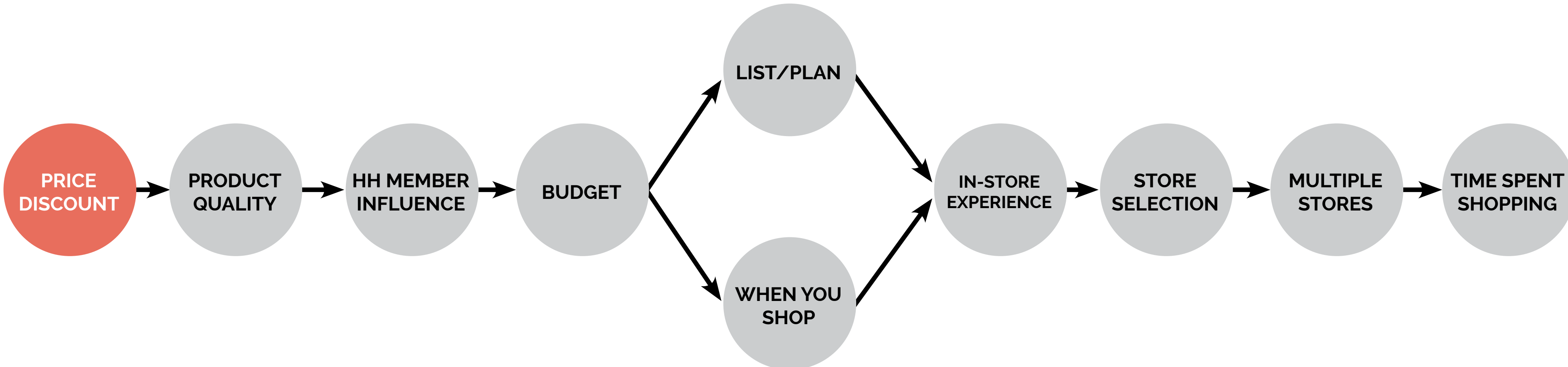
By leveraging MINDGUIDE, brands and marketers now have clear visibility into the mental journey that customers routinely embark upon, and now have ample opportunity to prioritize, invest and intercede to ensure that the purchasing journey leads smoothly to brand purchase. Just as important, brands and marketers now have a clear view of hyperrelevant touchpoints in the "order of engagement" by the customer, outside of traditional marketing channels, to help steer customers toward their products or promotions. Again, this "co-opting" of the decision-process habit is the key to unlocking the power of MINDGUIDE.

The following sections cover only the largest primary-driver segments. Our study also detailed specific systems for each of 11 subsegments, which are available to clients and subscribers upon request.

SEGMENT 1

PRICE DISCOUNT:
41% OF SHOPPERS

This, the largest of the five primary segments, shows us that for almost half of female shoppers, the first point of consideration is the availability and depth of Price Discount. When they find the appropriate price discounts, they move to satisfy their need for Product Quality and so forth throughout the decision process diagrammed below.



While Price Discount is the first characteristic consideration of this segment, it is by no means the only one.

Price Discount is followed by Product Quality, which is followed by the needs and wants of household members (HH Member Influence). Once these needs are met, the selected items are fit into a Budget. The fact that the Budget comes fourth in the system suggests that Price Discount is as much about expanding purchasing power to satisfy the needs and wants of the household as it is about addressing finite spending capacity (Budget).

Few icons stand out more than the shopping list (List\Plan). While it is an important consideration, it stands shoulder-to-shoulder in importance with the time of day the shopping takes place (When You Shop).

List\Plan and When You Shop in turn lead to where you have to go to get the discounts to make the budget work (Store Selection). This then dictates the number of stores (Multiple Stores) needed to visit, which in turn determines the overall amount of time spent (Time Spent Shopping) required.

