



A Brand Like a Friend

The Shoppers' Perspective

*A Behavioral Segmentation for
Consumer Product Retailers and Manufacturers*

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The Shoppers' Perspective

A Behavioral Segmentation for Consumer Product Retailers and Manufacturers

EXECUTIVE SUMMARY

A New Segmentation. “The Shoppers’ Perspective” introduces a new approach to consumer packaged goods (CPG) shopper segmentation that begins with an understanding of three surprisingly enduring behavioral patterns related to shopping for the home pantry.

- Shoppers who plan ahead carefully, study retail circulars, make lists, clip and redeem coupons and strongly favor everyday low price (EDLP) strategies we label “Shoptimizer Shoppers.”
- Shoppers who plan very little and favor EDLP, but who show some value awareness by responding to in-store offers and promotions, we label, “Mainstreeter Shoppers.”
- Shoppers who buy what they like without planning, never use coupons and show little or no apparent concern about plans or prices we label “Carefree Shoppers.”

Behavior, Not Demographics. The implications of these findings are profound and timely. They suggest that the classic market segmentation schemes that divide shoppers into groups based on income, ethnicity, household size, age, lifestage/lifestyle, and other demographic traits may be improved upon by focusing instead on these key behavioral traits, as summarized in Fig. E1. *We have found that demographics are not a predictor of these shopping behaviors.*

Fig. E1. Planning, Coupon and Promotion By Shopper Segment

Segment	Pre-Planning Behavior	Coupon Use	Response to EDLP Strategy	Response to In-Store Promotions
Shoptimizer	Very High	Very High	Very High	Sensitive
Mainstreeter	Very Low	Low	Average	Highly Sensitive
Carefree	None	None	Low	Insensitive

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These three behavioral groups emerge in sharp definition from Henkel Consumer Goods' detailed examination of three years of shopping behavioral data collected from the Information Resources, Inc. Consumer Network Panel and other sources. The study examined three years of shopper behavioral data from multiple retail channels, covering 300 food and non-food categories commonly carried in supermarkets.

Solution Synthesis. The Henkel Shoppers' Perspective study recognizes that *each household assembles a complex shopping solution from a series of discrete activities and trips to several retail outlets each week*. These "assembled" shopping solutions – or shopping styles – may be understood in terms of our three behavioral segments – Shoptimizers, Mainstreeters, and Carefrees.

As summarized in Fig. E2, Shoptimizer Shoppers, the group that is vastly more likely to exhibit "thrifty" pre-planning and coupon redemption behavior and highest response to EDLP, also spends most heavily on the 300 categories studied. In contrast, Carefree Shoppers, who as a group virtually ignore all forms of promotion, are the lightest spenders in those categories across the retail channels studied.

Fig. E2. Share of Households and Total Dollar Spending

Segment	Share of HH	Share of \$	Index
Shoptimizers	25%	30%	121
Mainstreeters	44%	44%	100
Carefrees	31%	26%	84

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The Shoppers' Perspective study findings go much deeper, to permit analysis by channel, retail banner, department and category. These results carry numerous implications for managers at both retail and product marketing organizations.

Areas of Discovery. Our analysis is derived from four distinct areas of discovery:

1. Identification of three distinct and enduring shopping behavior patterns (Shoptimizers, Mainstreeters, and Carefrees) based on the following:
 - a. Pre-shopping planning activities and response to EDLP marketing
 - b. Responsiveness to in-store marketing stimuli
 - c. Absence of responsiveness and no pre-planning
2. Overall spending and trip recency patterns for the three behavioral groups.
3. Private label expenditures and favorability toward PL for the three behavioral groups
4. Category and brand dominance within each behavioral segmentation

Shopper Marketing Implication. The various influencing tools of Shopper Marketing, the study finds, may influence these three groups of shoppers differently according to their innate propensities for list-making and planning ahead, coupon use, in-store promotional sensitivity, purchase frequency, response to EDLP marketing programs, and private label purchasing habits.

It suggests that Shopper Marketing tactics should be selected according to which behavioral segment is being targeted. Coupons, for example, will have little to no influence on Carefree shoppers, regardless of the depth of the price incentive. In-store promotions like displays will have greatest influence on Mainstreeters, while Shoptimizers are more likely to arrive at the store pre-influenced by an offer seen in an ad circular, with a coupon in hand.

Trust and Channel Choice. Study of the three behavioral segments strongly suggests that channel choice may be the first choice in the shopper's decision tree, since each shopper assembles a personal pantry solution from a combination of retail outlets. The behavioral segments approach this from differing perspectives, for example:

- Shoptimizers are most likely influenced to be influenced in their choices by pre-shopping stimuli such as circulars and coupons. They also are most likely among the three groups to regard a clear EDLP strategy as an assurance of value. Once inside an EDLP shopping environment, Shoptimizers may be responsive to in-store cues.
- Mainstreeters do far less pre-planning and rarely save coupons, so their channel choices are more likely to be influenced by location convenience and price reputation. Once inside the store, however, this group is most likely to be sensitive to in-store promotions and offers.
- Carefrees avoid EDLP channels and bypass most pre-planning and in-store promotions. Interestingly, they totally trust club stores to deliver value appropriate to their consumption patterns. Once inside a store, they tend to ignore prices and buy what they like.

