NON-MEMBER EDITION

ISSUE 33 | 2018

POPAI
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RESEARCH REPORTS

IN-STORE INSIGHTS

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With online retailers and department stores vying for valuable Christmas shoppers, how do small format stores fit into the festive free-for-all? We find out if, when it comes to seasonal shopping, good things really do come in small packages.

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Winter colds and flu combined with New Year's resolutions make health and wellbeing big business at the start of the year. But which retailer is in the best shape? We investigate.

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Small products can create big havoc. From low visibility to lack of space for communicating messages, they throw up a whole set of challenges to retailers, brands and suppliers. But how do they overcome this?

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The New Experiential Retail

As bricks-and-mortar retailers seek to ramp up the emotional side of shopping and online retailers clamour to offer a more tactile experience, enter the new experiential retail. Bridging the digital-physical divide, it adds a slice of real life to both offerings.

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DEDICATED TO ENHANCING THE TOTAL SHOPPER EXPERIENCE

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A one-day, interactive session exploring the shopper & best practice in P-O-P

Wednesday 4th July 2018

10 am - 4.30 pm

Radisson Blu, Dublin Airport

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Our sessions are led by POPAI's senior leadership team; with supporting learning materials included.

Who should attend?

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- Access to independent best practice insight, knowledge and research
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Welcome to the first In-Store Insights of 2018. And with the New Year comes a brand new look for us, reinforcing our focus on research reports and POPAI insights. The makeover reflects the contents – useful, practical and insightful – covering different sectors, categories and shoppers. But our concentration remains firmly on the same thing: enhancing the total shopper experience.

Thanks to everyone who attended the Retail Marketing Conference in February at the London Stadium in Stratford. We're looking forward to announcing the POPAI Awards 2018 nominations at the Retail Design Expo in May – always an exciting event on the POPAI calendar.

We hope you enjoy our new-look issue, where as ever we'll be sharing our most recent reports and research. Christmas may seem a long time ago, but retailers are still feeling the effects of their festive successes or disappointments. While the focus is often on big department stores, we've turned our spotlight onto small format stores, to discover how they fare amongst the big hitters. Find out on page 5.

And is your New Year's resolution a thing of the past? Or are you standing firm? Either way, the chances are you'll have been hit by a winter cold, cough or even flu somewhere in the season. With more of us trying to either get healthy or stay healthy, the health and wellbeing sector comes to life at the start of the year. But which retailers are in the best shape? We find out on page 7.

Small products can often give retailers, brands and suppliers big headaches. They're fiddly, difficult to merchandise and present a whole set of challenges to be overcome. But just how to do this? We explore the issue on page 9.

There's an interesting battle going on between online and physical retailers which has seen the birth of some new phenomenona and the rise of others. As bricks-and-mortar retailers seek to offer customers something they can't find online, and e-tailers seek to offer a more tactile experience, the experiential retail approach has matured into a more practical sales tool, using real-world contexts which are spanning the digital-physical divide. We investigate further on page 11.

Phil Day
POPAI

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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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STOREDITS

CHRISTMAS IN SMALL FORMAT STORES

Christmas: the most important time on the retail calendar. But with decorations, displays, extra products and extended ranges all fighting for coveted store space, how do smaller format stores get the right balance? With challenges from online competitors rife, these retailers must draw in the high-street-wary shopper, radiating Christmas spirit but avoiding the Christmas clutter. The stores may be small but the undertaking is not. So when it comes to the festive season, is it really the case that good things come in small packages... or are shoppers left saying "bah humbug"?

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

It's no secret that the Christmas trading period is critical to a company's annual performance. Pressure remains strong on the high street, with 58% of shoppers believing that they can find cheaper products by shopping online.[1]

The increasingly powerful Black Friday also continues to influence spending patterns. Shoppers love the opportunity to bag bargains at the end of November, but are then reluctant to pay full prices when they return in early December.[2]

