Non-Member Edition

Issue 28 | 2016

# in-store insights

## Dedicated to enhancing the total shopper experience

## What's inside...



Today's automotive shoppers have a vast array of options from how to carry out research to where to make their purchase.

POPAI members from both sides of the supply chain give their views on innovation and trends.


What does the consumer electronics industry have to offer in-store?


The global consumer landscape is changing with a new generation coming of age, one that cares about the implications of its purchases.


As shopping habits evolve and more frequent shopping trips occur, we take a look at the growing convenience sector.



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BRIEF

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Fastrak Retail (UK) Limited,
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United Kingdom

## POPAI WELCOME

As we approach the end of the year, this issue marks the first anniversary of the new format of *In-store Insights*. The revised style has focused on bringing you relevant insight and analysis to help inform your discussions and projects. This underpins the industry's relentless quest for improving effectiveness at the point of purchase and in-store.

Over the past year, we've brought you sector, insight, market and campaign reports across a range of topics including sports retail, promotional strategy, grocery, healthy snacks and in-store demonstrations. We have investigated shopping habits within the mobile phone, DIY and travel agents' sectors, and looked further afield to global trends and how brands and retailers are responding to today's changing shopper.

In this issue, we continue this trend. Kicking off with a look at automotive shoppers, we investigate the changing industry and offer up our suggestions of the car buyers to watch out for on page 5.

As we know, the global consumer landscape is changing and with it the buying decisions of many shoppers. The current generation that is coming of age cares about the implications of its purchases. GDR Creative Intelligence highlights a number of brands and retailers that are responding to this issue-driven decision-making on page 13.

On page 16 we look at the rising convenience channel and consider what lessons, if any, we can apply from research carried out in the wider grocery sector. What is the challenge for brands and retailers in this space?

Innovation equals growth is a statement that few may argue with, but how does this translate in-store? On page 19 we bring together the views of POPAI members from both sides of the supply chain to understand more about their in-store innovations.

We wrap up this issue with a shopper investigation into consumer electronics on page 25. We find out which P-O-P is king in this sector and how retailers are engaging shoppers with technology.

As we enter 2017, we do so with a new-look logo, referencing our global network Shop! which rebranded from POPAI earlier this year – although we remain as POPAI in the UK and Ireland. Next year looks to be another exciting one as we celebrate our 25-year anniversary and continue to bring you relevant fundamental and practical insights and research from POPAI and beyond.

**Phil Day**
*POPAI*

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## What's inside...



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in-store insights

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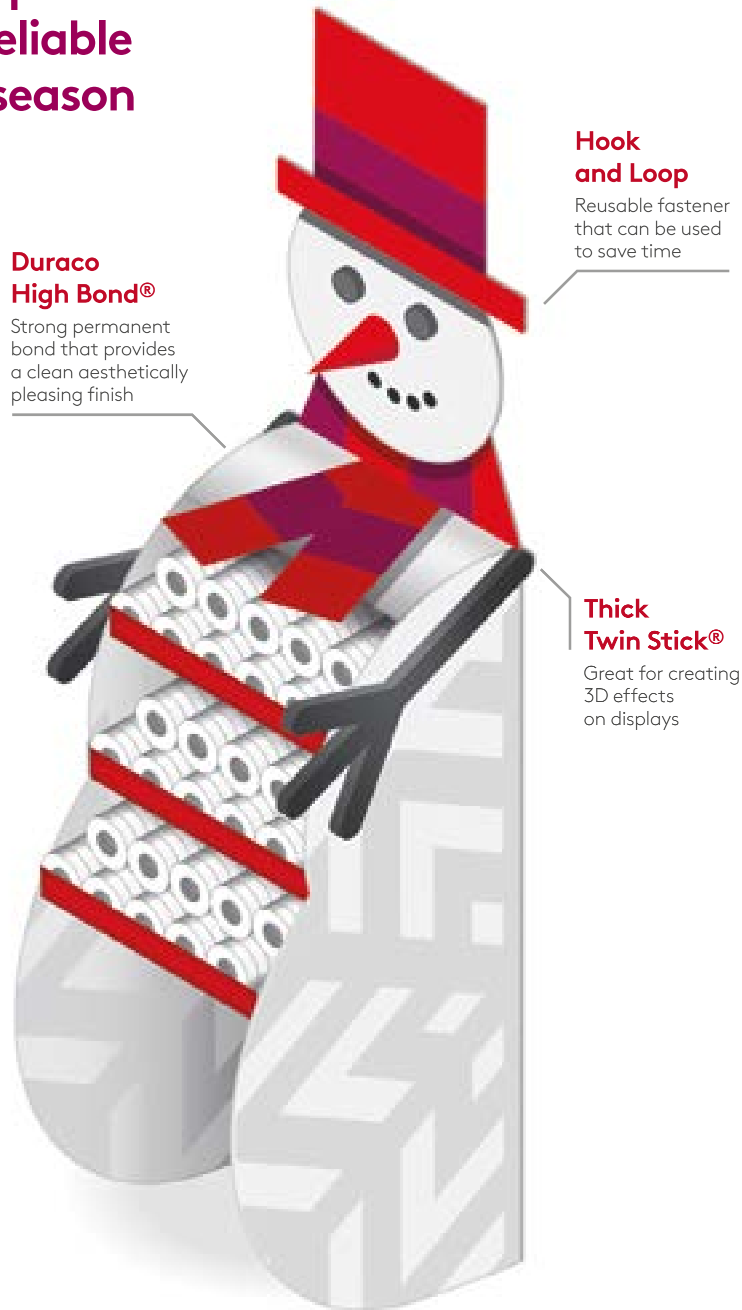