Members of each group select shopping channels based on their trust that the channel will deliver what they value in a shopping trip. With this analysis, we believe Henkel Consumer Goods has identified some foundational aspects of pre-planning behavior, and reinforced a fundamental truth for all shoppers – *if they trust you they shop you.*

Managerial Opportunities. Our study reveals fresh insights and managerial opportunities for both retailers and brand marketers.

For most retailers, it will be unrealistic to focus against all three behavioral groups. Retailers will need to formulate a strategic position for each banner that communicates what it stands for in the marketplace, and choose tactics that communicate value to the targeted behavioral groups. This must be done by department, category and brand.

For brand marketers, our analysis offers an alternative and somewhat simpler way to determine store clusters, based on the enduring behavioral complexes of the three groups. In addition, because the three segments respond very differently to common forms of shopper marketing messaging and promotions, marketers should select tactics carefully.

For both retailers and brand marketers, our segmentation implies that some targeted channels, stores, or geographies will return much stronger payback than others when aligned against the product's behavioral target. For example, our findings suggest some retailers may unwisely label highly-motivated Shoptimizers as less desirable because they take greater advantage of deals and coupons. In fact, these shoppers index higher on total spending.

The various influencing tools of Shopper Marketing, Henkel's The Shoppers' Perspective study finds, may influence these three groups of shoppers differently according to their innate propensities for list-making and planning ahead, coupon use, in-store promotional sensitivity, purchase frequency, response to EDLP marketing programs, and private label purchasing habits.

It suggests that shopper marketing tactics should be selected according to which shopping style is being targeted. Coupons, for example, will have little to no influence on Carefree shoppers, regardless of the depth of the price incentive. In-store promotions like displays will have greatest influence on Mainstreeters, while Shoptimizers are more likely to arrive at the store pre-influenced by an offer seen in an ad circular, with a coupon in hand.

Planning for the next phase of research. The Shoppers' Perspective segmentation study will continue as a "permanent" activity for Henkel Consumer Goods. We have three years of shopping history represented in the present data set. We will continue to track the three segments to observe how and if their shopping behavioral patterns respond in 2009 and beyond.

It will be of interest to track behavioral shifts of the three segments in the present recessionary period and beyond, to identify any lasting behavioral effects on shoppers.

The Shoppers' Perspective

A Behavioral Segmentation for Consumer Product Retailers and Manufacturers

INTRODUCTION and BACKGROUND

"The Shoppers' Perspective" introduces a new approach to consumer packaged goods (CPG) shopper segmentation that begins with an understanding of certain enduring behavioral patterns around trip planning and promotional sensitivity.

The findings carry numerous implications for managers at consumer product retail and marketing organizations, as well as professionals involved in Shopper Marketing, shopper insights, Category Management, CPG marketing and retail management.

Conventional Shopper Marketing wisdom holds that consumers may be engaged and influenced at various moments along the path from brand awareness to purchase decision. A spectrum of marketing messages – from media advertising, to consumer promotion, to coupons, to trade and in-store promotions and events – may be employed sequentially in an attempt to move the target consumer down the path from aware, to interested, to shopper, to purchaser. This is sometimes referred to as "the engagement funnel."

In an ideal scenario, each type of message serves an interlocking purpose that within the Shopper Marketing continuum, working in concert to bring the shopper to the desired decision at the "moment of truth" – where a product is selected from the store shelf.

New analysis of shopper behavioral patterns from Henkel Consumer Goods views this from an alternative perspective. The various influencing tools of Shopper Marketing, the study finds, may work differently on different groups of shoppers according to their innate propensities for *list-making and planning ahead, coupon use, in-store promotional sensitivity, purchase frequency, response to EDLP marketing programs, and private label purchasing habits*, among other interesting variables.

Furthermore, the response patterns of these shoppers are relatively *enduring* – that is, they persist across seasons, categories, and possibly even economic cycles. Shoppers who plan ahead carefully, make lists and clip coupons tend to stick to their habits. Those who plan very little, but who show some value awareness by responding to in-store offers and promotions, are similarly consistent in their behaviors. The same may be said of shoppers who buy what they like with little or no apparent concern about plans or prices.

These three behavioral groups, which we have labeled “Shoptimizer Shoppers”, “Mainstreeter Shoppers” and “Carefree Shoppers” respectively, emerge in sharp definition from Henkel’s examination of behavioral data collected from national syndicators and other sources. The intent of the study was to gain greater insight into value-seeking behavior across the food and non-food categories carried by supermarkets. The findings were in some ways unexpected.

