NON-MEMBER EDITION

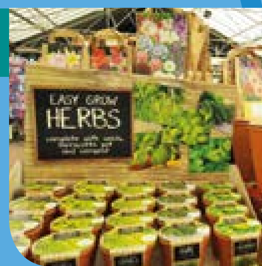
ISSUE 30 | 2017

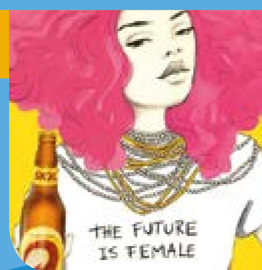
RESEARCH REPORTS
FROM POPAI

in-store insights

Dedicated to enhancing the total shopper experience

What's inside...





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Issue 30

POPAI WELCOME

Welcome to the 30th edition of In-store Insights. We've had a makeover and hope you like our new-look front cover. But we promise to still bring you the same insightful POPAI research and expert comments inside. Discover all the latest research backed up by in-store examples, drawn from the POPAI Awards and beyond. The retail world continues to evolve, and we're glad to be sharing this exciting journey with you.

We kick off this issue by delving into the multi-sensory world of P-O-P on page 5. How can brands and retailers harness all five of the human senses to develop a deep emotional connection with their shoppers?

Our latest Storedits report takes us to Europe to look at convenience retail across the continent. In a snapshot of this growing sector, we consider the wider trends alongside what is happening in-store on page 13.

As summer steadily begins to set in, we take a look at the blossoming world of gardening retail in our latest shopper investigation on page 19. Our shoppers visited traditional garden centre chains and garden centres as part of DIY stores to see what they had in-store to tempt in both the perennial green-fingered brigade and the green-but-keen aspiring gardeners.

What makes brands human? Honesty, transparency and imperfection are all elements that breathe life and personality into brands, and we are increasingly starting to see this as brands strive to ensure they are relevant today. GDR Creative Intelligence brings us examples of these campaigns in their latest report, 'That's Life', on page 25.

We all know that the shopper experience is key to driving sales, but how can a digital element in-store add to this? Research suggests the appetite from shoppers is there, but how do we strike the balance between using digital to add to the experience and overusing it and hindering the experience? On page 29 we preview a first-of-its-kind workshop that POPAI is holding in June.

We're looking forward to welcoming you there, as we continue to share our expertise and best practice together.

Phil Day
POPAI

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What's inside...

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HOW LIGHT, MOTION AND SOUND INFLUENCE SHOPPER BEHAVIOUR

Download your free research report today!

POPAI UK supported by Rocket Production carried out a shopper behaviour study looking at how various in-store display enhancements impact sales.
To find out more about this study, read the Display Report on page 5.

Download the research report to learn:

- 4 tips to increase engagement, dwell time and the opportunity for sales
- How stimuli positively effect shopper behaviour and response
- Which stimulus has the most positive impact on dwell time
- How stimuli can be used to attract and disrupt

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SENSORIAL P-O-P

Shopping is a highly sensory experience, with switched-on retailers making creative use of light, sound, taste, touch and scent to influence purchasing decisions. With statistics overwhelmingly confirming that shoppers are more easily won over by interactive displays and products they can fully engage with, it's clear that offering an alluring sensory experience makes sense in-store.

Playing to the senses

It's common knowledge that customer experience is key in-store. No longer can retailers afford to rely purely on shopper loyalty. In our times of ever-evolving technology, purchasing decisions are driven by an increasingly complex set of stimuli. Today's shopper demands a sensory experience in-store, and creative application of this concept can draw the distinction between savvy retailers and brands and those that are not fully meeting their shoppers' needs.

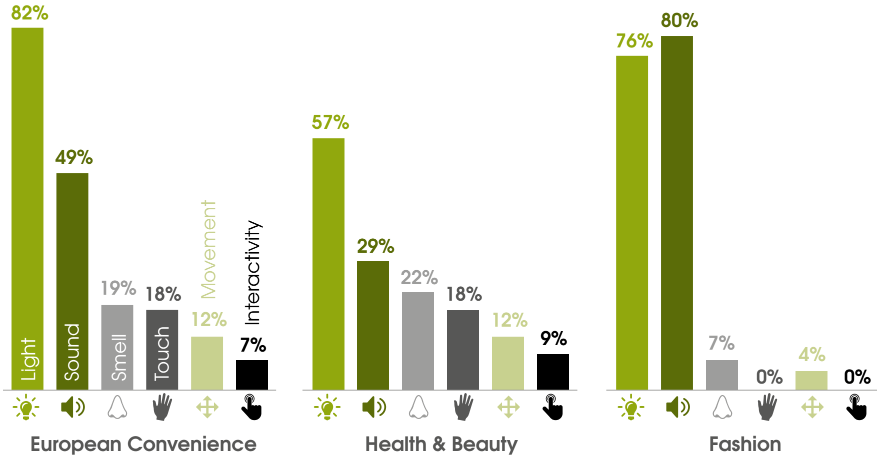
Making the shift to developing emotional connections between retailers, brands and shoppers means harnessing all five of the human senses.