If marketers are currently working to develop or market a concept that reduces the amount of time female shoppers spend tending to this weekly routine, they might want to include a Price Discount component, since Time Spent Shopping is dependent on everything that preceded it, and is the last and final thing with which this largest of consumer segments is concerned.

This segment has below-average household income; above-average monthly food-store spending; above-average number of teens in the household; below-average patronage of Sam's Club; and higher-than-average patronage of Ralph's.

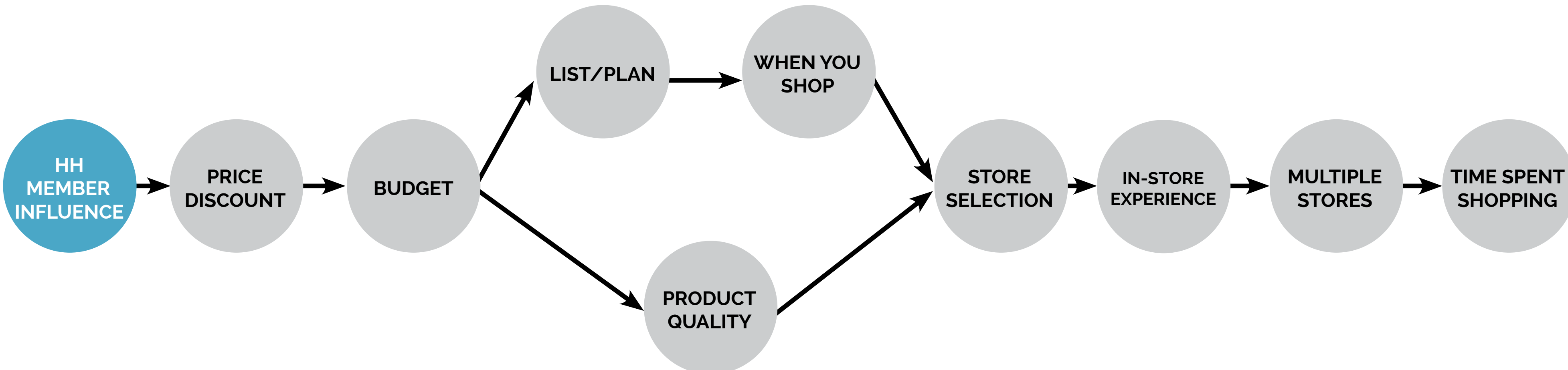
Serving this segment involves giving them both Price Discount and Product Quality.

SEGMENT 2

HH MEMBER INFLUENCE:

19% OF SHOPPERS

While almost half of all female shoppers will first think about or seek to confirm their discount options, another group, representing roughly one in five, will be primarily influenced to satisfy both the requests and the needs of different individuals in their households (HH Member Influence). This desire to please all internal parties to whatever extent possible sets the stage for a shopping system that, as with her Price Discount–focused peers, puts the amount of time spent shopping as the final output of this system.



Whereas the Price Discount segment is first looking for lower prices and then to maximize Product Quality, this segment's primary desire to satisfy all parties (HH Member Influence) drives the search for available discounts, which then sets the Budget. Budget (and what precedes it) then determine both Product Quality and what to buy (List/Plan).

The meal List/Plan and Product Quality then determine the store, what takes place in the store, the number of stores visited and the time required to shop.