Among the clear findings of interest to consumer product retail and marketing organizations:

- Channel Choice reveals behavioral patterns among the three segments, which may be partially driven by feature ads. Carefrees account for a largest percentage of Club store dollar spending (42% \$ share); Mainstreeters spend the largest share in supercenters (51% \$ share); and Shoptimizers spend lightly at Clubs (17% \$ share) but rely more heavily on drug stores (38% \$ share) and supercenters (34% \$ share) to fulfill household needs.
- EDLP Responsiveness is another variable affecting channel choice. The three groups respond differently, with Shoptimizers displaying very high preference for EDLP channels, Mainstreeters an average level of preference, and Carefrees a low level of preference. *Selection of a trusted EDLP channel may be the first planning decision made by many shoppers, and an alternative to more detailed planning activities.*
- Coupon Use is almost entirely confined to Shoptimizers, who make up about 25% of households and 30% of household spending. Coupons are seldom used by Mainstreeters and virtually never by Carefrees.
- Private Label products are purchased more frequently (higher \$ sales index) by Shoptimizers and less frequently (lower \$ sales index) by Carefrees. Mainstreeters purchase store brands at about average levels.
- Trip Frequency varies significantly among the behavioral groups, with Shoptimizers visiting stores about four times per week, compared with two-and-a-half times per week for Mainstreeters and twice a week for Carefrees.
- Shopping Basket Size also varies among the behavioral groups, with Shoptimizers spending the smallest dollar amount on each occasion and Carefrees spending the most.
- In-Store Promotions are primarily effective at influencing Mainstreeters, who make up 44% of households and dollar sales. In-store promotions have relatively little influence on the purchase decisions of Carefrees.
- Demographic Diversity marks these three behavioral segments. In particular, the groups defy characterization by income level, age of household or size of household. While Shoptimizers may be most focused on value-seeking and , they are not necessarily low income households.

The present study indicates that demographic traits in common usage by Shopper Marketers are not valid predictors of these shopping behaviors.

The implications of these findings are profound and timely. They suggest that the classic market segmentation schemes that divide shoppers into groups based on income, ethnicity, household size, age, lifestage/lifestyle, and other demographic traits may be improved upon. Even newer and promising approaches that examine market baskets and shopping trip missions may be improved by considering the innate influence of behavioral types.

In short, a better segmentation may be possible, one that is not based on demographics or trips, but on enduring shopping behavior patterns.

Henkel pursued this behavioral segmentation approach in an effort to develop new understanding of shoppers and their relationship to perceptions of value. The study examined three years of shopper behavioral data from multiple retail channels, covering 300 food and non-food categories commonly carried in supermarkets. We believe the present research adds to and improves upon what is already known in the area of shopper insights. It looks at shopping behaviors not in isolation, but as elements of what may be considered a “behavioral complex” around household pantry management.

In the next section, we discuss the traits of these three behavioral segments

BEHAVIORAL SEGMENTS FROM THE SHOPPERS' PERSPECTIVE:

Shoptimizers, Mainstreeters and Carefrees

Examination of the study data revealed three groups of shoppers who may be discerned by their behaviors around pre-shopping activities like list preparation, studying feature ads and using coupons; sensitivity to in-store promotions; channel choices; and private label purchasing patterns. Henkel Consumer Goods has defined these three groups as “Shoptimizer Shoppers,” “Mainstreeter Shoppers” and “Carefree Shoppers.” They are most easily defined by comparing behavioral traits – pre-planning behavior, coupon use, response to EDLP strategy and response to in-store promotions. These are summarized in Fig. 1. [Complete descriptions of each group are included following this introductory discussion.]

Fig. 1. Planning, Coupon and Promotion By Shopper Segment

Segment	Pre-Planning Behavior	Coupon Use	Response to EDLP Strategy	Response to In-Store Promotions
Shoptimizer	Very High	Very High	Very High	Sensitive
Mainstreeter	Very Low	Low	Average	Highly Sensitive
Carefree	None	None	Low	Insensitive

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As shown in Figure 2, Shoptimizers are the heaviest spenders overall among the three groups in the 300 grocery categories tracked by Information Resources, Inc. They over-index on total spending in these grocery categories, based on the proportion of households. By comparison, Carefrees are the lightest spenders overall among the three segments, and they under-index on total spending in the studied categories.

Fig. 2. Share of Households and Total Dollar Spending

Segment	Share of HH	Share of \$	Index
Shoptimizers	25%	30%	121
Mainstreeters	44%	44%	100
Carefrees	31%	26%	84

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It is our contention, based on observation and analyses of the data set, that these shopping behavior complexes may be regarded as relatively enduring and consistent within individuals, since they are based on multi-trip, multi-channel behavioral patterns. Furthermore, since the analysis is derived from data accumulated over a three-year period from 2006-2008, these segments reflect shopping behavior patterns that are *not a reflection of recent economic stresses*. (It remains to be seen what short or long term effects will result from present economic conditions. We expect to continue to track this data through 2009 and beyond and will report subsequently on any trends.)