Using our senses of smell, sight, sound, taste and touch can trigger emotional, cognitive and behavioural responses. In-store, this experiential marketing approach can strengthen the identity of a product, creating a link between the point of purchase and the shopper.

Not only does this increase the chances of a display catching a shopper's eye, but the more points of sensory contact there are, the more memorable traces a brand leaves behind.[1]

This is supported by the rise in popularity of point-of-purchase and retail sensory marketing. By engaging ambient elements such as scent, sound, touch and taste, retailers are stimulating their customers' senses and creating an emotional connection, with the aim of triggering favourable subconscious responses. This in turn will influence shopping behaviour.

Sensory engagement used in-store



Source: POPAI, Storedits

The type of shopper also has an impact on the success of these methods. Interestingly, the more you earn, the more likely you are to be influenced by touch and smell in-store. The experience-loving millennial is also said to be more easily influenced by additional stimuli.[2] Smart retailers and brands can use this knowledge to target their sensory displays and marketing more precisely.

The good news for retailers is that bricks-and-mortar retail is perfect to engage all five senses. It can express how a brand looks, sounds, smells, feels and even tastes – the full spectrum of the retail experience.

Through our research we have found that the clever use of display and in-store tactics can achieve great results, with high levels of brand recall and driving the ever-important increase in sales.

Sources:

[1] *Body & Giboreau of the European Sensory Network, 2007*

[2] *Retail Week, In-store experience crosses into the realm of the senses, 2016*

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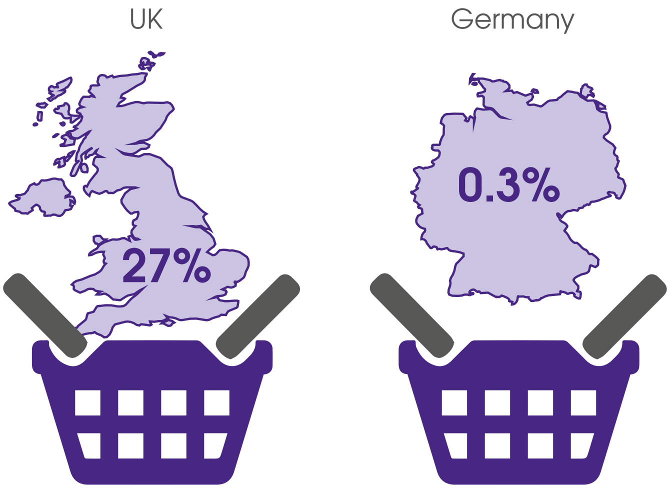
EUROPEAN CONVENIENCE

The convenience grocery sector is one which is growing right across Europe. With more and more shoppers doing top-up shops to complement their main supermarket or online shop, it is clearly an area which provides opportunities for retailers.

From window messaging to in-store displays, convenience retailers are faced with challenges not seen in their larger counterparts. Smaller footprints and less space for messaging and stock don't afford them the same indulgences as a larger supermarket, and require creativity and ingenuity to differentiate them from their competitors. And with shoppers making short but frequent visits, the key is in inspiring loyalty by making their shopping experience one to remember.

Essentially, convenience shopping should be just that – convenient.

Convenience as a percentage of grocery retail sales in the following:



Source: Fung Business Intelligence Centre, European Convenience Store Retailing, 2015

Co-op, UK

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The rise of convenience

Growth in convenience retail is being led by many factors, including a growing proportion of the global population living in urban areas. Busy lifestyles and smaller households are also fuelling the trend, along with more of us carrying out smaller, more frequent top-up shops.

The UK has one of the most developed modern convenience sectors in Europe. It currently has 46,000 convenience stores, with one in four people visiting a convenience store during the week.[1]

The sector is undoubtedly growing across Europe, certainly in more urbanised locations in France, the Netherlands and Italy. However, convenience sales make up a smaller percentage of overall grocery sales.

The scale of convenience stores varies considerably by country, with convenience accounting for 27% of grocery retail sales in the UK compared with just 0.3% in Germany.[2]

A complementary shopping experience

Drivers for growth in the sector also vary by country but, in general, shopping in convenience stores is a natural complement to large, occasional bulk shops, either at the supermarket or online. However, in countries such as Germany the slow growth of convenience has been attributed to price-sensitive shoppers accustomed to discount stores, small neighbourhood supermarkets and local specialist stores such as bakeries and butchers.

