Non-Member Edition

Issue 29 | 2017

in-store insights

What's inside...

Dedicated to enhancing the total shopper experience

Attracting a wide range of shoppers, discount stores have well and truly hit the mainstream

Travel hubs attract high footfall and offer a unique environment for brands and retailers

Are we in an era of post-channel retail?

The health and beauty sector is big business in the UK, and looks really do matter when communicating to shoppers in-store

Latest insights from leading brands and retailers at the POPAI Retail Marketing Conference 2017

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POPAI WELCOME

As we turn our thoughts towards spring, it's clear that this year has started with a degree of uncertainty across the globe. But in these changing times, POPAI is proud to stand firm. We are celebrating 25 years of serving the P-O-P industry, and we're planning to continue our dedication to enhancing the shopper experience and sharing best practice across the industry.

In this first issue of 2017, we open with our latest shopper investigation into discount retailers on page 5. Following their rise in recent years they have well and truly hit the mainstream – but what are they offering shoppers today and to what extent do they feature in our shoppers' baskets?

The beginning of May will see us exhibiting, along with many other POPAI members, at Retail Design Expo. The show's success continues to grow and this year will offer inspiration, ideas, innovation and a conference programme. Check out page 10 to find out more.

You may have already planned your summer holiday, but will you be tempted into the retail haven of travel hubs before you set off? On page 13 we find out which trends are shaping the sector, and what brands and retailers should be considering for successful in-store activations.

Our second Storedits report focuses on health and beauty – is there more to this sector than meets the eye? It seems that looks really do matter when brands are communicating to shoppers across different stores. Find out on page 19 what we discovered when we visited 50 stores and analysed 300 images of P-O-P.

We have had the days of multi- and omni-channel, but maybe now is the time to consider the customer journey outside channels. GDR Creative Intelligence examines this in its latest Global Retail Trends report, Post-Channel Retail, on page 25.

Finally, on page 29 we round up with a review of the POPAI Retail Marketing Conference which took place in February and brought together leading brands, retailers and suppliers to hear retail marketing insights from recent campaigns and activations.

We look forward to seeing you during this our 25th year of serving the P-O-P industry.

Phil Day
POPAI

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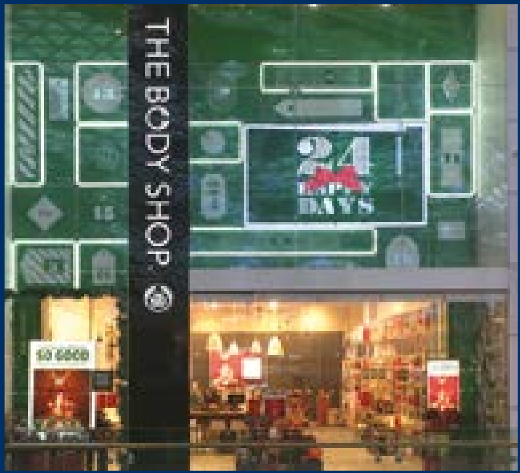

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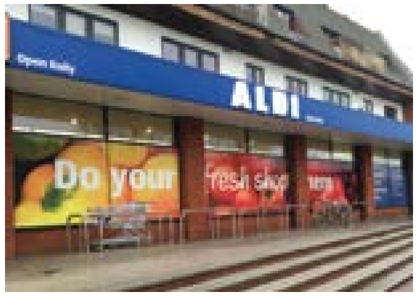
DISCOUNTERS

The rise of the discounters is continuing. Initially becoming increasingly popular during times of financial struggle, they have now well and truly hit the mainstream.

Overall, the discount sector grew a staggering 48% in the five years to 2015[1] and its growth continues, with 44% of UK shoppers shopping with a discounter in the last month.[2] Price-sensitivity is expected to linger, with uncertain market forces which could well benefit the discounters.