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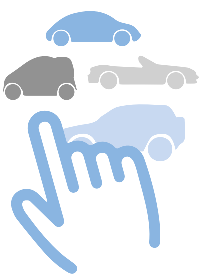
# AUTOMOTIVE

The days of 'you can have any colour as long as it's black' are well and truly over. Today's automotive shoppers have a vast array of options, from how to carry out their research to where to make their purchase. Dealerships and showrooms are still an integral part of the process, but retailers must consider the best ways to appeal to different types of shopper. Here, we offer some suggestions for profiling shoppers, understanding more about their habits and preferences and how brands can use this information to create more effective dealership environments.



Nearly **half** of UK drivers cite wanting to 'drive something new or different' as the reason behind buying a new car

*Source: Experian Automotive*

## Why shopping for a car is a big deal

Automotive shoppers are a tricky bunch to pin down. Both cautious and impulsive, driven by emotions, lifestyle and budget, they are buying a new vehicle for any number of reasons – which means automotive retailers need to consider several factors to entice the shoppers their way and encourage them to make that all-important purchase.

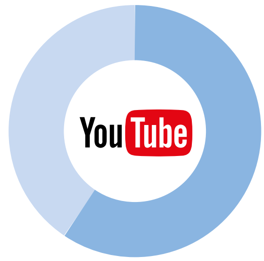
Buying a car is often the most expensive purchase for shoppers after property,[1] and over their lifetime, the average Brit owns 15 cars costing a total of £58,000.[2] So it's not a decision that many people make lightly. In fact, the timeline for most new car purchases takes between three and four months.[3]

While shoppers are clearly cautious and take their time over a purchase, they are also open to suggestion. Most are changing their car for a reason, maybe to get a bigger model for their growing family, or simply upgrading to a newer model. However, even though they know why, not all shoppers know what, with six out of ten entering the market unsure of which car to buy.[4]

## Research: the long and short of it

A massive 90% of automotive shoppers conduct online research[4] before they make a purchase, spending on average 10 hours searching for information about what, where and when to buy.[5] Shoppers search multiple sites and channels to form a comprehensive opinion. Price comparison and review sites are popular and views of car reviews, test drives and walk-thorough videos on YouTube has doubled in the past year alone.[6]

Conversely, for some shoppers purchasing a new car is as simple as buying a loaf of bread, with those using Personal Contract Purchase (PCP) deals taking the smooth option of trading in their current car at the end of their finance deal.