Not Upscale Versus Downscale. The three behavioral segments identified in the present study may seem on cursory examination to be more about economic division than any other factor (value shoppers, versus premium shoppers, versus shoppers in-between). But the pursuit of good value may be understood as a nearly universal driver and shopping style appears to be about something more fundamental and innate than pure personal economics.

In fact, when the researchers compared the distributions of shoppers within the three segments by common traits such as household income, household size, and age of the head of households, the correlation statistics were very high. *This demonstrates that demographics do not predict these shopping behaviors.* [Charts supporting this analysis are included in the Appendix, Figs. A1-A3]

It's a safe bet that members of all three groups are feeling their own types of economic stress in the current era. But where Shoptimizers are clipping coupons and poring over ads to stretch wages that haven't kept pace with prices; and Mainstreeters are concerned about keeping their jobs and on the lookout for better deals in stores; Carefrees may well be watching their 401K balances decline, but they are not changing their fundamental patterns of consumption.

Many Shoptimizers also have another type of behavioral motivation – coupon clipping “for sport.” These are highly motivated and intelligent shoppers who take pride in reducing their household spending by taking advantage of all relevant deals and promotions. Supporting evidence of this sporting or hobbyist interest in coupon clipping is quickly revealed by a Web search for “coupon clubs” (which reveals some 4 million links). *We conclude it would be incorrect to characterize all Shoptimizers as people of lower socio-economic status.*

This Approach Breaks Ground in Several Respects. This behavioral segmentation is a marked contrast with other segmentation schemes used in the retail consumer products industry, which may be based on demographic, psychographic, lifestyle or lifestage traits. Such designations typically group shoppers by household income, household size, age, and ethnicity. Where frequent shopper data is available, more sophisticated retailers have taken to grouping shoppers by the recency, frequency and monetary measures well known to direct marketers (“RFM analysis”), and to classifying trips by basket size and/or mission.

While valuable, even some of the “trip type” or “mission based” segmentations in current use tend to divide individual shoppers into their behaviors of the moment, rather than capturing a more holistic picture of shopping style over time. The Shoppers' Perspective segmentation recognizes that *each household assembles a complex shopping solution from a series of discrete activities and trips to several*

retail outlets each week. These “assembled” shopping solutions – or shopping styles – may be understood in terms of our three behavioral segments – Shoptimizers, Mainstreeters, and Carefrees.

Segment Profiles. Based on our analysis so far of three years of accumulated data (2006-2008), the three behavioral groups are enduring, and therefore potentially very useful for mapping retail strategy. On the following pages are profiles of the three The Shoppers' Perspective behavioral segments:

BEHAVIORAL SEGMENT PROFILE FROM THE SHOPPERS' PERSPECTIVE:
SHOPTIMIZER SHOPPERS

Theme: "I'm on a mission and nothing can distract me"

Fig. 3. Segment Snapshot: Shoptimizer Shoppers

% of HHs	Share of \$\$	\$\$ Share Index	Trips Per Year	Trips Per Week	Avg. \$/ Basket Index	Annual Spend	PL\$ Spend Index
26%	30%	121	189	3.6	92	\$7,148	127
Preplanning/Circular Use		Coupon Use		EDLP Response		In-Store Promotions	
Very High		Very High		Very High		Sensitive	

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Shoptimizer Shoppers – a.k.a., "Shoptimizers" – prefer strongly to plan their grocery shopping and stick to that plan. They are the heaviest spenders per household of the three groups, at an average of \$7,200 per year, but this total is driven more by frequency than basket size. The typical Shoptimizer Shopper makes nearly four shopping trips per week.

As a result, while Shoptimizer Shoppers account for just 26% of households, they spend 30% of the dollars on grocery products. In general, their shopping behaviors may be described as:

- Preplanned – they clip coupons and consult circulars to map their shopping strategy
- Methodical
- Cautious
- Astute
- Focused
- Multi-channel – will shop several different outlets to fulfill their household requirements
- Use the store as pantry (rather than stock up heavily)
- Shoptimizers may need fewer "fill in" trips, since they make more trips already

Shoptimizer Shopper behavior may result from *needs* driven by personal economics or from *desires* driven by beliefs around sustainability and budget-stretching. In many instances, researchers believe, this behavioral complex has complex motivations that combine both types of elements.

