NON-MEMBER EDITION

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RESEARCH REPORTS *FROM POPAI*

in-store insights

Dedicated to enhancing the total shopper experience

What's inside...

POPAI

PART OF THE shop! GLOBAL NETWORK

1992-2017 25 years serving the P-O-P industry

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POPAI WELCOME

As we approach the end of POPAI's 25th anniversary year, we can reflect on what has been a fantastic 12 months for us. We've held some great, insightful events, including our Digital Shopper Workshop in June and the Digital Print Innovations summit at HP in Barcelona in September.

Our new member search engines have also been launched, giving members the exclusive opportunity to search over 6,000 in-store images in POPWatch, past presentations and reports in Boxfile, and 11 years of Awards case studies in Benchmark. All brilliant ways to explore best practice.

In this issue, as ever, we'll be sharing our most recent reports and research. Most of us enjoy grabbing a quick coffee on the go or a bite to eat as a stop-gap – but just how do fast food outlets and coffee shops fare in today's healthy-eating climate? Our report on page 5 delves deeper.

We all interact and engage with electronics on a daily basis. Whether using the ubiquitous smartphone, watching TV or working on computers, this sector is now firmly an important part of our personal and professional lives. But with fierce competition in this arena, what does best practice look like? We look back at some award-winning entries to find out, on page 7.

The chilled and frozen food sector is set to continue its growth in the coming years. But how do grocers merchandise and display these notoriously difficult products, keeping them stored at the right temperatures at the same time? We explore further on page 9.

As online continues to be the watchword for convenience, companies looking to compete can take heed from the desire by shoppers for interaction and the personal touch. Creating two-way conversations, welcoming narratives and rich brand storytelling can help to engage shoppers, as we discover on page 12.

Phil Day
POPAI

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Becoming a POPAI member is simple: just go to popai.co.uk/whyjoin. You will receive a personal account that allows you to access all of our premium content with exclusive access to the full POPAI research archive.

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Visit our website for the latest news, reports and events from POPAI.
In addition, you will find a back catalogue of industry research and the POPAI Awards gallery.

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Busy lives and time pressures mean it can be difficult to spend hours in the kitchen preparing three meals a day. The rise and rise of fast food outlets and coffee shops shows that we are continuing to turn to them for our caffeine fix, snack on the go or simply to save time cooking. But in this age of healthy eating, what does fast food mean? And what is the role of coffee shops beyond serving up coffee? Our shopper investigation finds out which outlets are tingling shoppers' tastebuds, and which need a little more oomph in their offering.

Fast-growing industry

Grabbing a quick bite on the go is still a necessary convenience or quick treat for shoppers, with sales in the fast food sector showing no signs of slowing down.

In fact, sales in the chicken and burger fast food restaurant sector in the UK in 2016 were worth £6.6 billion and are estimated to rise 4.8% this year. Forecast sales by 2020 are a staggering £7.6 billion.[1]

It seems that cost is no barrier to shoppers. Even shoppers who are financially struggling are still willing to pay up to £19.99 for a meal at a fast food outlet.[1]

Parents with young children are also frequent visitors to fast food restaurants – which bodes well for the sector as the population of those aged 0-14 is expected to increase in the coming years.

Digital innovations continue apace, with Burger King, McDonald's and KFC making big pushes with their delivery functions. McDonald's self-service kiosks have proved to be a revenue driver with 16% of diners saying the kiosks encourage them to visit.

Most fast food restaurants have a strong online and social media presence, relying heavily on this for brand communications. The focus here remains firmly on fresh ingredients and healthy-eating initiatives.

The UK's caffeine injection

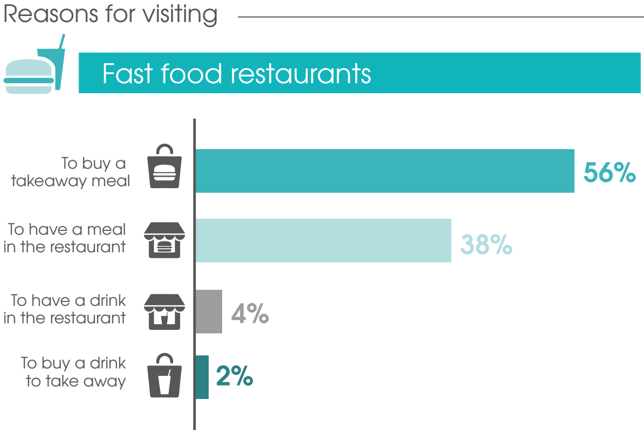
The UK's reputation for enjoying a nice cup of tea seems to be turning on its head as we are fast becoming a nation of coffee drinkers, with 65% of all the UK's population visiting a coffee shop between August and October in 2016.[2] UK coffee shop visitors purchase an estimated 2.3 billion cups of coffee per year.[3]