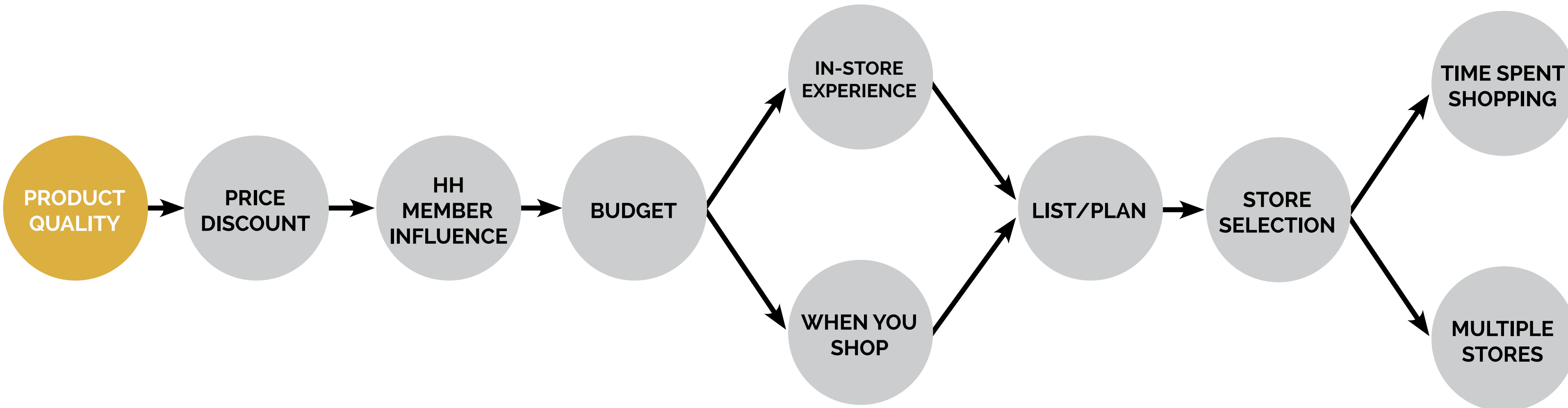
Serving this segment involves enhancing the value of giving their household members what they want at the expense of Price Discount.

This segment is above average in household income; below-average in number of teens in the household; less likely to be African American; most likely to shop at Costco and Target; and least likely to buy fresh poultry, baked items, dry packaged dinners, or sausage or hot dogs.

SEGMENT 3

PRODUCT QUALITY:
15% OF SHOPPERS

While a large portion of female shoppers are driven first and foremost by Price Discount and others are driven to fulfill the specific needs of their household members, a third, slightly smaller segment is primarily focused on Product Quality. The desire to first obtain the highest quality foods and household goods sets the stage for the remainder of the shopping experience.



Product Quality is the dominant influencer in this segment. It determines the search for Price Discount, which in turn determines how HH Member Influence is to be accommodated. These three components then determine Budget, the In-store Experience and When You Shop. List/Plan then drives all the remaining logistic elements needed to procure the products.

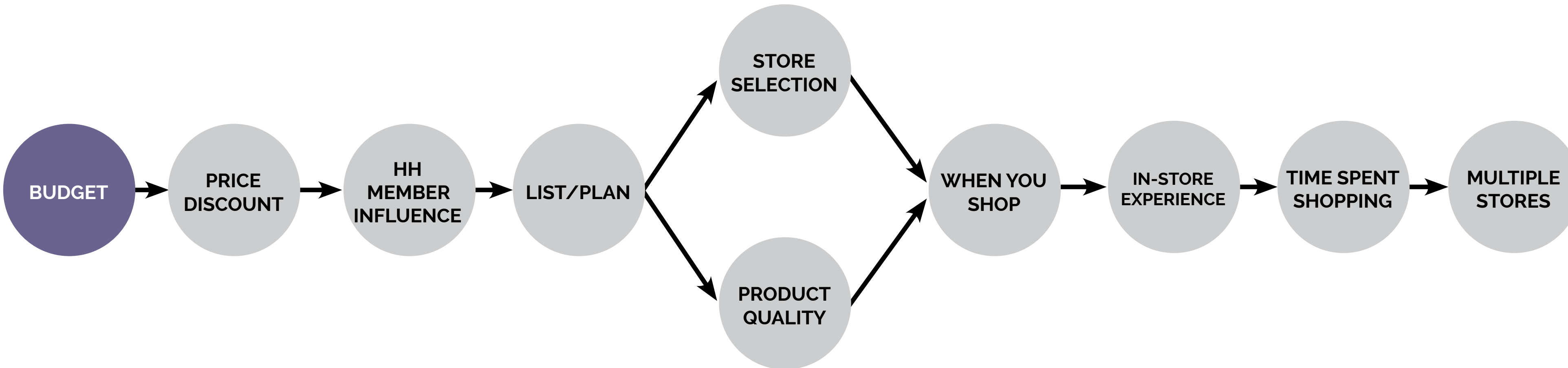
While similarities between this segment and the Household Member Influence segment exist, there are also some striking differences. For the Household Member Influence shopper, Budget is the rudder for the list and shopping plan, whereas for this segment, the list and shopping plan are influenced by many other factors, starting with Product Quality. It's also important to note that while Time Spent Shopping is a logistic outcome as in other segments, Multiple Stores is an outcome as well, suggesting that the Product Quality shopper may "pay the price" of trips to multiple stores.