Potential motivations are more complex and varied than simple thrift and may include:

- Urge to Win. Some Shoptimizers find joy in working the system and obtaining the best possible total value. For some, as discussed earlier, finding and redeeming coupons is like participating in a sport

or intense hobby. These individuals assemble a household pantry solution that is best for them by combining several trips to several stores across banner and channel. They visit online coupon clubs and put effort into organizing their shopping for an optimal outcome. Retailers and brand marketers have conditioned these shoppers to be very savvy through years of promotional messaging. They know prices on their preferred items. They have made an avocation of knowing how to locate the best values for them. *Yet their total spending indexes 21% higher than the mean.*

- Conscientious Consumption. The era of conspicuous consumption has been replaced by conscientious consumption for many. These are the type of households who follow Frugal.com, scan online coupon sites or read *Tightwad Gazette* as a matter of personal philosophy, and not always out of economic necessity. For many of these shoppers, *careful spending is a virtue*, and leaving a coupon unclipped is a form of waste.

Channel Choice. Shoptimizer Shoppers are the most likely of the three groups to visit drugstores to most cost-effectively fulfill their overall household needs. While they account for 30% of all-outlet shopping dollars across the 300 categories studied, they spend 38% of drug channel dollars. They shop club stores less frequently and for smaller baskets, accounting for just 17% of spending in that channel.

Promotional Response. Shoptimizer Shoppers account for an overwhelming proportion (virtually 100%) of coupon redemption. This varies to some degree among the 300 tracked categories. They also reveal the strongest response to feature ads. In addition, this group is also sensitive to in-store promotional stimuli. These people stick to the script (their shopping list). They buy what they came in for, and are not easily distracted.

Private Label Purchases. Calculator Shoppers also buy nearly one-third more private label products than average. Their private label dollar spending indexes at 127, the highest of the three groups.

BEHAVIORAL SEGMENT PROFILE FROM THE SHOPPERS' PERSPECTIVE:**MAINSTREETER SHOPPERS**

Theme: "I'm not obsessed, but I'm nobody's fool either"

Fig. 4. Segment Snapshot: Mainstreeter Shoppers

% of HHs	Share of \$\$	\$\$ Share Index	Trips Per Year	Trips Per Week	Avg. \$/ Basket Index	Annual Spend	PL\$ Spend Index
44%	44%	100	137	2.6	102	\$6,186	101
Preplanning/Circular Use		Coupon Use		EDLP Response		In-Store Promotions	
Very Low		Low		Average		Highly Sensitive	

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Mainstreeter Shoppers – a.k.a., "Mainstreeters" – are the largest of the three segments, representing 44% of all households. They average about 2.6 shopping trips per week, but spend more on an average basket than the more careful Shoptimizers. Still, they spend less overall, about \$6,200 per year.

Mainstreeters feel less pressured about their weekly shopping and they worry less about a closely managed budget, preplanning and coupons compared with the Shoptimizers. But they still pay attention to price and value and they won't let you put one over on them.

Members of this segment are more likely to be brand switchers, who frequently make their minds up at the shelf based on a mental calculation of value. They exhibit a willingness to change their minds on the spot, when an attractive deal is presented on an item in a desired category.

Promotionally Sensitive. This group begs to be disrupted with in-store messaging. They don't plan very much and only occasionally bother with coupons, but they are very sensitive to in-store messaging. In general their shopping behaviors may be described as:

- Big Middle
- Heart of America
- Salt of the earth
- Ready to react to a good in-store deal
- "I love my supercenter"

Channel Choice. Mainstreeters are the heaviest shoppers at supercenters and mass merchandisers, accounting for 51% and 47% of dollar spending in these channels, respectively. They also shop heavily in dollar stores, where they account for 47% of dollar spending.



Promotional Response. In-store promotional stimuli play heaviest with this group. They may not do a lot of planning ahead, but they are inclined to take a good value when offered, and they have enough flexibility in their household budgets to make a few impulse purchases without angst.

Private Label Purchases. They know prices and they aren't about to turn their back on store brands if they can deliver the best overall value. Their private label spending level falls right at the overall average for the study population.

BEHAVIORAL SEGMENT PROFILE FROM THE SHOPPERS' PERSPECTIVE:**CAREFREE SHOPPERS**

Theme: "The Incredible Lightness of Shopping"

Fig. 5. Segment Snapshot: Carefree Shoppers

% of HHs	Share of \$\$	\$\$ Share Index	Trips Per Year	Trips Per Week	Avg. \$/ Basket Index	Annual Spend	PL\$ Spend Index
31%	26%	84	112	2.2	108	\$5,428	77
Pre-Planning/Circular Use		Coupon Use		EDLP Response		In-Store Promotions	
None		None		Low		Insensitive	

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Carefree Shoppers – a.k.a., "Carefrees" – are just not that worried. Preplanning seems like a waste of energy, and who needs the stress anyway? They are too busy to obsess about grocery shopping.

This group is mostly uninterested in in-store promotional stimuli, feature ads or coupons. Who needs to be bothered? They get better deals on many staples and luxuries at the club store. Or at specialty markets like Trader Joes. Healthy may often overwhelm price in their personal value equations. On the other hand, they probably eat out or do take-in more often too, so they only make about two shopping trips per week.