Read the **FULL REPORT**

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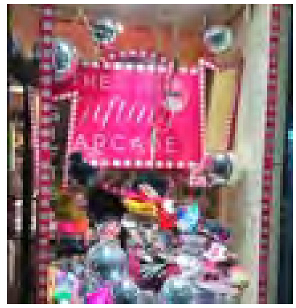
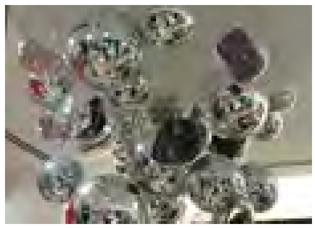
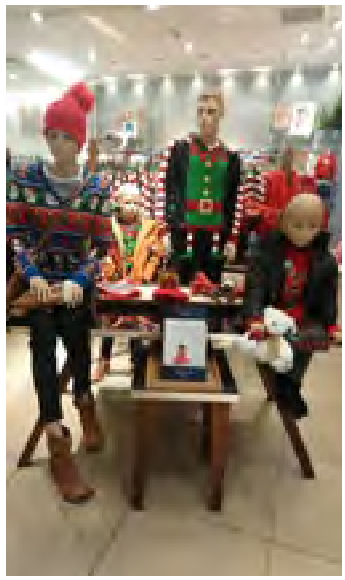






It would seem that buying-weary shoppers are no longer hitting the sales straight after Christmas, either, as the continuing trend of declining Boxing Day footfall shows, with 2017 seeing the fifth drop in the past six years. High streets were hit hardest, with footfall dropping 5.8% year-on-year.[3]

Indeed, Christmas 2017 proved to be a season of very mixed fortunes, with announcements varying from increased share values to profit warnings.[2]

So how did retailers, particularly those with limited space in-store, engage with their shoppers to channel the Christmas spirit into a successful sales campaign?

We visited a cross section of high street stores in the UK and Ireland, covering 28 retail fascias.

Our research

To conduct our research we visited the following retailers: Aldi, Co-op, Dunnes Stores, little Waitrose, M&S Simply Food, Sainsbury's Local, SPAR, SuperValu, Tesco Express, Topaz, Boots, Superdrug, Accessorize (standalone formats), The Body Shop, Clintons, Currys PC World (high street stores), EE, GAME, H. Samuel, Next, schuh, The Perfume Shop, The Fragrance Shop, Argos, The Works, WHSmith and Wilko.

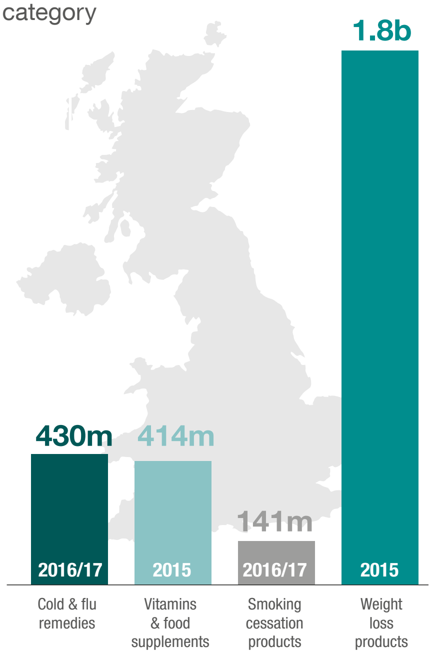
Over the last week in November and the first two weeks in December 2017, our researchers analysed different areas of each store to identify the types of P-O-P and promotional techniques employed, the use of decorations and in-store ambience, and Christmas gifting and products on offer. Finally, we selected the best in class for a range of Christmas-related merchandising themes.

SHOPPER INVESTIGATION

HEALTH AND WELLBEING

The health and wellbeing sector traditionally dominates the early part of the year, as the dual drivers of New Year resolutions and winter bugs send shoppers on a mission to be fit and well. With a multitude of choice of channels for both advice and purchase, where do shoppers turn? And when it comes to health and wellbeing, which retailers are blooming and which are below par?

UK health and wellbeing sales by category



Source: Proprietary Association of Great Britain, Health Food Manufacturers Association and Statista

Welcoming in the New Year often also means setting some resolutions and personal challenges. Unfortunately, this determination and resolve is all too often accompanied by an unhealthy dose of colds, coughs and flu symptoms.

It makes sense, therefore, for retailers to capitalise on the sale of products addressing these needs, as the nation strives to become fit and stay healthy.