**69%** of people who used YouTube while buying a car were influenced by it – more than TV, newspapers or magazines

*Source: TNS Media Consumption Report*

**SHOPPER TYPES:** **How do you define automotive shoppers?**

*Sources:*

*[1] Which? How to buy the best new car, 2016*
*[2] Blackcircles, The average car buyer, 2015*
*[3] Google, The car buying process, 2016*
*[4] Millward Brown, Automotive Shopper Path to Purchase, 2015*
*[5] EY, Changing Lanes, 2015*
*[6] Google,The 5 Auto Shopping Moments Every Brand Must Own, 2015*

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# INNOVATION AND TRENDS

Research has shown that innovation equals growth in the retail sector. But how does innovation translate into sales? And how do brands and retailers use it to best effect? Understanding developments and opportunities, and having the ability to accurately 'navel gaze' within your industry is key to future business success. So what's the next big thing for 2017? And what do brands and retailers need to do to step up their innovation game? To get to the heart of the industry's insights, we spoke to a number of our members from both sides of the supply chain to find out more.

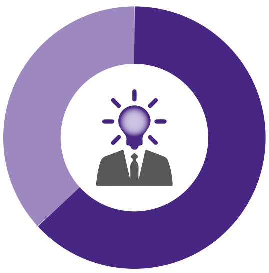
## Driving growth through innovation

What makes an organisation innovative? Visionary leadership, willingness to explore new ideas, readiness to collaborate and the ability to commercialise new ideas quickly are a few of the traits shared by such organisations. And it's information worth knowing: research has shown that the UK's most innovative companies grew on average 50% faster than the least innovative over the last three years.[1]

Currently, UK companies are less likely to focus on product innovation than their international competitors. But it is becoming increasingly clear that management teams need to support bolder innovations to secure their companies' futures, as well as to support the UK's wider economic recovery. While the top 20% of UK companies recognise the importance of innovation as a mainstream activity that must be supported by senior management and run in a structured way, this view is not widely shared.[1] Just a third of UK companies see innovation as 'very important' to their success compared with a global average of 43%.[1]

In addition, only 16% of UK companies see product innovation as a priority over the next year, compared with almost a third globally.[1]

**64%** of CEOs say innovation and operational effectiveness are equally important to the success of their company



*Source: Global CEO Pulse Survey on Innovation, PwC*

## Creating a culture of innovation

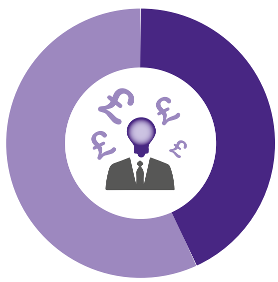
Unsurprisingly, the most successful companies create a culture of innovation and this is seen to be important by over a quarter of business leaders.[1]

However, successful companies do more than just declare themselves innovative. By immersing themselves in the concept, building innovation into job descriptions and creating more opportunities for collaboration, they are demonstrating a clear commitment to innovation. Our research found, specifically on the brand and retailer side, that innovation is seen to be fundamental within everyone's job with one respondent saying, "the whole team is challenged with coming up with innovation in everything they do."

While innovation may sit separately within brands in terms of product and packaging development, this is rarely the case with P-O-P where it is often "part of the requirement for the core P-O-P teams".

Within the supply side of the industry the word 'innovation' is being seen increasingly in job titles such as 'Head of Innovation'. Despite this, innovation is also expected to be ingrained within all individuals, with one temporary P-O-P designer and manufacturer explaining, "we expect our whole team to be constantly challenging the norm and coming up with innovative ideas."

**43%** of CEOs said financial resources were one of the biggest constraints on being more innovative



*Source: Global CEO Pulse Survey on Innovation, PwC*

*Sources:*

*[1] PwC, Unleashing the power of innovation, 2013*

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# CONVENIENCE RETAIL

In recent years we have learnt more and more about display effectiveness in-store. POPAI's groundbreaking three-year Grocery Display Effectiveness Study, which studied over seven million shopper interactions, shed light on which display works within grocery. But what about other channels? As shopping habits evolve and more frequent shopping trips occur, can we apply this knowledge to the rising convenience sector? We find out.

Estimated to be worth £20 billion by 2020, the convenience channel is an important grocery channel to understand. Sales here are being driven by changing shopper habits, with shoppers favouring the top-up shop on a regular basis. Increasingly a planned – rather than distress – activity, one in four of us visit a convenience store during the week, whether for dinner essentials or supplies for the next few days.