As a result, Carefree Shoppers have the largest average basket size, but the lowest total spending of the three groups. In general their shopping behaviors may be described as:

- Bigger baskets but fewer visits
- Spends less overall – does that mean they buy more under the radar in other channels?
- Loads home pantry on deals and has the cash to take advantage
- Highest percentage of brand buying versus private label
- "Don't you just love the Club store?"
- Coupons – what are those?
- Forget about in-store deals, I just buy what I like

Carefree Shoppers may exhibit less sensitivity to pricing and economics. This behavioral complex may also be influenced by differences in lifestyle, personal priorities, or self-image. This group also appears to be spending less than other households of about the same size across the 300 consumer product categories studied. They are not necessarily eating or consuming less, but we may infer that they spend

a greater proportion of their spending in channels that are not read by the panel data. These may include specialty channels and restaurants.

Promotional Response. This segment has little care or concern for planning, coupons, in-store promotions or EDLP strategies. It takes too much effort, perhaps, relative to the value gained. Besides they just buy what they like – whether that means responding to taste, healthfulness, or effort-saving habit. For marketers, promoting in-store to this group may be fruitless, unless a very compelling story can be told.

Private Label Purchases. Carefree Shoppers are relatively cool toward private label, indexing at 77% of the mean. However they also show some channel-specific differences, especially at club stores, where they appear to purchase store brands at a higher rate. This may be partially attributed to purchases of luxury store brand items available at club stores.

THE SHOPPERS' PERSPECTIVE: BEHAVIORAL SEGMENTS COMPARED

The following summary chart permits a quick comparative scan of the three segments

Fig.6. Shopper Behavioral Segment Summary Comparison

Shopper Segment	% Share of HHs	% Share of \$\$	\$\$ Index	PL\$ Index	Pre-Planning Pattern	Yearly (Weekly) Trips	Average Annual Spending	Average \$/basket Index	In-Store Promotional Response
Shoptimizers (planners)	25	30	121	127	<ul style="list-style-type: none"> • Very likely to select channel with EDLP in mind • Prepares list carefully • Clips coupons • Studies circulars • Sticks to budget • More, smaller baskets 	189 (3.6)	\$7,148	92	<ul style="list-style-type: none"> • "I'm all about pre-planning" • Heavy coupon users • But won't pass up a relevant deal either • Behaviorally loyal to store and brand
Mainstreters (reactive)	44	44	100	101	<ul style="list-style-type: none"> • Factors EDLP into channel choice • Little/light planning • Ignores circulars • Rarely uses coupons 	137 (2.6)	\$6,186	102	<ul style="list-style-type: none"> • Planning is too much effort • Use few coupons • Highly responsive to in-store offers and events
Carefrees (no plan)	31	26	84	77	<ul style="list-style-type: none"> • Ignores EDLP • Just shops • No coupons • Ignores prices • Fewer, larger baskets 	112 (2.2)	\$5,428	108	<ul style="list-style-type: none"> • Hardly notices • Just buys what they like • Probably shops elsewhere for certain staples

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MAJOR FINDINGS

Behavioral, Not Demographic. As mentioned briefly above, the three The Shoppers' Perspective behavioral segments identified in the present study do not reflect a simple division between high income versus low income shoppers. The distinction is behavioral – a matter of innate shopping style, not pure personal economics – as the data reveal.

In fact, when the researchers compared the distributions of shoppers within the three segments by common traits such as household income, household size, and age of the head of households, the correlation statistics were very conclusive. *This demonstrates that demographics do not predict these shopping behaviors.* [Charts supporting this analysis are included in the Appendix, Figs. A1-A3]

At the same time, the pursuit of good value may be understood as a nearly universal driver for all three shopper segments. All three groups buy high-priced and low-priced products. Each shopper mentally calculates their own value equation which factors in price, quality, convenience and reduction of risk through brand selection.

Overall Spending Compared. A look at share of households and total dollar spending for tracked categories (Fig. 2 above or Fig. 7 here) reveals that while Shoptimizers make up just one household in four, they are the most important segment in terms of average household volume, over-indexing on dollar share. Mainstreeters make up the largest share of households and total dollars (44%), they index exactly at the mean on total spending. Carefrees, who account for just three households in ten, index below the norm on total spending.

Fig. 7. Share of Households and Total Dollar Spending

Segment	Share of HH	Share of \$	\$ Index
Shoptimizers	25%	30%	121
Mainstreeters	44%	44%	100
Carefrees	31%	26%	84

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Channel Shopping Comparison. When we examine the dollar share each segment represents within each channel, a pattern of differences emerges (Fig. 8) around channel preference or "wallet share" for the 300 tracked product categories. Notably, Shoptimizers are light shoppers at club stores, Carefrees are light shoppers at supercenters and dollar stores, and Mainstreeters are heavy shoppers at supercenters. Even greater variation was apparent in some instances when data was examined at the

account level. These findings are not reported in the present report, but data about specific retailers will be shared privately with those retailers.

