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Value is the new Variable, as its meaning to shoppers continues to evolve.

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Whenever I'm asked to discuss shoppers' current perception of value, I start to feel a weather headache coming on. Why? Because unpacking value in an economic storm is like calling a tornado windy. From afar, a tornado is just another weather event, but get too close and be forever changed. What value means to the shopper today depends on how close to the tornado's vortex they are. Like a weather forecast, value needs to be broken down into specific areas. So we'll use segmentation to help us look at what "value" means to consumers today. Within the segments, examples of relevant initiatives at retail and by brands are noted.

Importantly, we'll cover value from a view that calls for sustained swirling winds in the shopper marketing landscape. From ever-morphing consumer behavior to an influx of new structures and processes within both retailers and manufacturers, this climate calls for close attention and nimble actions for all involved.

Economic Stress Puts Consumers in the Vortex

For some shoppers, value is still defined as low price. Those affected dramatically by the economic tornado include consumers who consistently live in the poverty zone, many retirees, and the 16% of U.S. employees who now struggle from a recent loss of income (Hewitt Associates Survey; [AdAge](#), June 1, 09). With nest eggs wiped out, frugal shopping has become a religion. Fundamentally, the ability to return to old purchase behaviors is off the table. To these shoppers, value translates to a daily search within multiple retailers for low prices and deals, spending ONLY what they must. Yes, there might be beer, cigarettes, chocolate or chips, but most marketing messages about deals and discounts are heard as tactics to help them get what they need at the lowest price. The wallets of these stressed shoppers are not opening up just because the consumer confidence index ticked up a few extra notches in May.

Many retailers, including Family Dollar, Walmart and Save A Lot, have reached out with relevant messaging, more private label products and expanded feature/display opportunities for national brands that have stepped up promotions. But to offset price as the sole message, marketers at Campbell's and Kraft smartly added "warming hearts" messaging to their soup and sandwich dinner promotion in order to help shoppers feel safe and in control with two trusted brands.

Economic Shift Accelerated Search for Quality at a Better Price

For the large segment of still-employed American consumers, the search for quality at a better price has long been a purchase filter driving brand switching and private label growth. The stiff economic winds only steered them into more immediate reason to pare down spending. Many shoppers express they're happy to get off the "keep up with the Jones'" treadmill. Others have simply walked away from shopping trips and higher priced brands because it became cool to be cheap. Truth is, shoppers were yearning for change based on a cultural wind shift that's been gaining speed for about ten years, according to behavioral anthropologists at The Hartman Group. Joan Lewis, top researcher for P&G, also notes the economic shift has "accelerated" (not caused) "consumer engagement and self-reliance, as consumers take the time to assess for themselves the value of the products before them."

Hartman's researchers observe consumers working diligently to simplify, taking time to learn and explore new product options, and new shopping solutions. Because so much effort is placed on redefining personal consumption practices, resulting shopping behaviors are predicted to become more permanent. The new filter becomes authenticity, defined as "unpretentious, unadorned, natural and with human spirit in it." To this point, we note the accelerated pace of simplified and "retro" packaging activity in many classic CPG categories, such as cereal, salad dressing and more.

And, the Answer is?

As it pertains to value and pricing, we don't believe an increase in discount activity is an effective long-term tactic to stave off private label growth, or to build brand equity or loyalty with shoppers. We do support ongoing careful specific SKU examination for potential price cuts which signify to shopper and retailer that the brand understands the full situation and is responding in a way that can help retain the shopper's trust and loyalty. We also support consistent, integrated messaging strategies that reinforce relevant brand benefits across the mediums that shoppers explore along their journeys, from social media to the store shelf and back.

Additionally, as we examine what value means moving forward to still-employed shoppers, we need to consider the added effect of dramatic generational shifts taking place, which add complexity to the way shoppers perceive value.