There are over **46,000** convenience stores within the UK


*Source: HIM Shopper Research & Consulting*

## The convenience shopper

By their very nature, convenience shoppers are time-poor and mission-ready. For many, this is a quick stop to pick up essential items, with shoppers buying only two to three items on average per trip.

Not only does the average visit last only five minutes but one in three of us want to be in and out as soon as possible. This is not a time for browsing, with the majority of convenience shoppers only visiting the aisles for the products they need and eight out of ten convinced they will buy only the items on their list.


These findings from convenience shopper experts, HIM, which speaks to 20,000 convenience shoppers every year, do not bode well for shopper marketers whose job it is to disrupt and tempt the shopper.

## Opportunities within convenience

There are, however, opportunities here for both brands and retailers if we apply different thinking and strategies to the convenience shopper. Often the theory gained from the many years and sums of investment into supermarket research is applied, but in reality the challenge is not the same. Put simply, people shop these two retail environments very differently.

If the POPAI Grocery Display Effectiveness Study found we had only 0.9 seconds to convince the shopper to see a display in a large supermarket, where shoppers are more open to such messages, what does this tell us about convenience?

**2 in 3** shoppers do not notice any P-O-P in-store

*Source: HIM Shopper Research & Consulting*


Only **15%** of convenience shoppers buy anything on impulse

*Source: HIM Shopper Research & Consulting*

Only 13% of shoppers will visit every aisle in a convenience store, meaning not only is there less time to influence shoppers, there are also fewer opportunities to shift them into that all important 'active buying' mode.

## Developing a better understanding

To help understand the challenge better and find out how displays are performing in-store, POPAI has teamed up with HIM Shopper Research & Consulting to develop a new research-based service that focuses on the convenience format.

Bringing together HIM's 20 years of convenience shopper knowledge and POPAI's in-store shopper and display effectiveness expertise, the new research tool will analyse real shoppers on real shopping trips. Combining ClipCam vision tracking, an audit of exact placement of all in-store display, together with both pre- and post-shop interviews, valuable insights will be gained. Through state-of- the-art analysis, brands can use the findings to identify where best to invest for maximum exposure and results.

The solution builds on the success of POPAI's Grocery Display Effectiveness Study, which studied over 1,700 shopper missions and created an industry standard of measurement for retail P-O-P displays and in-store messaging. The four metrics of impact, engagement, conversion and lost conversion enables display effectiveness to be measured and therefore compared.

**"The mix of shopper missions in a convenience store is more diverse, and in some ways, more complex. Convenience retailers have much less space to satisfy a much broader range of shopper needs, in a shorter space of time!"**

*Katie Hemmings, commercial director, HIM Shopper Research & Consulting*

A trial has recently been carried out in a Nisa shop in Peterborough to test the tool, leading to some very interesting initial findings. Straightaway, we are able to report the impact of display overall and by category, how much P-O-P is in-store, and what categories dominate, and the average conversion and lost conversion of displays. This depth of understanding about which display works, and where, will provide a clear focus for brand spend that has never previously been available.

## Our calculations

$$\text{IMPACT} = \frac{\text{Shoppers who looked at P-O-P display}}{\text{Shoppers who missed P-O-P display}}$$

$$\text{ENGAGEMENT} = \frac{\text{Shoppers who interacted with a P-O-P display}}{\text{Shoppers who looked at the P-O-P display}}$$

$$\text{CONVERSION} = \frac{\text{Shoppers who purchased the product}}{\text{Shoppers who looked at the P-O-P display}}$$