Fig. 8. Segment Total \$ Share By Channel

	Shoptimizer	Mainstreeter	Carefree
All Outlets	30%	44%	26%
Grocery	31	43	26
Drug	38	40	21
Mass	30	47	24
Supercenter	34	51	15
Club	17	40	42
Dollar	33	47	19

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Among the key findings:

Club Contrast: Shoptimizers account for the smallest proportion of Club Store purchasing (17%), despite being the largest per-household purchasers overall in the 300 tracked grocery categories. Carefrees are the heaviest spenders at club stores (42%) reflecting their discretionary spending power and perhaps some stock-up strategies that reduce trips to other outlets.

Dollar Store Diversity: Carefrees care not for dollar stores (defined for this report as retailers like Family Dollar, Dollar General and Dollar Tree), accounting for just 19% of channel purchases in the 300 tracked product categories. Mainstreeters are the heaviest frequenters of this channel, accounting for 47% of dollar sales. Shoptimizers like dollar stores too.

Drug Store Difference. Shoptimizers show a pronounced tendency to shop at drug stores for a portion of their household needs, accounting for 38% of dollar sales in the channel. The researchers believe this is a reflection of this segment's strong planning tendency, as they may be more aware of advertised specials in this channel due to their close study of weekly circulars.

Supercenter Significance. Mainstreeters are the heaviest patrons of Supercenters, accounting for 51% of their dollar sales. In contrast, Carefrees mostly stay away, spending just 15% of the channel total across the 300 tracked product categories. Both Mainstreeters and Shoptimizers are attracted by solid EDLP strategies.

As a reminder, The Shoppers' Perspective study tracks these behaviors by studying household panel data across these retail channels for the 300 food and non-food categories sold in supermarkets. So it is not surprising that the grocery segment figures in Fig. 8 track almost exactly with the "all outlet" figures.

In addition, the data set revealed certain significant differences between the three shopper segments' patronage patterns at individual retail chains. These findings are not reported in the present report, but data about specific retailers will be shared privately with those retailers.

Planning Propensity and Promotional sensitivity. We have previously introduced how these indicator behaviors vary by shopper segments (Fig. 1 above or Fig. 9.). This is a foundational element of the behavioral segmentation in this research study.

Fig. 9. Planning, Coupon and Promotion By Shopper Segment

Segment	Pre-Planning Behavior	Coupon Use	Response to EDLP Strategy	Response to In-Store Promotions
Shoptimizer	Very High	Very High	Very High	Sensitive
Mainstreeter	Very Low	Low	Average	Highly Sensitive
Carefree	None	None	Low	Insensitive

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Shoptimizers plan ahead, reviewing store circulars to check deals and make lists and channel selections for desired items. They clip coupons and use them ten times as often as the other two groups (with variations by category and by retailer). In fact it may be said that *Shoptimizers are the only shoppers who use coupons at a statistically meaningful level*. Finally, because they are so focused on their trip plans, lists and keeping to the budget, they are likely to resist allowing in-store promotions to influence their final purchase selections.

Mainstreeter Shoppers do little planning and can't be bothered to review circulars, but they do respond to EDLP retailers and clip just a few coupons. They are not slaves to their lists or budgets, but they are sensitive to value and will make on-the-spot decisions in the store when presented with personally meaningful offers and promotions.

Carefree Shoppers simply don't participate in trip planning, coupon clipping or in-store promotions.

Private Label correlations. Examining each segment's purchases of Private Label products in tracked categories again reveals that Calculators are the most significant purchasing group with respect to retailer's Private Label programs (Fig. 10.).

Fig. 10. Segment Share of Private Label \$

Segment	\$ Index
Shoptimizers	127
Mainstreeters	101
Carefrees	77

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The Shoppers' Perspective study has analyzed further detail on Private Label purchasing behavior across the 300 categories and on brand purchasing behaviors within the categories that Henkel Consumer Goods competes in, by retailer. This detail is not included in the present report, but will be shared privately with individual retailers as appropriate.

MANAGERIAL IMPLICATIONS

The Shoppers' Perspective behavioral segmentation study reveals fresh insights and managerial opportunities for both retailers and brand marketers. These fall under several headings, which are addressed here: Retailer Positioning; Shopper Attraction; Department, Category and Brand Positioning; Retailer Segmentation; Promotion Targeting; Product Distribution; and Decision Trees.

Retailer Positioning. The three shopper behavioral groupings identified in this study, Shoptimizers, Mainstreeters and Carefrees, provide an important alternative basis for retailer positioning that may offer significant advantages as compared with more familiar demographic-based schemas.

Comparing the segments' patronage of the six retail channels studied reveals significant, enduring differences in each group's behavioral relationship with the channels. Examples include Carefrees' avoidance of supercenters compared with Mainstreeters' heavy use of this channel; and Shoptimizers' greater propensity to include drug stores in their portfolio of retail resources for fulfilling household needs.