Our latest shopper investigation saw 100 shoppers visit a number of discount stores including Aldi, Lidl, Home Bargains, B&M, Poundland, Poundworld and Poundstretcher. First, we asked them about their shopping habits, followed by their in-store experience, including promotional displays and messaging.



Record sales:

Lidl **40,000 lobsters**

B&M **6 million Christmas crackers**

Source: Guardian/Telegraph

Discounters: the major players

Top discount grocer, Aldi, is now Britain's fifth largest supermarket holding 6.2%[3] of the UK grocery market. It has transformed its initial 'cheap and cheerful' reputation by pushing its quality and sourcing in recent marketing campaigns, which has had a positive impact on consumer perceptions. Meanwhile, Lidl, which holds 4.5%[3] of the market, is planning to open 50 new stores in 2017.

B&M now has over 500 stores and has also been celebrating positive financial results with an increase in UK like-for-like sales. Slightly behind in store numbers at over 400, Home Bargains is nonetheless one of the biggest privately-owned companies in the UK and has ambitious plans to grow to 800 stores.

Poundland, and its smaller counterparts Poundworld and Poundstretcher, have seen their own challenges with a weakened pound leading many of these previously fixed-price stores to offer a wider range at different, higher price points.

86% of shoppers wouldn't mind being spotted in a disount store

Source: Shoppercentric

The split shopping basket

All the shoppers who took part in our study shop in at least one discounter per month. A further 32% and 20% shop in two and three per month respectively.

It can be difficult to pin down a 'typical' discount store shopper as discounters appeal to a wide range of shoppers across socio-demographic groups. In fact, 57% of shoppers in a survey say they 'love to hunt for bargains whether money is tight or not'.[4]

Sources:

[1] *BBC, The unstoppable rise of the discounters, 2015*

[2] *Shoppercentric, Shopper Stocktake. 2017*

[3] *Kantar Worldpanel, Aldi becomes UK's fifth largest grocer, 2017*

[4] *Shoppercentric, The rise of the discounters, 2014*

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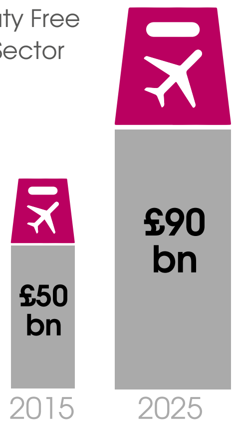
TRAVEL RETAIL

As we continue to enjoy global travel, retailers and brands can tap into the great potential afforded by retail space within airports, railway stations and other travel hubs. Using their creativity to the full, they can engage and capture shoppers, harnessing mobile technology to drive sales, and embracing shoppers looking for something different from a 'normal' retail experience.

This is an area they ignore at their cost, and is clearly not a sector to be overlooked – latest figures value the duty-free and travel retail sector at a staggering £50bn,[1] a figure which is estimated to rocket to £90bn by 2025.[2]

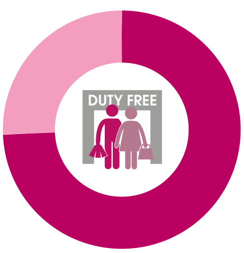
In this report, we examine the sector and the trends within, and discuss how the travelling journey can become a shopper journey.

Value of the Duty Free & Travel Retail Sector



Source: m1nd-set

75% of British passengers plan to visit duty-free, with value as a top priority.



Source: Counter Intelligence Retail

A flying visit: rising to the challenge of a time-poor shopper

Travel retail space is highly unique, offering something no other retail environment can. To this end, it has its own set of challenges to overcome. Shoppers are there for all kinds of reasons: panic-based for last-minute forgotten essentials; value-driven in their desire to bag a duty-free bargain or travel exclusive; or a gifting mission for loved ones at home or a treat for themselves.

Even with the advent of online check-in and relaxing waiting lounges, travellers are very rarely time-rich. Most will have their eye on the clock and be ever conscious of their impending journey.