This segment has above-average household income; above-average monthly food-store spending; below-average number of teens in the household; above-average number of children 19 or older in the household; above-average patronage of Publix, Sam's Club, farmers' markets and Trader Joe's; is most likely to buy organic foods and fresh fish, lobster and crab; and is more likely to be Asian.

SEGMENT 4

BUDGET:
15% OF SHOPPERS

One in seven shoppers are primarily driven by the ability to meet a fixed amount of money they have set aside for their regular household shopping (Budget).



This segment is the most pragmatic, with a straightforward financially driven decision-making process. Budget begins an immediate search for any and all available discounts. Once the budget and discount requirements are satisfied, specific wants and needs of individual household members are taken into account. The budget plus the discounts plus specific individual needs build the List/Plan.

This then sets the stage for which stores may satisfy the list while at the same time taking Product Quality into consideration.

The tail end of the decision-making process is as practical as its beginning, moving into consideration of when she can shop, the ideal store environment, how much time it will take to accomplish the list, and finally, whether or not the list will require trips to multiple stores.

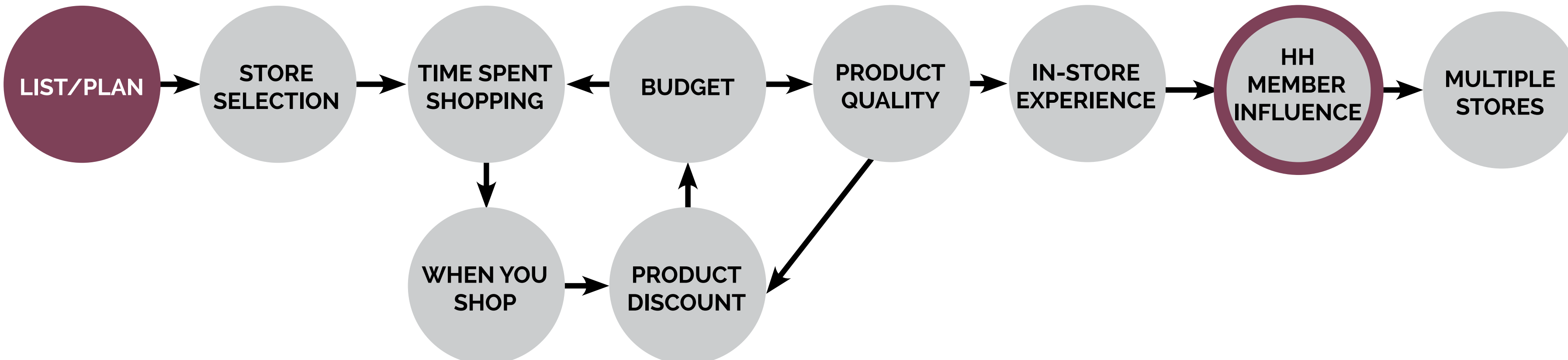
This segment has below-average household income; below average monthly food-store spending; the highest number of teens in the household; and is most likely to buy frozen fish, salty snacks, macaroni and single-serve children's snacks.

