



**Zero-Moment of Truth:**

**Redefining the Consumer Decision-Making Process**

*IRI Times & Trends: October 2009*



# Executive Summary



## INSIGHT

- » A prolonged period of recessionary economic conditions has led to marked changes in the consumer decision-making process; today's CPG consumers are marked by more deliberate and discerning shopping patterns
- » In stark contrast to patterns seen just two years ago, today 83% of shoppers are making CPG purchase decisions before entering the retail store; though the economy shows signs of brightening, consumers remain steadfastly entrenched in pre-planned shopping behaviors
- » Though two-thirds of shoppers now rely on a list for CPG shopping, list-making strategies vary drastically across consumer segments

## ACTION

- » Conduct detailed assessments across key shopper segments; leverage the knowledge from these efforts to develop price and promotion strategies which align with goals of key shopper groups, as well as with corporate objectives
- » Rewire marketing and merchandising strategies to begin impacting the consumer in the home, and carry messaging through to the store with complementary, value-oriented programs
- » Extend communication efforts across a combination of traditional and new media alternatives to ensure reach across a broad segment of CPG shoppers

# Executive Summary



## INSIGHT

- » Trip mission remains a key driver of channel selection, but product selection and convenience play a key role in determining shoppers' ultimate retail outlet of choice
- » Price remains a key driver of brand decisions; consumers' quest for "best overall value" has elevated the role coupons and loyalty programs are playing in the consumer decision-making process

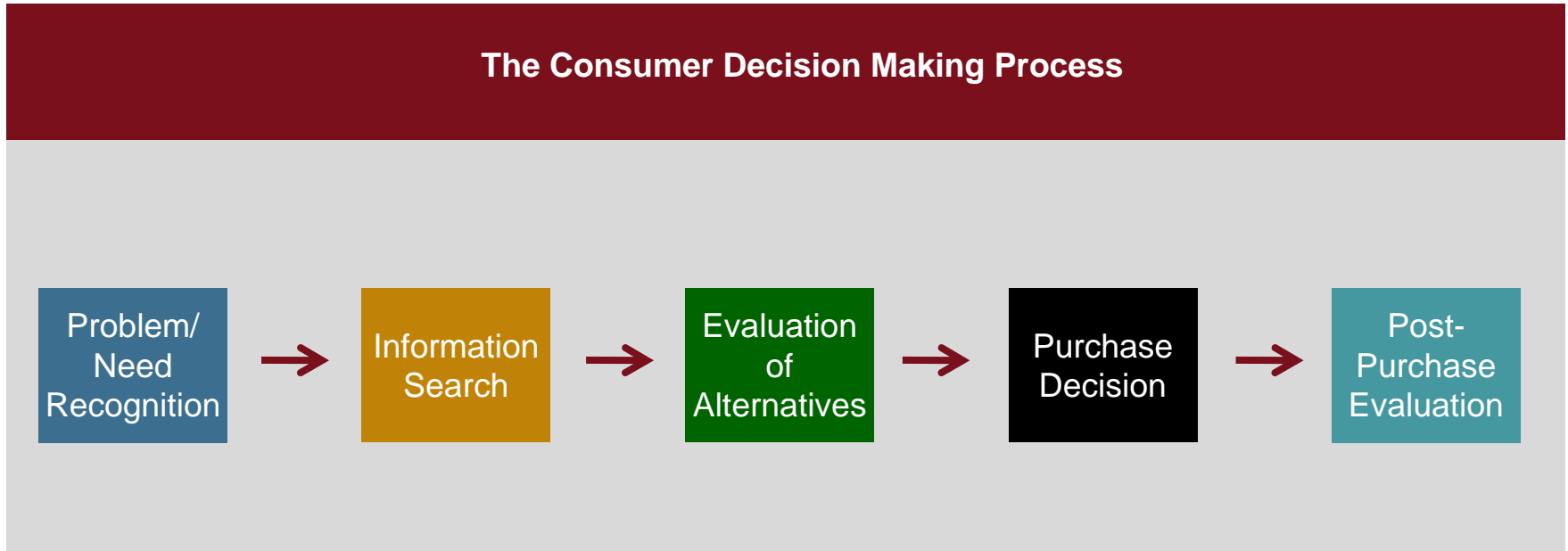
## ACTION

- » Assess risk and rewards of aligning assortment against specialized shopping trips; align pricing and promotional efforts with trip mission goals
- » Investigate opportunities for retailer/manufacturer collaboration to develop best-in-class loyalty program benefits and unique coupon offerings

# Decision-Making Process



The consumer decision-making process ranges from simple to complex, and is influenced by a number of factors.