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

One common theme across all countries is the entry of major grocery retailers such as Tesco and Carrefour into the convenience sector. This is bringing higher standards to the convenience sector and in certain markets is introducing shoppers to new formats focused on a strong food offer. However, there are clear dangers in this for retailers as they not only risk cannibalising sales in their larger stores but must also absorb the higher operating costs of convenience retail.

Convenience stores are also increasingly functioning as food-to-go outlets and hubs for click-and-collect points due to their central, busy locations, offering retailers the opportunity to increase frequency of visits and seamlessly integrate the online and offline worlds.

To gain a greater understanding of the convenience sector across Europe, POPAI UK & Ireland worked with several POPAI Chapters to carry out audits of 76 convenience stores. The 15-minute Storedits involved 43 questions covering topics such as window promotions, in-store ambience and the types of displays and promotions seen in-store.

Sources:

[1] *HIM Shopper Research & Consulting*

[2] *Fung Business Intelligence Centre, European Convenience Store Retailing, 2015*

DIGITAL SHOPPER WORKSHOP

While the UK high street remains buoyant, brands and retailers nevertheless can't afford to be complacent. Better shopper engagement and increased sales will continue to be driven by the in-store shopper experience, and continually enhancing and improving this is the challenge ahead. With the rise of digital technology continuing apace, this is one area which can be harnessed effectively to give shoppers the experience they are both expecting and demanding. POPAI's upcoming Digital Shopper Workshop is a great opportunity to gain insights and best practice in this area.

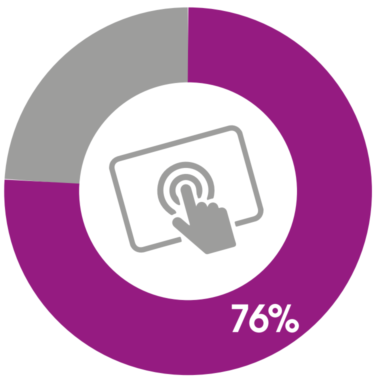
86% of shoppers will pay more for a better experience

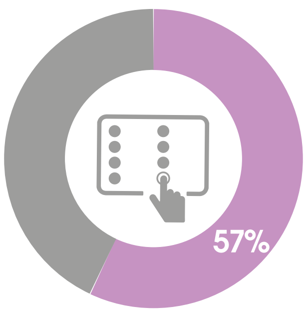
Source: Customer Experience Impact Report - Oracle

A force to be reckoned with

Industry commentators agree that the UK high street is still very much alive and kicking. With 70% of shoppers planning to shop in stores in 2017 as much as they did in 2016, and a further 14% planning to do so even more,[1] it seems that shopping is strongly ingrained in our culture. In fact, it is more popular in Britain than going to the pub, reading a book or watching sport![2]

76% of customers would like to use touchscreens, and 57% are interested in interactive digital displays





Source: Westfield

The in-store shopper experience has always been key, and this is the case more than ever throughout 2017 and beyond. Bricks and mortar stores are in the perfect place to offer something truly unique and memorable to the shopper, and, as the role of the store changes, providing memorable experiences will be key.

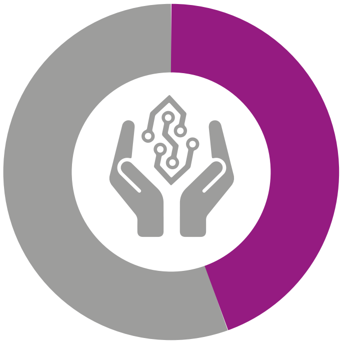
"There have been too many instances in recent years of retailers getting carried away with gadgets and widgets that do not focus on the set of actual customer desires."

David Walmsley, Chief Customer Officer, House of Fraser

Demanding digital

Retailers are well aware of this need, with nearly two-fifths of stores investing in expanding and creating new in-store experiences.[3] Digital technology is the ideal way to create unique and adaptable in-store experiences, whether it is used to attract, inform or encourage shopper engagement. This is reinforced by shopper demands – over three-quarters would like to use touchscreen ordering points, nearly three-fifths are interested in interactive digital displays, and two-thirds would be keen on using virtual mirrors.[2]

44% say they are more likely to shop with a retailer which embraces technology, rising to 63% amongst 16-24-year-olds