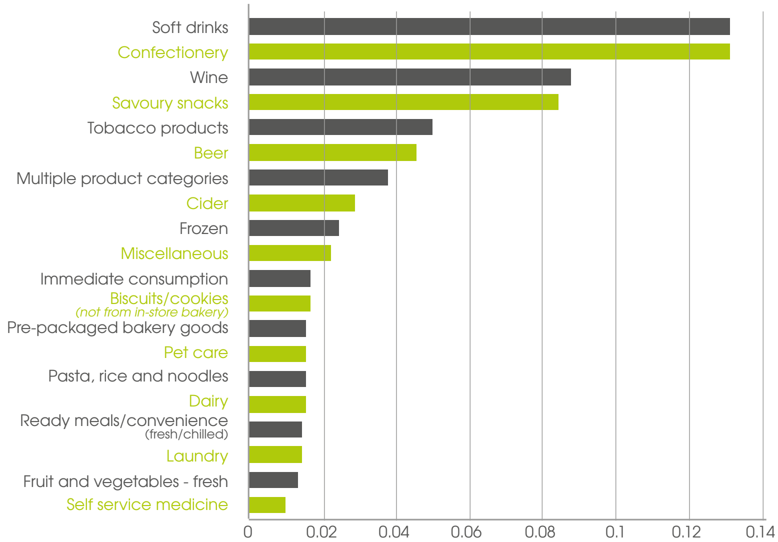
$$\text{LOST CONVERSION} = \frac{\text{Shoppers who interacted with the product, but did not buy}}{\text{Shoppers who looked at the P-O-P display}}$$

## Next steps

POPAI and HIM will be releasing more information about the trial and future work in the New Year. If you have any questions about how you can access insights such as those above please contact Katie Hemmings at HIM Shopper Research & Consulting (Katie.Hemmings@him.uk.com or 07585 800532). Find out more at www.him.uk.com

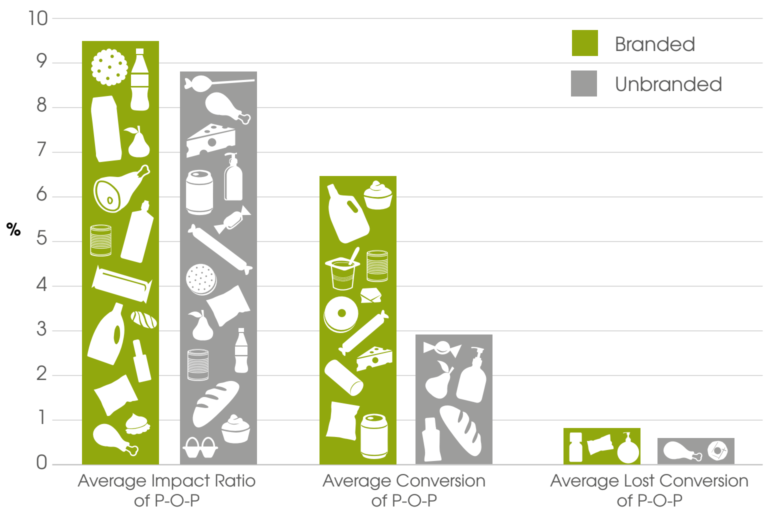

*Source: HIM Shopper Research & Consulting*

**% share of P-O-P by category** Top 20 categories




*Source: POPAI, 2016 (initial findings from trial store)*

**Branded vs unbranded P-O-P**

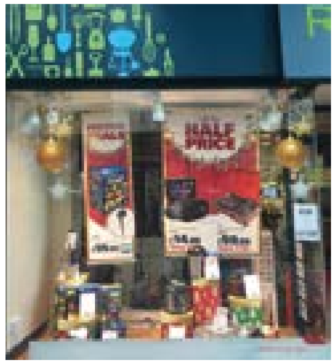



*Source: POPAI, 2016 (initial findings from trial store)*

# CONSUMER ELECTRONICS

From watching TV to using our smartphones, most of us use electronic devices on a daily basis. But when it comes to upgrading or finding something new, how do we rate our retailers? Our shopper investigation looked at what the consumer electronics industry has to offer shoppers for their in-store experience.






*For our latest shopper investigation, 100 shoppers visited consumer electronics stores to give us their verdict on their in-store experience, from customer service through to marketing messages and displays.*

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## A new era of competition

The past five years have been somewhat challenging for consumer electronics, with intensifying competition from retailers outside the sector adding increasing pressure on specialist retailers.

The retail market is split between specialist electrical retailers and general retailers which sell electronic goods as part of a wider offering, such as supermarkets and department stores. As these continue to dedicate increasing shelf space to electrical appliances, and online shopping continues to gain popularity, external competition is proving to be a growing threat.