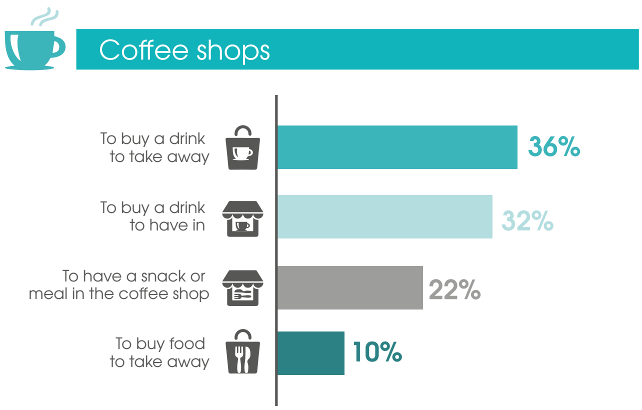
Costa, Starbucks, and Caffè Nero remain the UK's leading chains. The coffee shop market has risen by 37% in the last five years, and sales are forecast to rocket by a further 29% in the next five.[2]

Our shoppers

For our latest shopper investigation, 50 shoppers visited fast food restaurants including Burger King, McDonald's, KFC and SUBWAY, and another 50 visited coffee shops including Caffè Nero, Costa, Greggs, Pret A Manger and Starbucks. We asked them about their visiting habits and experiences in the outlets. Our shoppers were mostly male, aged between 25-40, and nearly a third were single with no children or married with no children.

Reasons for visiting





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CONSUMER ELECTRONICS

With an increasingly challenging landscape and fierce competition, brands and retailers in the consumer electronics sector need to be ever-more innovative, creative, and disruptive. Ambitious retailers will ignore the importance of effective P-O-P at their cost. So when it comes to display best practice, what is switched-on thinking and what simply falls flat?

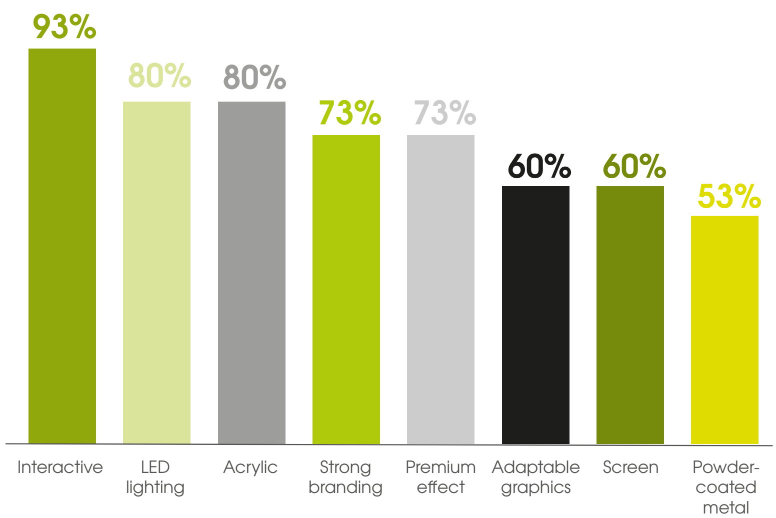
Challenging times for consumer electronics

The last five years have been undeniably challenging for specialist consumer electronics retailers. POPAI's 2016 shopper investigation revealed a number of key hurdles for these retailers, in particular intensifying competition from retailers outside the sector.

It seems that technology sales cannot continue at the same pace and, while the industry's revenue is still worth an impressive £9 billion, most consumer electronics products reached saturation point in 2016. This was demonstrated by declining retail sales driven by increasing penetration rates and longer replacement cycles in many categories.

The market's current landscape shows a split between specialist electrical retailers and general retailers which sell electronic goods as part of a wider offering, such as department stores and supermarkets. While the latter have reduced their ranges over the past four years, the popularity of online shopping continues to be a threat to consumer electronic specialists.

Commonly occuring themes in consumer electronic award-winning displays



Source: POPAI

Systematic shoppers

Shoppers in this sector regularly research their products before they buy, mainly online. Less than a third use in-store as part of their research. However, significantly more shoppers prefer to make their purchases in-store.

Therefore, getting the right retail environment is crucial for driving sales. Savvy retailers will consider as many sales drivers as possible, such as try-before-you-buy and providing clear, detailed product information. While assisted service is high, with 41% of our shoppers approached by staff, that still leaves the majority of shoppers left to browse by themselves and rely on in-store information.