So how did 2018 make its entrance? Despite a renewed focus on healthy eating, it seems that the New Year had a somewhat harsh beginning, with cold weather taking its toll on the population, along with an unwelcome national outbreak of influenza. January saw a 12% rise in sales of over-the-counter painkillers on the month before, while sales of cough sweets and liquids also increased by 17% as shoppers tried to tackle seasonal illnesses.[1]

As well as trying to restore good health, around seven million people in the UK make a New Year's resolution to improve an aspect of their health, with giving up smoking being one of the most common goals.[5]

Retailers in this sector should take note, as annual healthcare spending continues to rise in the UK, showing a 0.4% increase in the year to July 2017. Spending on food supplements is also set to rise to £500 million by 2022.[3] The weight loss market continues apace, with the £1.8 billion spent in 2015 expected to increase to a staggering £2.1 billion by 2020.[3]

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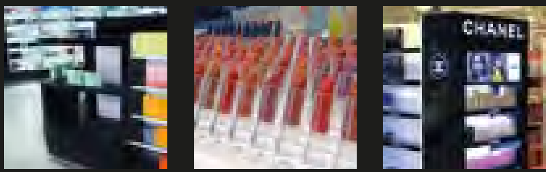
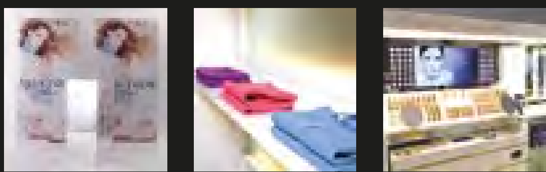
Our research

We asked 100 shoppers to visit Asda, Co-op, Morrisons, Sainsbury's, Tesco, Waitrose (large format stores), as well as Boots, LloydsPharmacy, Superdrug and a selection of independent pharmacists. Shoppers were asked about their shopping habits plus in-store display and promotions.


CHANEL


SALE




REVOLUTION
REVOLUTION
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MAKEUP

DISPLAY REPORT

SMALL PRODUCT MERCHANDISING

Small products are a staple of most categories, from fixtures and fittings in DIY to make-up and beauty products, from high value items like watches and jewellery to lower-cost impulse buys. But these products can be notoriously difficult to merchandise thanks to their diminutive size – the challenge is to keep them visible, communicate key messaging, replenish stock and keep the area tidy, meaning displays must be ultra hard working. We carried out some research to discover whether these products are little nuisances or small wonders.

Effectively merchandising small products presents brands, retailers and P-O-P suppliers with a unique set of challenges.

In this report, we examine the particular issues associated with these products, exploring the most effective ways of meeting these challenges head on and discovering which solutions different retail sectors prefer.

POPAI conducted interviews with industry professionals covering brands, P-O-P suppliers and retailers, to identify current innovations and best display practices for small product categories.

Our research

POPAI consulted arken POP, B&Q, DIAM, Hasbro, HL Display, InContrast, JTI, Kesslers, L'Oréal, and Unilever, asking focused questions pertaining to each organisation type, aggregating answers both by subject and theme.

Small products, big challenges

We asked our respondents to tell us about some of the biggest challenges associated with merchandising small products. From their answers, it is apparent there are a number of varying issues faced by retailers, with standout, shopability and navigation being common themes reported across the industry.

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GLOBAL TRENDS

THE NEW EXPERIENTIAL RETAIL

Ever since e-commerce started challenging the dominance of physical retail with its ultra-convenience, endless choice and seamless purchasing options, bricks-and-mortar stores have looked for ways to offer customers something they can't get online.

Experiential retail has become a key tactic in recent years (as well as an overused buzzword) as retailers have used the theatre of surprise and delight to differentiate themselves from their competitors.

In this report we explore what we consider to be a significant maturation of this approach. In many ways, the examples we use are more functional than what we've come to expect from traditional experiential retail, yet in this way they become more meaningful for the consumers.

These examples are less about creating unique and unforgettable branded experiences, and more about creating product trials and paths to purchase that are rooted in the real-world contexts in which the products are actually used.

What is most interesting is that this is not something restricted to physical retail, or to e-commerce, but something that is spanning both. As physical retailers are battling to keep up with the convenience of online, e-tailers are trying to find new ways to add emotional layers that can rival the tactile experience of bricks-and-mortar stores. So brands on both sides of the digital-physical divide are coming up with the same answer – adding a slice of real life into their propositions.

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