Retailers need to be aware of the types of shoppers they are attracting. 'Bleisure' shoppers are the travellers who are combining more leisure into their business trips. 'Millennial' shoppers have an appetite for innovation, novelty and individuality – they do not buy 'stuff', they buy experiences, excitement and entertainment, and represent more than half of shoppers.[3]

Therefore, travel retailers must strike the delicate balance between being efficient and being engaging. Clear navigational signage and good merchandising work together to maximise the all-important browsing time.

As they are generally operating in smaller format stores, one challenge for retailers is how to provide an attractive offer to shoppers with a reduced square footage from that of their high-street counterparts. Many retailers manage to tackle this by offering a capsule, or edited collection, often aiming to engage shoppers at a later date via a store visit or online purchase. This clever device gives shoppers the same high-quality customer experience, at the same time extending their customer journey.

Sources:

[1] Retail Focus, Land of Opportunity, 2017

[2] M1nd-set, Forecast Report, 2016

[3] Counter Intelligence Retail (CiR), Beauty Report, 2016

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Kicking off an exciting year of activity, POPAI's flagship event of the year, our Retail Marketing Conference, took place in February 2017. Attendees from across the industry came together to hear insights from leading brands, retailers and agencies.

Harnessing technology to engage shoppers

Western Union opened the event, discussing its move to digital point-of-sale and explaining how it is effectively using facial analytics to tailor its marketing messages. It is also using technology to speed up the customer journey for shoppers by removing unnecessary paper forms, and by making things more efficient for the retailer. The resulting in-store P-O-P is creating real engagement with its shoppers.

Putting shoppers at the heart of the brand

We also heard from Ireland-based Offbeat Donut Co about its concept of putting the shopper central to a new food and beverage concept. Understanding them, their habits, likes, desire to share and love of personalisation has allowed the brand to create a memorable personality and to communicate effectively to its shoppers at every touchpoint. Through this concept, the brand is demonstrating its interest in its shoppers' emotional – as well as financial – responses.

Innovation: getting the right balance

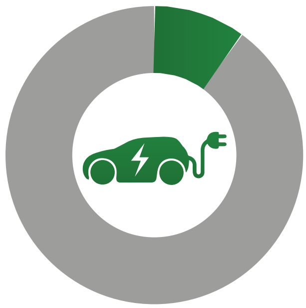
The first panel session looked at what innovation means for suppliers, brands and retailers. The discussion focused on the different interpretations of innovation and how it can create disruption in-store, as well as the challenge of making it scalable. It seems that finding the right balance between tight retailer guidelines and glimpses of creativity is key for all.

A non-sales shopping environment

Chargemaster, provider of on-the-go charging solutions for electric vehicles, introduced its move into shopping centres as part of a government scheme to encourage take-up of electric vehicles. By bringing the message to the shopper in a multi-manufacturer experience centre, the brand is aiming to educate, inform and drive referrals to local dealerships, as opposed to making instant sales.

With this in mind, it has created a non-salesy environment, perfect for this goal, one which is child-friendly and has an appealing interior. Here, shoppers can listen to stories from existing electric vehicle owners, and are given the chance of a week-long test drive.

5-10% of all cars to be electric vehicles by 2020



Source: Chargemaster

Modernising Mamas & Papas

Another retailer to create its new concept based on a shopper type is Mamas & Papas. The previously family-owned business is updating to become a brand that not only appeals but excites today's millennial parent. With a high expectation from retail, and a constantly refreshing customer base of new parents, creating experiences that aid the customer journey with solutions rather than just gimmicks is essential.

30 is the average age of a mum-to-be

Source: Mamas & Papas

Its new flagship concept caters for different shopping missions, from impulse in clothing to informed in transport. It has also introduced a smaller format boutique high street store in the London suburbs, which focuses on experience above product range, using online integration to widen the offer.