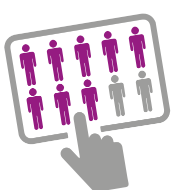
Source: Omnico

Not only does digital provide the means to attract and engage the shopper, it can also drive sales. Over half of shoppers are influenced by digital media in their purchase decision[4] and over a third of 14- to 34-year-olds say new technology in-store would encourage them to spend more.[2]

A **1/3** of 14-34-year-olds would spend more if new technology in-store was increased

Source: Westfield

The value of digital content should not be overlooked. In one piece of research, window displays of a well-known UK bank were tested in two different locations. Just 6.6% of shoppers glanced at a traditional print poster, but this increased dramatically to 11.7% when a digital screen showing animated content was used.[5] Added to the fact that 8 out of 10 shoppers have entered a store because of a sign catching their interest, the power of digital is apparent.[6]



8 out of 10 people remember products or brands seen on screens

Source: Touchpoint Interactive Media

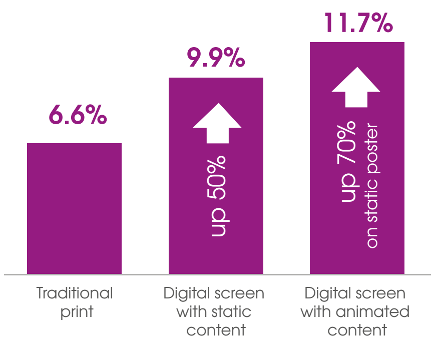
The potential to introduce digital elements in-store is also massive. This could be through adding interest to the store design, immersing the shopper more fully in the brand or creating a personalised in-store experience through localised and time-specific digital messaging.

"When it comes to the future of retail, I'm convinced that stores will be centre of the stage. What is going to change drastically is the way these physical stores operate and service their customers; it's about a seamless merge of a fantastic physical experience with powerful yet subtle technology."

José Neves, owner, London boutique Browns

But implementing digital as part of the shopper journey and in-store is not without its challenges. It is clear it will have an increasing role in shoppers' retail experiences, but it needs to be delivered in a way that meets the changing needs of today's shopper. It's about enhacing their experience, rather than simply providing an added backdrop.

Shoppers looking at window signage:



Source: APS Group

Digital Shopper Workshop

These challenges will be explored and addressed in POPAI's upcoming Digital Shopper Workshop. In this interactive session, delegates will discover how to understand and navigate the minefield of selecting, strategising, planning and measuring the various digital technologies available in today's retail environment.

The workshop will be led by case studies from retailers and brands, breaking down the lifecycle of digital shopper activations into tangible chunks. We will begin with a look at the macro picture, examining the touchpoints and triggers for the modern shopper and considering the pros and cons of a digital versus 'traditional' solution.

The next session will look at setting objectives and selecting the right digital tool, as well as engaging relevant stakeholders, building a digital team, defining KPIs and understanding the importance of putting design at the heart of the equation. This will be covered by Unilever's Global Digital Shopper Marketing Specialist and Shell's Global Mobile Payments Manager, responsible for the development and roll-out of its Fill Up & Go mobile payment solution.

The practical elements of the digital lifecycle, from timescales to critical paths and the importance of inter-organisational collaboration, will be explored by Boots and Sky. This session will consider elements such as mapping the customer journey across multiple channels, and how to challenge the status quo and find the best in digital innovation.

The session will round up with a look at measurement and the effectiveness of digital engagement, which metrics are used, and gauging the success of digital executions. Sky will talk about a recently commissioned piece of research looking at how shoppers interact with digital posters, and Vodafone about understanding the need for measurement and establishing a metrics system.

To find out more and book your place on this limited-space workshop visit popai.co.uk/events.

Sources:

[1] *Timetrade, The state of retail, 2017*

[2] *Westfield, How We Shop Now: What's Next?, 2015*

[3] *PWC, Total Retail 2017*

[4] *Touchpoint Interactive Media, In-store Digital Media presentation, 2013*

[5] *APS Group, The power of digital signage 2016*

[6] *Embed Signage, Why digital?, 2015*

GARDENING RETAIL

The gardening industry remains strong, with shoppers accessing their gardening products at garden centres, DIY stores, supermarkets and budget chains. A rapidly expanding online offering is opening out the industry to new shoppers, with younger people in particular showing an interest in the grow-your-own trend. Diversified ranges, an increase in in-store restaurants, and new innovations are all helping to keep the industry active in attracting and retaining shoppers.

Our latest shopper investigation saw 100 gardening shoppers visit garden centre chains Dobbies and Wyevale and garden centres within B&Q, Wickes and Homebase. We asked them about the in-store experience covering displays and promotional messaging as well as their shopping habits related to garden products.

