



1st Quarter 2012

Quarterly Newsletter



## Welcome to MR's Newsletter!

Dear Visitor,

It is our privilege to share our viewpoints with you. We strive to make these newsletter topics relevant to you; presenting perhaps a fresh perspective on important issues based on our expertise and experience. We always welcome feedback and appreciate any suggestions for future newsletter topics.

## Evaluating Value In-Context

The start of the new year is one of fresh beginnings, commitments, and resolutions. It is common for us to make promises to do things like work out more, eat healthier, or shop "smarter". That said, not everyone has waited to the start of this new year to adopt more disciplined habits, especially as it relates to seeking value.

### Stepping back to see the big picture.

Over the 20 years we have been conducting in-store research, we have benefitted from observing shopper behavior change over time. Of course, from study to study, our focus is always on addressing the core research objectives and business challenges at hand, but as we reflect, we wanted to share one macro-level trend we have witnessed firsthand over the countless hours spent in store aisles talking with shoppers.

### Shoppers' mindsets have changed.

As we all know, the recent economic direction have challenged

## Exploratory In-store Research

We serve brand owners, retailers, and category managers with our proprietary in-store methodology. We help you access the consumer insights you need to deeply understand how your consumer navigates a category, experiences your

margins across the board. Consumers had batted down the hatches and were less willing to take a risk on new products or stray from their lists. Manufacturers and retailers realized this and responded with aggressive price discounts due to the incredible downward pressure on prices and the need to increasingly incentivize purchases. As a result, shoppers were conditioned to expect lower prices on new products. As the economic gloom lifts, shoppers have come to expect manufacturers' and retailers' responses to the downturn to remain and be the new norm. Shoppers appear reluctant to return to the days of old.

#### **Shoppers' new expectations.**

Shoppers' expectation of discounts on new products includes several components. We have observed coupons, both traditional and from the internet, being considered an expectation for new products. The number of times we have been told "I'd try it with a coupon" or "I will wait for it to go on sale" is much more common than several years ago. There were always deal seekers, but now it appears it is more the norm than in the past. Many have suggested they will wait until they see a coupon for the new product, or if they're particularly interested, search for a coupon online or in the newspaper. In addition, shoppers have come to expect TPRs (Temporary Price Reductions), and will selectively wait to make purchases on items of interest.

#### **Shoppers' increased willingness to experiment with private label.**

Another ramification of the recession is shoppers' increased openness to private label products. A.G. Lafley, Former CEO of P&G, took issue with the term "private label" at a recent conference. He said, "They are not "private label brands", they are "Retailer brands" and the reason consumers are buying them is because they are good brands." Although we have seen increased acceptance of "Retailer brand" products, consumers remain highly selective in which specific products or categories they are receptive to consistently buying the proven private label brand alternative. Some flatly reject purchasing private label brands while many will experiment and select individual products

product/package, and makes purchase decisions in-store.

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they will substitute for the national brand and national brands to which they will stay loyal. Generally, private brand loyalty is product-specific, not with the brand as a whole.

#### **The role value plays in-context.**

As consumers are hunting for lower prices, they perceive their actions as a search for the best value. In context, shoppers' minds are cued to the value equation they consider when making purchases. Coupons and TPRs mitigate some of the risk of trying new products. Also, the substitutes they consider may not be just traditional competitors on the same shelf. Alternative channels are playing an increasing role. It is not uncommon for us to hear, "Oh, I purchase that product in bulk at (Club)" or "I go to (Dollar) for that item." They may have started using these channels out of necessity a couple of years ago, saw the benefits, and have changed behaviors accordingly, even if they do not have the same need now.

#### **How in-context research can help.**

How have recent times affected shoppers' behavior and expectations specifically related to your offerings? Do you know the role value plays in your customers' evaluation of your products? What substitutes and channels are they now considering for purchasing your product or competitive products? Every category is different when it comes to how shoppers will behave when presented with a new product idea. It is important to have some honest cues on how to best allocate the marketing mix at launch to ensure your limited dollars are best allocated as shopper behaviors adjust. We have seen in-context, in-store qualitative research answer these questions.

~Luke Cahill