The industry has a revenue of £9 billion and employs over 50,000 people across 3,000 businesses.[1] Currys PC World, as part of Dixons Carphone, is the largest specialist electrical retailer in the UK and Ireland, followed by Argos, Amazon, Apple, John Lewis, Tesco, Asda, AO and Sainsbury's.[2]

As part of our research we asked shoppers where they have bought consumer electronics in the past. Currys PC World topped this chart too, mentioned by 61% of our shoppers. Online was next with Amazon receiving 43% of the mentions. Argos was mentioned by nearly a third of our shoppers and John Lewis was the most popular department store, being mentioned by just under a quarter. Tesco led the supermarkets with just over 20% mentioning it.

In the UK, most consumer electronics products suffered from saturation in 2016. Retail volume sales continued to decline as penetration rates increased and replacement cycles became longer in many categories. Among the larger categories, only wireless speakers and wearable devices such as activity trackers have recorded retail volume growth rates.[3]

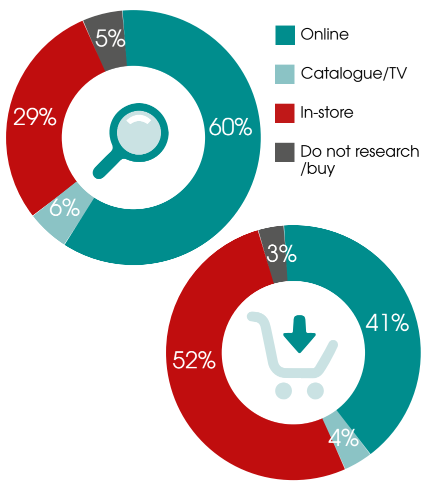
## What are shoppers looking for?

Increasingly, shoppers are demanding more and their purchases are driven by desiring new products with better functionality, such as 4K Ultra High Definition and smart TVs, wearable technology, and connected products for the home such as heating and lighting. This desire may come from necessity (if an older model has broken), new exciting features or a structural shift such as the move from analogue to digital.

Most categories are dominated by a small number of large manufacturers, such as Apple, Samsung, Sony, Microsoft and LG. These large brands generally have the expertise and resources to be able to scale their production of high quality products and successfully market them to shoppers.

Brand loyalty is high in this sector, in particular for tablets and wearable electronics. This may change in coming years, however, as upcoming Chinese brands such as Xiaomi and Huawei are beginning to grow their shares considerably, a gain strongly driven by their low price points.[3]

### Which method do you most prefer when researching and buying consumer electronics?




*Source: PwC, Total Retail Survey, 2016*

*Sources:*

[1] *IBIS World, Electrical Household Appliance Retailing in the UK, 2016*

[2] *Retail Economics, Top 10 Electrical Retailers, 2015*

[3] *Euromonitor, Consumer Electronics: Trends and Outlook in 2020, 2015*

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# CAUSE AND EFFECT:

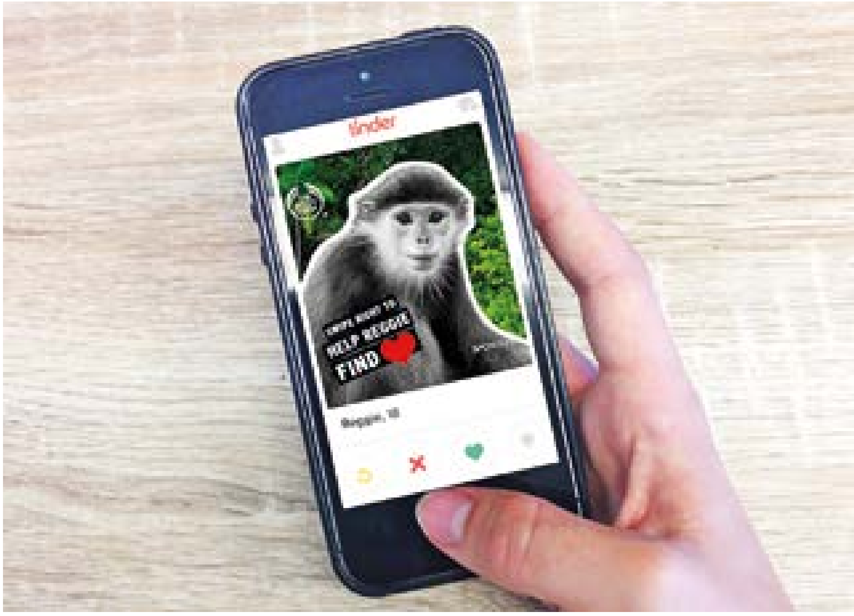
## Brands can become the trusted choice by doing good