Boomers Paring Down by Choice

Boomers were perfectly poised in 2007 to continue to leverage equity like a giant ATM machine that could spew out second homes, third cars, private schools for the kids, global "playcations" and more. Now, they are coping with "201K's", other investment portfolio equity losses that are largely unrecoverable and the realization that they must delay retirement and/or really might outlive their money. Most have completed the re-evaluation of their "dream state" resulting in

disciplined decisions to save and not spend. Yes, they trade up and splurge occasionally, but many are back to using coupons for preferred brands, some are trading to lower priced products, or even just skipping shopping trips. Adopting a simpler life with fewer goods overall gains momentum as many sell possessions on e-bay and craigslist, taking sales away from traditional retailers as budget and eco-minded Millennials stock up on their high quality cast-offs.

Pared back spending by Boomers portends a big impact on retail sales for the next decade. And by then, many will perhaps be past the life-stage desire to spend on second homes, travel and fun. They'll be prime targets for healthcare sectors, however. To entice spending in the short term, retailers and manufacturers will have to continue to help them justify why they should buy new vs. repair, refurbish, simplify or just do without. An eco-minded message can be effective for many, however, as they have the intellect, the desire and enough money still to engage in pay-it-forward purchase behaviors.

Both Home Depot and Lowe's are helping Boomers (and others) save on both repair supplies and new items by lowering prices permanently. Despite strong sales performance, The Home Depot reduced prices on its Eco Options private brand merchandise, making sustainable choices easier for all shoppers seeking value. The smart, green messaging from both retailers is not lost on first time home buyers either.

The Gen Xers are Trading Both Up and Down

Still in the life-stage of spending on growing families, many Gen Xers, especially Mom "CEO's" have turned saving money into a passionate activist-like movement. Underneath behavior that looks like thrift on the surface, however, is interaction that to some is more about engagement and community than money, with "the community" passionately supporting brands (and deals) they deem relevant. Thousands of entrepreneurial, home-based women are blogging and tweeting to promote homemade goods through sites such as <http://www.etsy.com> and <http://www.mommadethat.com> without any price reference at all.

The cultural root of this evangelism is the search for more emotional meaning and relationships that provide deeper value to life. Handmade goods have long been a symbol of meaning. While saving money is part of the benefit, the real marketing value is in the network that supports commerce well beyond traditional brands sold in traditional retail outlet.

GenXers led the movement toward masstige apparel brands, accelerating the shift out away from department stores. Stiff economic winds keep GenXers seeking better quality goods in mass/discount stores beyond apparel. By "amping" the benefits and user experience in many of their mass channel beauty brands, P&G brands have become best of the "good enough" choices for GenXers in saving mode. I'd take the bet that they can retain those shoppers for the long term within

the P&G brand portfolio. Olay is a perfect case study of their product development and marketing foresight. The brand added many products into an Olay Total Effects line-up that mirrors the benefits of higher-end P&G department store brands that shoppers have virtually abandoned. Even P&G CEO A.G. Lafley admits the department store revenue from beauty regimen products may be gone for good, because he's seen the shoppers seek out and understand the efficacy/price reality.

Walmart is by far the current retail leader in marketing relevance to GenXer families. The logo, the spot-on ad campaigns, the store experience changes, even their focus on highlighting relevant national brands has been a hit with the Mom CEO's and all value seeking shoppers. Topping it off, the "11 Moms" blogger/social media initiative keeps brands engaged with the evangelists who continue to generate action and activity among their many followers. At the June shareholder meeting, Walmart executives outlined a rigorous plan to maintain visits from new shoppers as the economy improves.

Millennials Weather Storm by Riding the Winds of Change

Millennials can be segmented into many sub-groups, but here we will focus on educated 20-somethings. Tech-native and capable of curating multiple identities, they "get" the marketing game, know when they are being targeted and rarely suffer from choice fatigue. They invest time and use tech tools to pull all types of information from the web and their peer network to help determine product quality, which is more important to them than the reputation of the parent company. In shopper marketing, this translates to less investment in push and way more pull.