Source: Adopted from Kotler (1997), Schiffman and Kanuk (1997), and Solomon (1996); Babson College Web site

# Decision-Making Process



**CPG marketers have the opportunity to affect the consumer decision-making process at three stages along the route from home to store.**

## The Three Roles of the Consumer

### Definitions

**Shopper:** Shopping habits; store selection; trip mission

**Buyer:** Purchase behavior process; perceptions & expectations toward store and shelf space organization

**User:** Perception, definition, segmentation of the category; usage habits

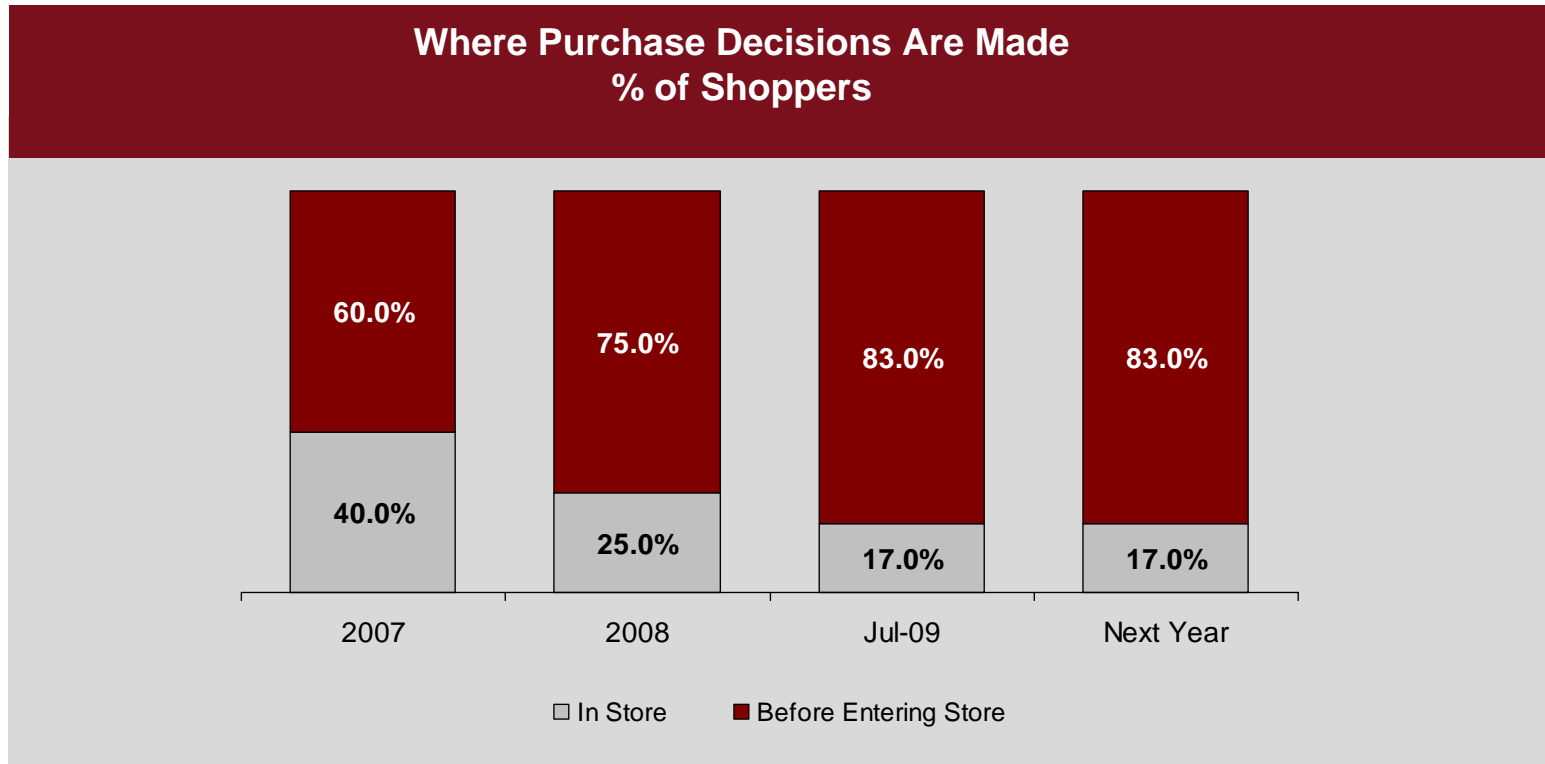


Source: IRI Shopper Insights 2009, Shopper Behavior Trends

# Product Marketing



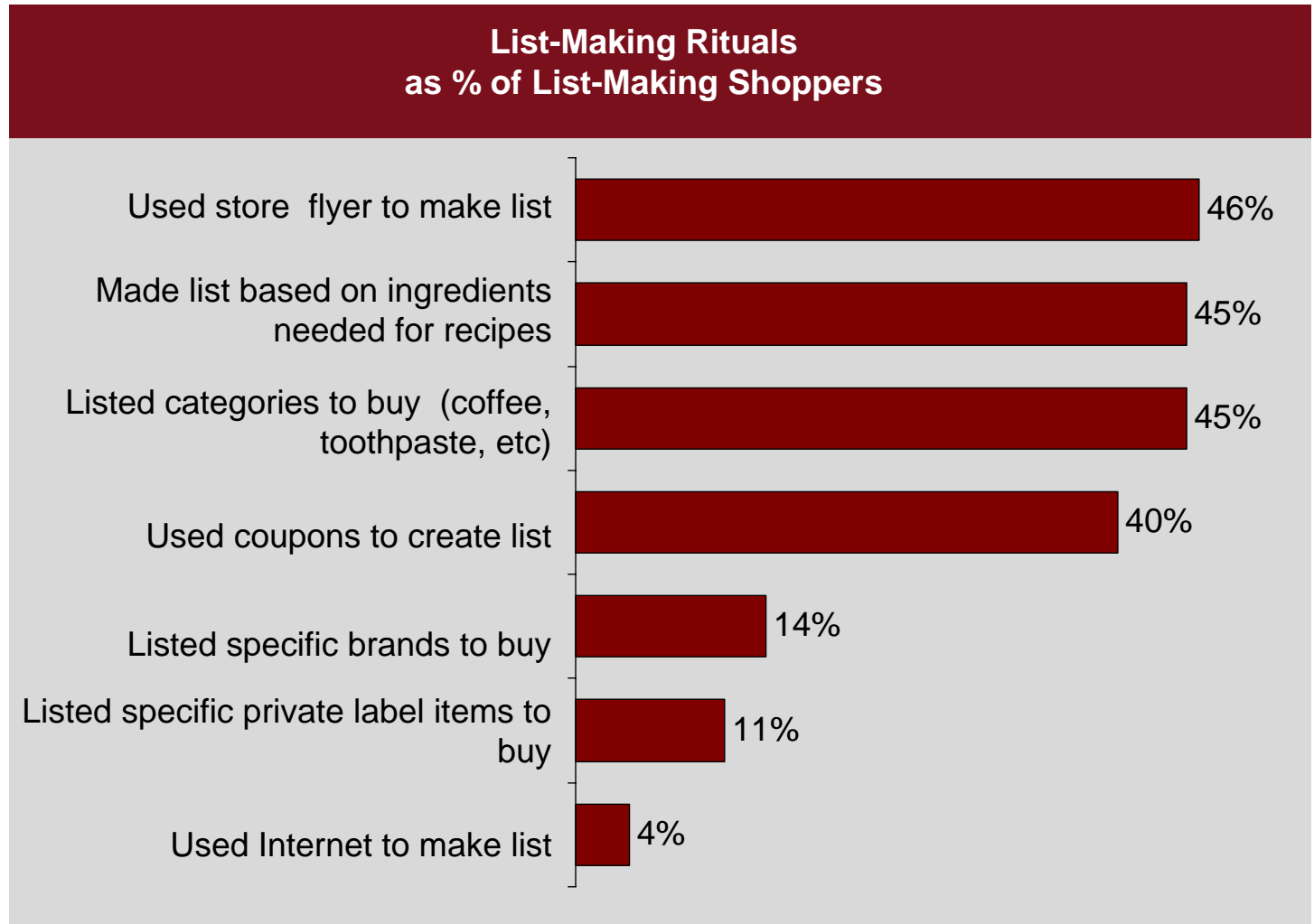
Pre-planned shopping has become a hallmark of shoppers looking to maximize return on their CPG investment.