The global consumer landscape is changing. A new generation is coming of age and is gaining more and more spending power, and this generation does care about the implications of its purchases. As brand consultancy Fitch argues: "Gen Z dreams of a world in which good works are not the preserve of volunteers but an intrinsic part of society, especially in the corporate world."

In order to remain relevant, brands must be aware of changing attitudes and behaviour, and adapt to satisfy these issue-driven consumers. The question, of course, is how to achieve this in a way that feels authentic and genuine, rather than contrived or false.

At GDR we've seen two different but powerful approaches to this challenge. Some brands are building benefits into their core propositions, as The Body Shop has done since its inception forty years ago. Demonstrating that your brand cares about the same issues as consumers creates a sense of shared purpose that will ensure they choose you again and again.

We've also seen brands which, rather than changing their core model, are running clever campaigns with real impact. Using insight about what matters to your core consumers, and ensuring that your impact is measurable and unambiguous, are the keys to building campaigns that distinguish your brand from the unconcerned, corporate crowd.





### THE BODY SHOP – CANADA

Environmentally-friendly beauty brand The Body Shop is helping animals in the receding rainforests of Vietnam via a surprising Tinder campaign. The company is building 'bio-bridges', which allow endangered animals to travel between the sparse trees in the area, in a bid to facilitate mating and thus boost populations.

### HARRIS FARM MARKETS – AUSTRALIA

Australian supermarket Harris Farm supports the work of local social initiatives and suppliers in-store.

The small family-run chain's new Bondi Junction store has a 'milk bar' featuring single herd milk on tap, which aims to give customers more information and choice about the milk they buy. At the point of sale, customers can fill their own bottles from the tap, which is placed inside a traditional milk churn. Signage also tells them more about where the herd comes from and the farmers who look after the herd.

### 7-ELEVEN – PHILIPPINES

Prior to the controversial Philippine presidential election in May 2016, convenience store chain 7-Eleven created a Facebook event to rile political opinions online and encourage voters to go in-store on election day.

The Facebook event was called 'Gulpihan', a pun on the word 'smackdown' in Tagalog, which references 7-Eleven's familiar Slurpee drink brand Gulp. Users who signed up to the Facebook event were encouraged to create their own polls, kick-start intense discussions and rally behind their favoured politicians.

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**Jonathon Fitzgerald,** *Co-CEO, Mamas & Papas*
**David Dalziel,** *Creative Director, Dalziel & Pow*

### EE interactive brand experience

- How to stand out in the competition
- Utilising digital technologies to encourage shoppers to engage
- What results has the project delivered?

**Russell Smith,** *Channel Marketing Manager, EE*
**Ivana Kosorok,** *Senior Account Director, Vividbrand*

### Empowering marketing campaigns & improving the customer experience

- Driving innovation - Western Union's move to digital POS in-store and its impact in America and Europe
- Measuring the impact of Western Union's POS marketing campaigns using real time facial and behavioural analytics
- What can the data deliver and how can it be integrated into a large business so it can be effectively used?

**Craig Donovan,** *Senior Manager Vendor Relations, Western Union* | **Peter Ward,** *Director, Shoppar*

### Connecting the connections – the smart world

- Educating shoppers in the increasingly crowded space of smart/connected devices
- Working with retail partners to create the best solutions
- Brands working collaboratively to achieve common objectives

**Joanne Rush**, *National Sales Manager, UKI: Connected Lighting, Philips*
**Tabitha Morton,** *Head of Integration, Yale*

### The Callaway and Odyssey Golf approach

- An overview of the industry
- Key challenges and opportunities in the UK and continental Europe
- Future growth and direction within the Golf industry

**Nathan Dennis,** *Retail Marketing Manager, EMEA, Callaway Golf*

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