Collaboration and communication

Providing solutions for shoppers was a common theme throughout the day with Yale and Philips Lighting taking a collaborative approach to make this happen. In the emerging connected home category, collaboration is proving vital for educating not only the shopper but also the retailer in how best to showcase and communicate these products. This joint-working approach has resulted in a display that provides the customer with a solution as well as a holistic view of the products available.

A convenient conversation

Our second panel session focused on trends in convenience and the increase of the top-up shop. It quickly became apparent that one size certainly does not fit all and there are plenty of opportunities for those willing to embrace the sector. P-O-P displays are often focused on large grocery multiples, but carefully considering the footprint in local convenience stores, along with the opportunity to educate shoppers on their multiple repeat visits, could be key to the future of this sector.

35% of shoppers never do a main grocery shop

Source: HIM Shopper Research and Consulting

Getting the message across

A short time window to engage with shoppers is a problem for many retailers, and EE has addressed this with its latest display in Carphone Warehouse stores. Competing with promotions for new handsets, the messaging for a phone network may struggle to cut through in-store. Using insights to drive the solution, the brand created an augmented reality game system to encourage shoppers to engage and fully interact with EE brand messaging. Perfect for the millennial shopper, and as a sales tool for staff, the experience has not only built awareness of the brand, but has also resulted in significant uplift in both network sign-ups and average spend.

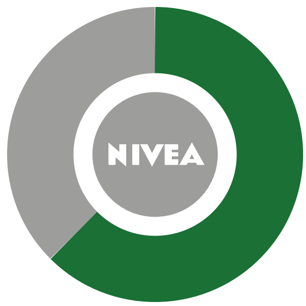
67% of users agreed that the EE bay was superior to the other bays in that specific Carphone Warehouse store

Source: Vividbrand

Beautiful expectations

The day ended with a look at what the skincare category currently offers in-store, through the eyes of Beiersdorf. The expectations of beauty-conscious shoppers go far beyond that of great pricing, but what more is being offered? Gift with purchase, extra quantities, limited editions, and scientific and user testimonials, all help to make displays stand out, but for a truly successful campaign it needs to tick the boxes of the shopper, the brand and the retailer.

63% of households own a Nivea product



Source: Beiersdorf

This is just a flavour of the day; POPAI members can **download presentations** from this event and others at **popai.co.uk/events**.

HEALTH & BEAUTY

The health and beauty market is one which most shoppers use at some point. But is there more to it than meets the eye? While we all want to look and feel good, the rise of department stores within this sector means we no longer need to turn to the same retailers for the same products. Different price points, in-store layouts, displays and messaging make this one of the most inconsistent categories to shop, but also one with huge choice. So, when it comes to health and beauty, are shoppers feeling good – or are appearances deceptive? We investigate.

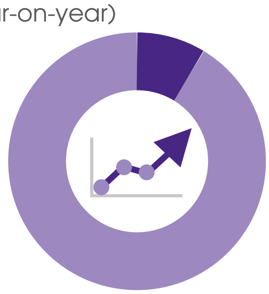
'Storedits' *(stor-ditz)* is an analytical qualitative survey (or store audit) of a retail space carried out by POPAI.

The health and beauty market is big business in the UK, with a revenue of £4 billion and employing nearly 35,000 people across over 1,000 businesses.[1]

UK consumers are amongst the biggest spenders on beauty and personal care in Western Europe.[2] Already a saturated market, there is nevertheless room for growth for more niche brands, premium cosmetics and natural organic products with a focus on quality.

We surveyed 50 stores in the health and beauty sector along with the examination of over 300 displays to carry out in-depth analysis of everything from window displays to the use of technology.