It's no wonder that a recent Association of National Advertisers survey, (ANA, May '09) revealed over 25% of marketers plan to increase activity in social networking, word of mouth and PR activities during this economic environment. If targeting Millennials, messages must be two-way conversations. These shoppers are more loyal to the hunt, the find and the share than they are to specific brands, save technology devices. As shoppers, they're planners seeking quality at a good price. Having seen the impact the credit crisis has had on parents and grandparents, they are unlikely to become freewheeling spenders living on leveraged assets any time soon.

Quick to justify a want as a need, however, value can translate to a long-term focus on very personal benefits, not price. With strong personal moral values intact, they believe it's "not about money and things, it's about meaningful things and relationships" according to Media Link's Deborah Wahl-Meyer, former Chrysler CMO. She believes marketers should offer more to this group than simple price-based value. Iconoculture strategist Nancy Robinson concurs, adding that cause-related opportunities are expected, as they look for ways to give back without giving up. They notice the absence of transparency and authenticity in marketing.

The best Millennial example in both brand and retail marketing today remains Apple. Despite soft computer sales, Apple recently announced new stores, remodeling of 100 stores, and expanded in-store opportunities to transform owners into evangelists through discovery of better user experiences with all of their products. Brain Trust Panelists, including myself, commented on this on the June 2 Retail Wire discussion board. In a nutshell, they are brilliantly arming consumers to help them wage and win the long-term war vs. PC.

http://www.retailwire.com/discussions/snql_discussion.cfm/13779

Marketers Get Smarter

As consumers become savvier, control spending and seek deeper meaning in relationships they have with products and stores, marketers continue to get smarter on ways to tap into cultural cues and interpret subliminal emotional triggers that influence purchase behavior. Harvard's behavioral economist Dr. Alvin Roth predicts a surge in "neuro-marketing" which uses MRI and CAT scan technology to let marketers see how we emotionally and cognitively react to the stimuli provided by brand, logos, packaging and yes, even price tags. Many other pundits predict a surge of creative brilliance as more insight leads to more engaging and effective marketing campaigns.

Summary

Shopper marketers regularly seek advice on how to talk to shoppers about value. Value differs by segment. Value is about both context and situation to the shopper. It needs to be defined by retailer, by category and in some cases by specific product. Value is still highly variable in a still unstable economic climate. Low prices are relevant to some shoppers some of the time. Messages that help shoppers connect emotionally with brand meaning are imperative for some shoppers some of the time. Many shoppers are buying things on impulse that they swore to survey researchers they wouldn't buy any more, ever. Swirling winds prevail. The clear-cut answer is to talk often to shoppers about value and listen intently with insights teams, the planners and creative teams on board.

Crunching numbers carefully, instead of boiling the ocean, is also critical. Brands and retailers should work in tandem to understand which shoppers are potentially the best profit drivers. Walgreens recent shopper segmentation will help eliminate merchandise that drives cost up and profit down. Discovery of profit potential, done in collaboration and taking category, brand and shopping journey into consideration, will lead to opportunities for appropriate insights projects. Current insights inspire better ideation and lead to more collaborative opportunities to present relevant programs and messages to shoppers that resonate along their journeys.

There is no better time than now to allocate budgets for a continuous cycle of "test and learn" projects with key retail partners. Most any message strategy, insights deck, or shopper behavior study that is over a year old, is, well, old. Now is the

right time to invest in shopper knowledge and a very critical time to maintain and even enhance collaborative relationships with key retailers.

In the fall, FMI will publish an update on retail category management processes with The Partnering Group (TPG) that will expand the focus to include shopper-centric strategies, loyalty integration, differentiated initiatives, and integrated implementation planning, even at the local store level. Furthermore, the new Retail Commission, sponsored corporately by Coca-Cola, and administered by the In Store Marketing Institute, has engaged TPG to develop new processes that map Shopper Marketing to Category Management to help retailers embrace and fully leverage the opportunity with shoppers. The bar will be raised, and only those manufacturers that invest in current shopper information and insights developed in conjunction with key retailers will be well-poised to succeed with consumers and shoppers. As in any industry, but in shopper marketing especially, the ability to adapt to a stormy future outweighs how smart you were yesterday when the weather was calm.