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers



**64% of shoppers work from a pre-made list; store flyers and coupons are key list-making tools.**

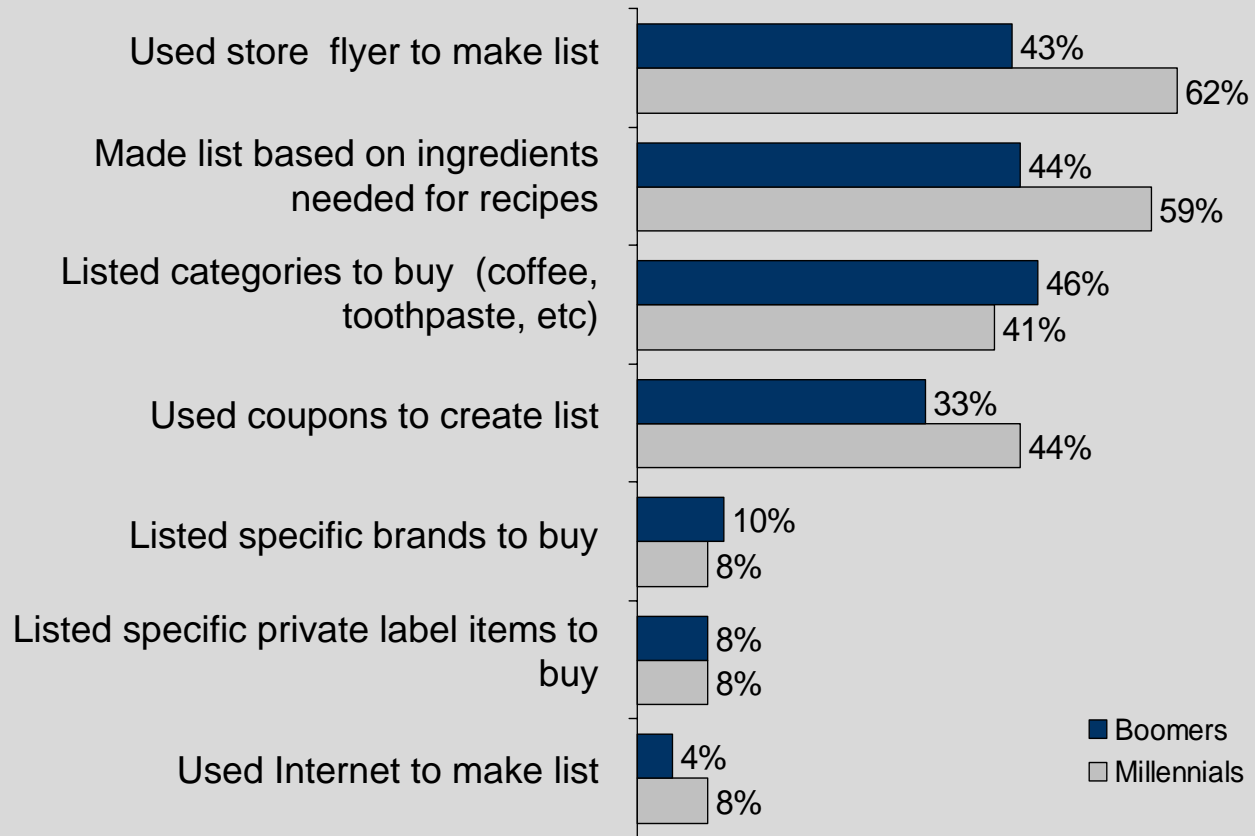


Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=816 shoppers



**List-making strategies vary across consumer segments.**

## List-Making Rituals Across Key Consumer Segments as % of List-Making Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=816 shoppers

# Product Marketing



The adoption of shopping strategies formed around a combined need for savings and convenience has opened the door for collaboration-driven CPG solutions.