8.7% The amount health and beauty sales rose in January 2016 (year-on-year)



Source: Retail Economics, January 2016

£284m The average weekly spend on health and beauty in the UK

Source: Retail Economics, 2016

A changing landscape

While these UK shoppers remain fairly loyal to the major high street health and beauty retailers Boots and Superdrug, the retail landscape is increasingly diversifying, with supermarkets and discounters now taking a bigger share. Boots is the clear leader of the specialist retailers, being the only player with a double-digit value share in 2016 and accounting for an impressive 42% share of the market.[3]

But there are external influences at work. Launches from major fashion retailers such as H&M and Primark mean tougher competition, particularly within the beauty categories. Online offerings also pose a threat, as men – a growing audience within the health and beauty sector – are more likely to search for and buy toiletries online.[4]

There are a still number of opportunities within the sector. Fashion trends, an increase in male grooming and the desire for wholesome living are inspiring new product launches in-store. And social media influences such as the trend for selfies are driving the sale of make-up contouring products and celebrity-endorsed items.

Weighing up the costs

Price remains highly important to shoppers, with research showing this to be the case even with those buying prestige brands.[5] This presents both challenges and opportunities, with the value-led retailers delivering impressive growth. Meanwhile, department stores and niche specialists are using unique experiences to drive shoppers in-store and encourage them to trade up to more premium products.

Sources:

[1] IBIS Word, Cosmetics & Toiletries Retailers in the UK, 2016

[2] Euromonitor, Beauty and Personal Care in the United Kingdom, 2016

[3] Euromonitor, Health and Beauty Specialist Retailers in the UK, 2017

[4] Independent, Men's grooming is now a multi-billion pound worldwide industry, 2016

POST-CHANNEL RETAIL:

Journeys that draw on the best of all possible worlds

The concept of the customer journey is changing, and the multiplication of channels has only obscured this. We are now seeing a world where, thanks to mobile, there is no such thing as a non-retail space – a development that is leading retailers to radically question the very purpose of their physical offerings.

The acquisition of disposable income by a generation of digital natives who cut their teeth in a world where digital and physical have become increasingly blurred will place its own demands on how the customer experience is structured. Indeed, we would go as far as to say that after the six years where omni-channel retail has been the industry's mantra, we are now obliged to move beyond even conceiving of customers moving through channels at all. Consumers now expect there to be no significant barriers between physical and digital when they shop. This requires new thinking on how to best harness the technology now available, and when to allow the human touch to take the lead to best engage both the techy and analogue customers.

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L'OCCITANE – FRANCE

French beauty brand L'OCCITANE EN PROVENCE has opened a tech-enabled, experiential flagship store on Fifth Avenue in New York to refresh its 41-year-old brand image and engage with a younger consumer base.

By blending technology with human staff in ways that enhance the customer journey, L'OCCITANE makes browsing as much of an event as the actual sale. Inside the store, two customer paths are presented. The assisted path follows the traditional L'OCCITANE retail model and customers are guided through the space with clear way-finding touchpoints; product zones are signposted and thumbnails positioned next to products with staff on hand to offer consultation throughout the experience. The autonomous path is reserved for the 'new', younger L'OCCITANE customers who are experienced with in-store technology.

FOOT LOCKER 'AUDIO TOURS' – USA

US sportswear retailer Foot Locker has launched an audio guide service in 300 of its stores to tell stories about the products that customers are browsing.

Upon entering participating Foot Locker stores, shoppers can access the tours via their mobile device at footlocker.com/audiotour, where they can enter a code displayed next to a selected pair of shoes to start the tour. Signage in-store alerts customers to the audio tours but many of the stores also use beacons to push notifications to those that have the Foot Locker app.

INNISFREE – SOUTH KOREA

A simple basket system implemented in-store by Korean beauty brand innisfree lets staff know if customers want to be approached by sales associates.

At the entrance to its stores, shoppers can choose between baskets with green labels and others with orange labels. A green label indicates to staff that the shopper does not need any help and should be left to browse in peace, while the orange basket signals that they would like staff to assist them. This is a good example of a brand understanding the different needs of its different customers.

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