But just what makes a successful display design in today's retail space?

We analysed the 15 award-winning entries in the Consumer Electronics category in the POPAI Awards from the last five years to identify the common themes and practices which not only impressed the judges but also produced highly successful display programmes.

We discovered there are seven best practices which the best displays all have in common.

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CHILLED & FROZEN

For many people, grocery shopping is a regular activity, whether this is a big weekly shop or popping into the supermarket for a few items here and there. So the chilled and frozen areas are a familiar sight to shoppers, with most grocery stores following a very similar layout. With steadily rising sales in these categories, retailers must rise to the display challenges the products present and find new ways to attract and disrupt shoppers. But when it comes to chilled and frozen, are these retailers cool and collected, or leaving shoppers cold? We investigate.

Storedits *(stor-ditz)* is an analytical qualitative survey (or store audit) of a retail space carried out by POPAI.

Sharing our expertise and experience

The UK's love of chilled and frozen food continues, with these sectors experiencing steady, prolonged growth since the start of the decade. This trend looks set to continue, with chilled forecast to experience the fastest growth between now and 2021.[1]

The chilled and frozen sectors are big business in the UK, worth £49 billion and £6.4 billion respectively in 2016, with meat and fish representing 28.6% of sales by value and dairy 12.4%.

However, despite this sustained growth, these categories are notoriously challenging for retailers in terms of display. Clearly, these products need to be kept in fridges and freezers, almost completely precluding the use of off-shelf display and shelf-edge messaging.

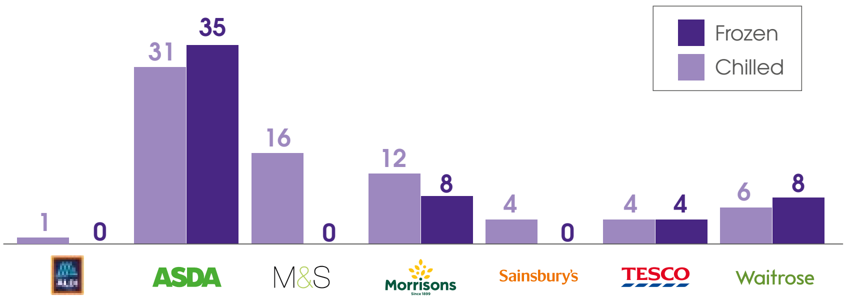
Brands and retailers alike have made periodic attempts to revive categories in this sector, such as ready meals, but have frequently struggled to communicate new initiatives, products and offers due to the restrictive nature of fixtures.

Frozen foods are particularly tricky, with entrenched shopper behaviour leading to functional purchasing decisions. This means virtually no browsing and very few opportunities to create disruption.[2]

Chilly temperatures in these aisles also present a problem, with shoppers tending to grab their items and leave quickly to escape the cold,[3] a problem Sainsbury's has recently announced it will be tackling through the use of Formula 1 technology to keep more of the cool air in the chillers.[4]

We surveyed 35 stores in the grocery sector, as well as analysing recent images of the chilled and frozen categories in POPAI's POPWatch image resource, to discover more about how retailers merchandise these products.

Average number of promotional signs in the chilled and frozen aisles *(excluding shelf edge)*



Source: POPAI

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UNFINISHED STORIES

How to make an emotional connection with your customers through two-way storytelling

The biggest question that we are being asked by our clients at the moment is this: "How can we compete with Amazon?"

In many areas it's very difficult to compete with the retail behemoth. Amazon captured 53% of all dollars spent online in the US in 2016, and 63% of US households have Prime. Amazon's supply chains, delivery options and frequent innovations in customer interfaces make for a frictionless and convenient shopping experience. But, despite its rapid growth and boundless reach, Amazon remains a faceless corporation whose customer touchpoints are distinctly lacking in any rich, memorable or emotional engagement. It's a business with the personality of a cardboard box.

When competing with Amazon, storytelling is an important tool in moving the customer conversation from mere transactional convenience to more valuable and emotional territories. And it's now more important than ever to get this right.

It's important to understand that the rules of storytelling have changed and there are many reasons for this. The fragmentation of media markets and the proliferation of smartphones means there is no longer one mass group of people gathering in one place for brands to talk to. Added to this, the well-documented and steady decline of the middle class, especially in the US, is robbing many brands of a safe target audience with money to spend.

These developments mean that brands, more than ever before, must understand different niche groups, how they behave, where they meet and how they talk to each other before even attempting to engage them. And they must weave this into their storytelling by creating two-way conversations rooted in the needs, behaviours and expectations of their consumers.

The brands in this trend achieve this by subverting or enhancing familiar elements to welcome customers into the narrative.

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