SEGMENT 5

LIST/PLAN:

4% OF SHOPPERS

This is the smallest segment and is primarily driven by exactly what the shopper plans to buy. This is not just a list of categories within which to buy a brand but a specific list determining Store Selection, Time Spent Shopping, When You Shop and, finally, the available Budget. Product Quality, In-store Experience, HH Member Influence and number of stores shopped are ALL subordinate to Budget, which is in turn subordinate to the List/Plan.



List/Plan segment shoppers experience the most discomfort in the shopping-decision process, experiencing "dissonance" between what is in the List/Plan and what the household members want/need.

Interestingly, shoppers in this segment diverge from others by the presence of a backward decision loop. Budget drives Product Quality and Product Quality drives Product Discount, an optimization subprocess to satisfy the Budget with the highest quality possible through discounting.

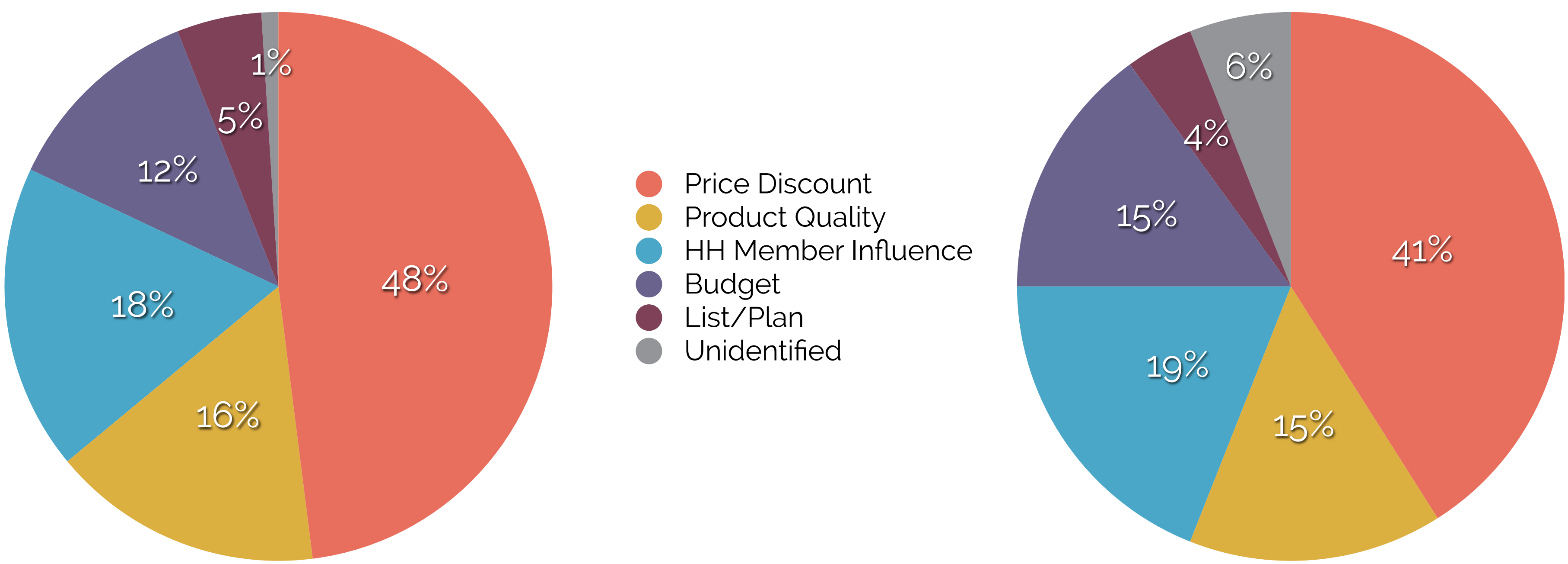
This segment has average household income; above-average monthly food-store spending; and an above-average number of 6–12-year-olds in the household.