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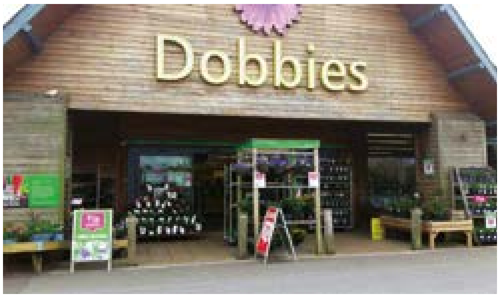
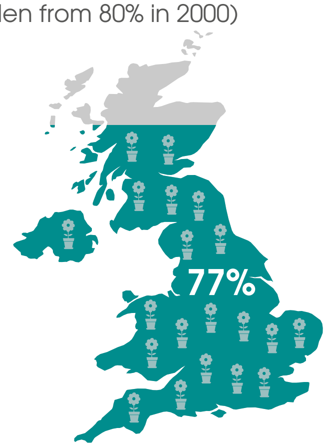


When it comes to our gardens, it seems we are still very much a green-fingered nation. The UK household is estimated to spend from £123 a year on gardens to as much as £30,000 over a lifetime.[1] The market for garden products is estimated to grow at an average 2.7% per annum between 2015 and 2020, driven by the ageing population and the increasing popularity in both grow-your-own and socialising outdoors.[2] It is, however, affected by external factors such as homebuying rates, seasonal weather changes and disposable incomes.

The changing landscape of gardening

The physical nature of our gardens and the way we tend them is changing. While gardens are shrinking and becoming more urban, gardening is increasingly motivated by a variety of diverse factors. For example, more than half the population were planning on growing their own produce in 2016,[3] a pursuit which is already a hobby for almost a third of Brits surveyed.[4]

77% of UK adults own a garden (fallen from 80% in 2000)



Source: Horticultural Trades Association

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Cultivating a new breed of shopper

The average gardener is typically middle class, female and over 65. People falling into this demographic are more likely to not only have a garden but also have the necessary spare time to enjoy gardening.

It follows, therefore, that attracting and retaining female customers is highly important to garden retailers. Increasingly, these are looking to appeal to the 'ladies that lunch' via in-store restaurants as well as extended homeware and gift ranges.

However, despite this traditional age bracket, younger groups are showing ever-more interest in gardening. Interestingly, the biggest increase in the purchasing of garden equipment was amongst 25 to 34 year olds, with the average spend doubling to around £650 to 2016.[5]

As the terminology and barriers to gardening continue to be broken down, innovation and easy-care plants are likely to appeal most to this younger market. Initiatives from retailers such as a recent B&Q gardening pop-up in central London and the recent trend of indoor plants and cacti will all attract this often-urban dweller.

Sources:

[1] *The Observer, Gardening is good for you, 2015*
[2] *Mintel, Gardening Products Retailing, 2016*
[3] *Wyevale Garden Centre, Annual Report, 2015*
[4] *Sunday Post, More and more people are growing their own produce, 2016*
[5] *Love the Garden, Gardening popularity, 2016*

THAT'S LIFE

How can brands seem more relevant? Using aspects of honesty, transparency, belonging and imperfection, they are aiming to seem more like-minded and human.

As economic and political structures shift around us, brands that don't keep up and reflect the reverberations of this shift risk appearing out of touch.

There are huge hurdles inherent in incorporating this social disruption into brand messaging – as evidenced by April's clumsy campaign from Pepsi featuring model Kendall Jenner solving American civil rights issues with a carbonated drink. However, there are more intelligent approaches than just co-opting the imagery of protest. These could include adjusting your communication to be more honest with your market, or positioning your brand as a source of solace during a time of uncertainty. As always, finding meaningful connection points with consumers is key, and helping them navigate political upheaval is a sure-fire way of building the kind of loyalty all brands seek to foster.

LOST INHIBITIONS – CANADA

The Lost Inhibitions range from Canadian winery Church & State adopts back-to-basics impulse against complexity. The bottles make no reference to grape varieties, palate, aromas or food pairings associated with the wine; instead, the labels feature one of 200 slogans. Explicitly targeted at millennials, they adopt the brutally honest language of social media, with lines used including 'I'd shave my legs for you', 'You'd better delete that' and 'I'm so gonna unfriend you'.

THINX – USA

Thinx tampons' explicit packaging is challenging social taboos around menstruation by addressing the topic of women's bodies with a radical honesty that speaks volumes to young consumers who demand authenticity and transparency from their favoured brands.

SKOL REPOSTER – BRAZIL

Brazilian beer brand Skol invited six female illustrators and artists to recreate its old posters which objectified women, because the company does not feel that the message represents its values today.

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