## Factors Important When Planning Food & Beverage Shopping Trips as % of Shoppers



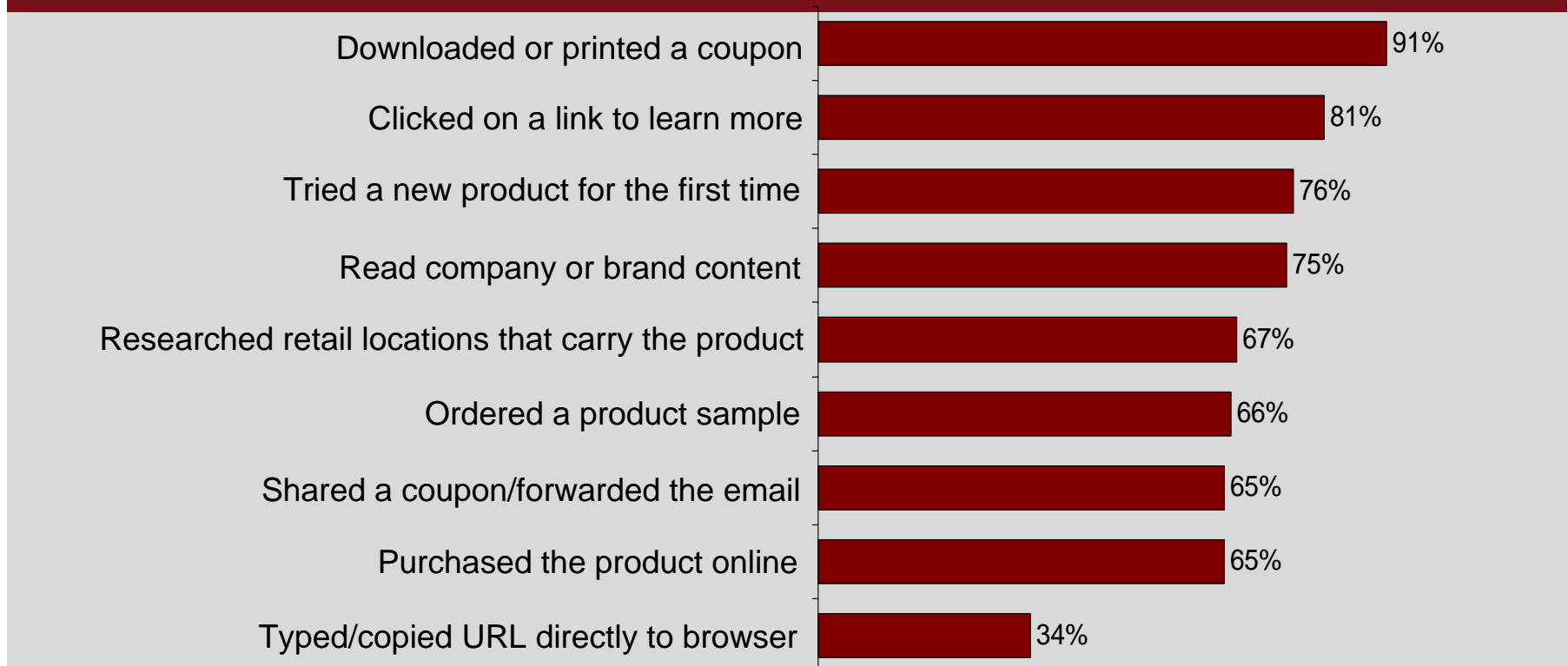
Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

# Product Marketing



**Well-integrated email communications programs will be a defining characteristic of powerful CPG brands in the new world of consumer marketing.**

## Reaction to Permission-Based E-mail from a CPG Company as % of Respondents



Source: Epsilon Nationwide Survey, featured on progressivegrocer.com, March 31, 2009