MILLENNIAL MOMS

As mentioned in the Executive Summary, while we set out to better understand the Millennial mom, we didn't find it to be a unique or freestanding customer segment when analyzed through the lens of the MINDGUIDE methodology.

Looking at the charts below, it is natural to infer that Millennial moms differ in no substantial or useful way from female principal grocery shoppers in general based on their decision-making process. In other words, the incidence of Primary Influence decision-making segments is the same for Millennial moms as it is for the population of female principal grocery shoppers.

MILLENNIAL MOMS | **ALL FEMALE SHOPPERS**



MESSAGING VALIDATION

The final part of the MINDGUIDE study was to design and test four Primary Influencer key messages. Data collection for this phase took place four months after the initial 540 interviews. A total of 155 shoppers were contacted again and asked ...

1. Usual store for regular household shopping.
2. Usual product categories bought.
3. Question — "Which one of the four store types is most likely to be your 'usual' store for regular household shopping?" The four specific store types (i.e., messages) were as follows:

   Store Type 1: "Always offers high reductions of everyday prices, including sales, coupons, discounts and in-store promotions."

   Store Type 2: "Always has the products you need to satisfy the requirements of your household members."

   Store Type 3: "Always has products with high levels of freshness, healthiness and nutrition regardless of price."

   Store Type 4:"Always meets your budget by ensuring that the amount you have to spend always gets you what you need."

It is important to note that these messages were intentionally made to not be overly persuasive, by including elements such as performance versus competition. They were designed to only communicate the satisfaction of the Primary Influencer.

The following table presents the message obtaining the highest score for "most likely to be your usual store" by Primary Influencer segment.

These are incredibly high numbers given that the messaging tested describes none of the other variables in the respondent's decision system, only the Primary Influencer. In effect, the study confirms the power of the Primary Influencer, persuading nearly three-quarters of respondents solely on the basis of a singular selling idea. One hypothesis for the lower Household Member Influence result is that there may not be a store that could actually deliver on the promise made in the concept, thereby making it an unrealistic evaluation.

	TEST-STORE-TYPE MESSAGE:
PRICE DISCOUNT 77 % SELECTING AS "USUAL STORE"	"Always offers high reductions of everyday prices, including sales, coupons, discounts and in-store promotions."
HH MEMBER INFLUENCE 42 % SELECTING AS "USUAL STORE"	"Always has the products you need to satisfy the requirements of your household members."
PRODUCT QUALITY 79 % SELECTING AS "USUAL STORE"	"Always has products with high levels of freshness, healthiness and nutrition regardless of price."
BUDGET 68 % SELECTING AS "USUAL STORE"	"Always meets your budget by ensuring that the amount you have to spend always gets you what you need."

CONCLUSIONS

1. Five different cognitive-emotion MINDGUIDE decision systems account for nearly all female primary grocery shoppers, describing where they shop and what they are most likely to buy.

2. Each cognitive-emotion MINDGUIDE decision system has demographic markers, such as combinations of household income, number of children in the household and ethnicity. **However, no combination of demographic variables could predict patterns of shopping and purchase, suggesting that behavioral economics represented by the different decision models are more likely to be the true drivers.**

3. Simply communicating the "reduction of need" specified by the Primary Influencer was highly effective in persuading those for whom the message was constructed.

4. MINDGUIDE appears capable of predicting the advertising messages needed to effectively and cost-efficiently stimulate demand.

Implications:

1. **Effective marketing to food-store shoppers may have more to do with WHY shoppers buy rather than WHAT they buy.**
2. **Knowing why shoppers buy appears to be an effective means of communicating where and what would satisfy their true needs.**
3. **Research techniques that do not provide a true system basis for consumer decision-making may be obsolete in today's promotion-driven environment.**

FOR MORE DETAILS ABOUT THE STUDY, CONTACT

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