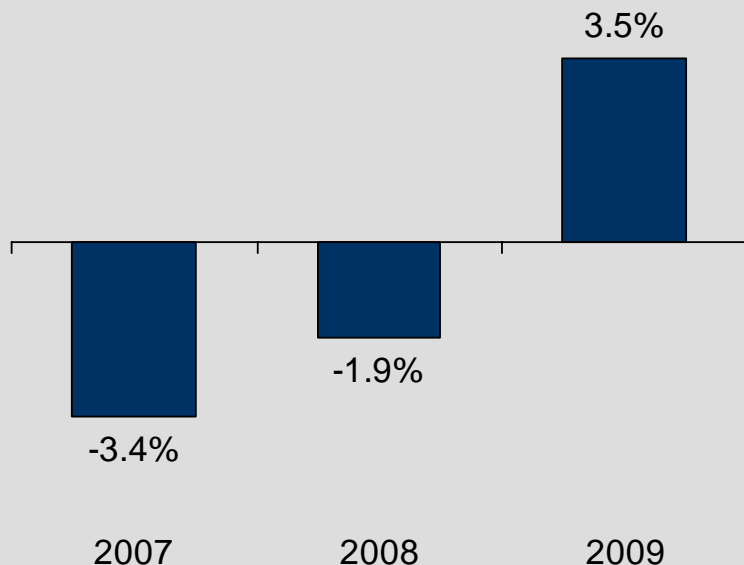


# Customer Marketing



**Trip mission is a key driver of channel selection.**

**Average Purchase Occasions per Household  
All Outlet % Change vs. Prior Year**



Source: IRI Consumer Network™; 52 weeks ending 6/28/2009 and same period prior years

**Trip Strategies  
Total CPG Share Pt Change vs. Prior Year**

Total Panel	Dollar Share			Trip Share		
	Q1	Q2	Q2 Share	Q1	Q2	Q2 Share
Pantry Stock Up	-1.7	-3.2	38%	-1.2	-2.0	13%
Fill-In	-1.0	-1.5	19%	-1.0	-1.5	14%
Special Purpose	-0.3	0.0	18%	-1.5	-2.0	15%
Quick Trips	2.9	4.7	25%	3.7	5.4	58%

Source: IRI Economic Shopping Behavior Longitudinal Database™; IRI Consumer Network™





## Store Selection: Key Shopper Considerations as % of Shoppers

**The ability to understand and deliver against shoppers' most critical store selection criteria is essential.**



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

# In-Store Marketing



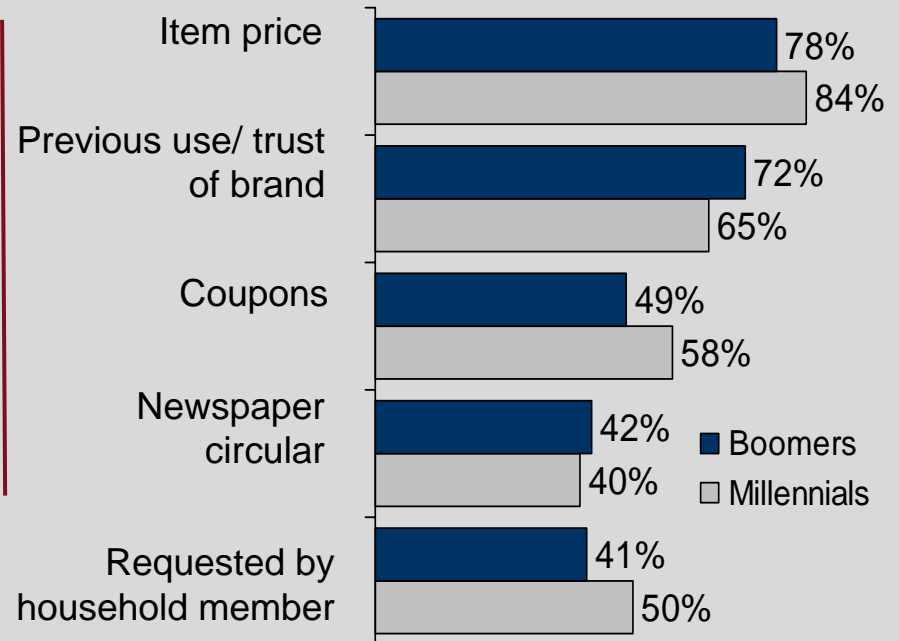
**CPG marketers are effectively using coupons to provide shoppers with price relief in the face of persistently high manufacturer list prices.**

## Important Factors When Making Brand Decisions % of Shoppers

### Total Panel



### Across Consumer Segments



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

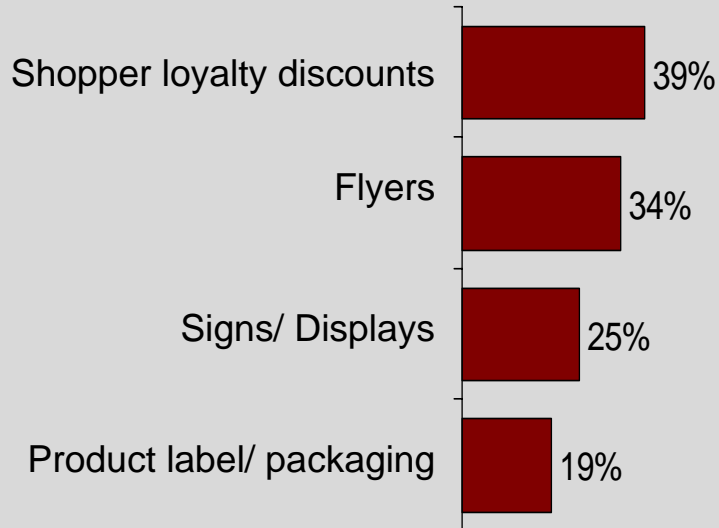
# In-Store Marketing



Loyalty programs offer an effective means of tracking shopper behavior, and also play a key role in the in-store decision making process.

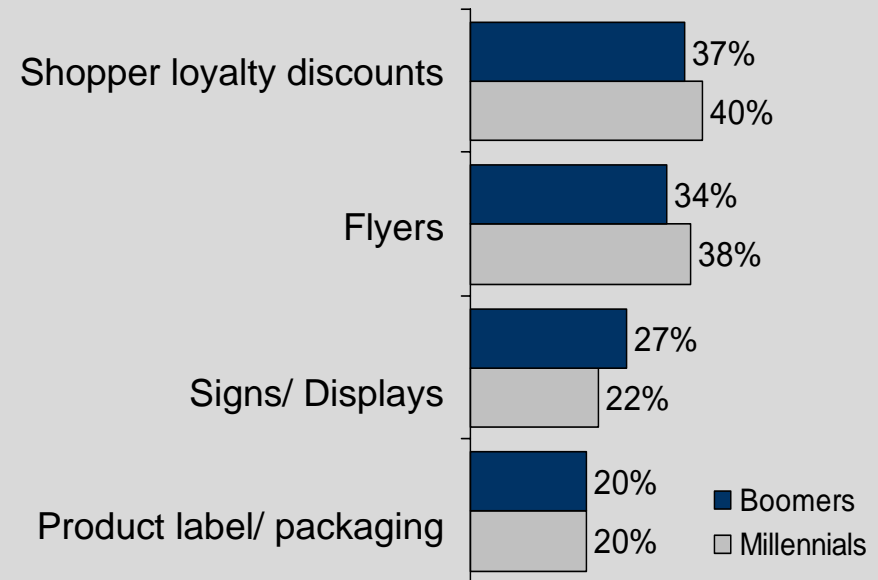
## In-Store Factors Important When Making Brand Decisions % of Shoppers

### Total Panel



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

### Across Consumer Segments



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

# In-Store Marketing



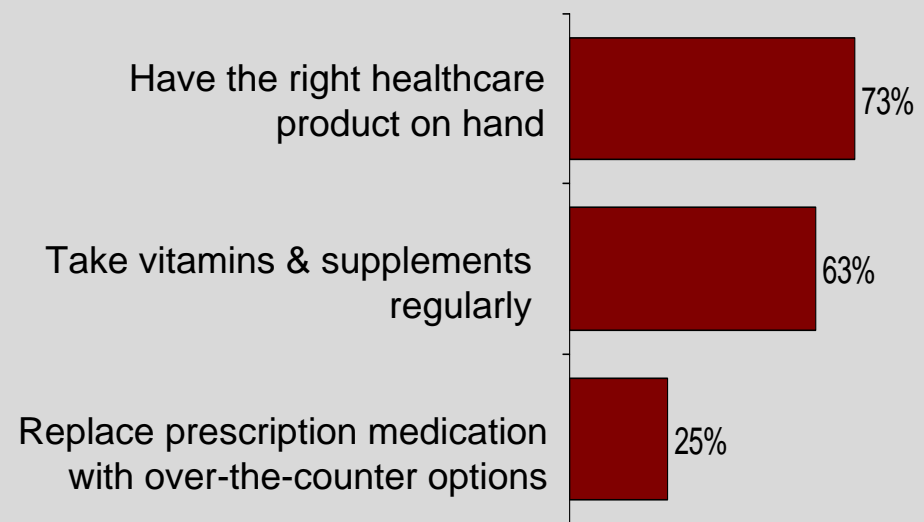
**Marketing programs centered around wellness and empowerment will resonate well with shoppers looking to self-reliance as a money-saving strategy.**

## Key Consumer Health Concerns % of Shoppers (Top 2 Box)



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

## Important Factors When Planning Healthcare Purchases % of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

# In-Store Marketing



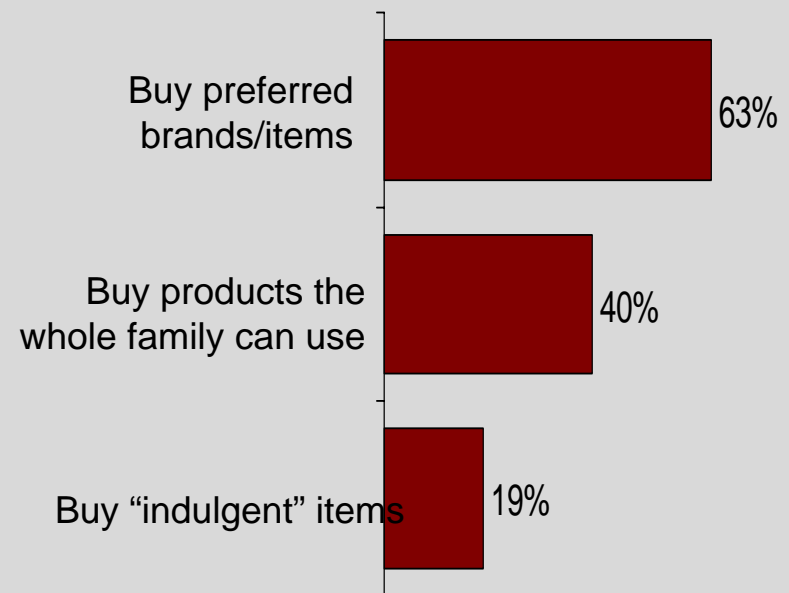
The time is ripe for creative marketing programs that improve and underscore the affordability of beauty-related indulgence categories within the retail environment.

## Changes Made to Cope with Economic Downturn % of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

## Important Factors When Planning Beauty/Personal Care Purchases % of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

# Manufacturer Action Items



## Product Marketing

- Broaden communication efforts to include rapidly evolving, home-based technologies such as e-mail/Internet; tie messaging with that presented via traditional media outlets
- Collaborate with key retailer partners to facilitate consumers' list-making efforts with innovative programs combining convenience and savings (e.g. buy one, get one, discounts on combined meal ingredients/components, etc)

## Customer Marketing

- Collaborate with key retail partners to understand retailers' trip mission strategy and ensure assortment reflects dominant purchase patterns
- Work with key retail partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types

## In-Store Marketing

- Collaborate with retailer partners to ensure assortment aligns with dominant purchase behaviors
- Work with retailer partners to determine most effective product location; location within the store and product adjacencies should reflect dominant trip types, as well as targeted trip types, where relevant
- Closely tie in-store efforts with externally-targeted promotional campaigns to reinforce/solidify purchase decisions

# Retailer Action Items



## Product Marketing

- Broaden communication efforts to include rapidly evolving, home-based technologies such as e-mail/Internet; tie messaging with that presented via traditional media outlets
- Collaborate with key manufacturer partners to facilitate consumers' list-making efforts with innovative programs combining convenience and savings (e.g. buy one, get one, discounts on combined meal ingredients/components, etc)

## Customer Marketing

- Clearly communicate trip mission strategy to key manufacturer partners and ensure assortment reflects dominant purchase patterns
- Work with manufacturer partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types

## In-Store Marketing

- Align assortment with dominant purchase behaviors
- Location within the store and product adjacencies should reflect dominant trip types, as well as targeted trip types, where relevant
- Closely tie in-store efforts with externally-targeted promotional campaigns to reinforce/solidify purchase decisions