Each of these examples suggests a foundational insight with respect to retailer positioning. Evidently certain channels (and certain chains) "speak" better to certain behavioral groups than others. Retail managers who make merchandising and marketing decisions that play to this strength are likely to enjoy greater success.

Shopper Attraction. The Shoppers' Perspective behavioral segmentation suggests that for most retailers, it is unrealistic to attempt to attract all three behavioral groups very strongly. The retailer must understand how to communicate its positioning to the behavioral groups it intends to engage with most actively.

Simply put, each retailer must expect to communicate to Shoptimizers differently than Mainstreeters and Carefrees so as to present its positioning and point of difference uniquely to each one of these groups. For example, Carefrees trust club stores and abdicate some of the planning effort to the store. It simplifies their lives, a benefit that may be more important to this group than a broad assortment or a low register ring. Shoptimizers may regard the EDLP positioning of a dollar store as a similar shortcut to value, based on a learned impression of their price image on the items they care about.

Department, Category and Brand Positioning. The Shoppers' Perspective behavioral segmentation suggests that these attributes must also be engineered to attract the desired shopper group or groups. Considering the number of categories and brands involved, this has potential to become an intricate strategic activity. It begins with the category mix and extends rapidly down to *putting the right brands in the right stores*.

It may well be that from the shoppers' perspective, category dynamics are now more closely associated with retail names, rather than brand names. Retailers will need to identify what categories they can leverage and which can be changed to attract the desired shoppers.

Retailer Segmentation. Similarly, the findings have implications for retailer segmentation. Larger chains have made significant efforts to identify consumer-driven segmentation that permit cluster-level merchandising and promotional planning. These tend to be based on analysis of the demographics of each store's trading area and shopping trips. Some schemas apply this segmentation to major departments or categories, resulting in what some retailers have labeled, "stores of the community."

The Shoppers' Perspective behavioral segmentation offers an alternative, and somewhat simpler way to determine store clusters, based on enduring behavioral complexes of the three shopper groups. The study findings lend further support to the notion of using frequent shopper data analytics for positioning and segmentation.

Retailers will need to ask themselves, "What type of shopper do we want?" and then position their total service and product offering to match that objective.

Promotion Targeting. It is evident from the study data that the three The Shoppers' Perspective behavioral segments respond very differently to common forms of Shopper Marketing messaging and promotions. Marketers hoping to influence Carefree shoppers might as well abandon any notion of using an FSI coupon to do so, for example. And promoting a product that targets Shoptimizers by buying end-aisle displays in club stores is likely to be a non-starter. These are relatively crude examples, but the point is taken.

Product Distribution. Brand marketers may wish to revisit the time-honored goal of 100% ACV distribution for their products in some instances. The Shoppers' Perspective behavioral segmentation implies that some targeted channels, stores, or geographies will return much stronger payback than others when aligned against the product's behavioral target.

Decision Trees. An additional implication arises from consideration of the effect of this segmentation on decision trees and category dynamics in common use by category planners. It may be that the first decision the shopper makes is between channels, or retail banners, making judgments as to: "Who has got the best deal?"; "How well do I trust the prices at a given retailer?"; and "Which retailer shall I visit first?" EDLP-sensitive shoppers may use retailer price positioning and reputation to reduce planning effort and stress.

For product marketers the points above raise provocative issues regarding product distribution and promotion strategies, particularly when considering how to allocate finite shopper marketing budgets for greatest beneficial effect.

AREAS FOR FURTHER INQUIRY

Planning for the next phase of research. This segmentation study will continue as a “permanent” activity for Henkel Consumer Goods. We have three years of shopping history represented in the present data set. We will continue to track the three segments to observe how and if their shopping behavioral patterns respond in 2009 and beyond. We plan to apply the study approach to ongoing observations of brand choice, private label choice, etc.

It should be noted that study data from 2006, 2007, and 2008 were collected well before the present economic crisis became clear. In the opinion of the researchers, these behaviors (with the possible exception of the second half of 2008) should therefore not be interpreted as some kind of response to a down economy.

If we accept that the three shopper segments do in fact represent enduring orientation differences between the groups, then the current challenging economy may be regarded as a kind of “stress test” of the shopper’s essential nature. It will be of interest to observe whether the relative proportions of the three behavioral segments shift significantly due to increasing unemployment levels, for example. Similarly, it may be of interest to track behavioral shifts of the three segments in the present recessionary period and beyond, to identify any lasting behavioral effects on shoppers.

METHODOLOGY

Research Approach. “The Shoppers’ Perspective” behavioral segmentation study was undertaken in 2009, through an examination of national shopper panel data from 2006, 2007 and 2008, across the 300 merchandise categories tracked in supermarkets.

Household purchase data on these 300 categories was acquired across the following retail channels: Grocery, Drug, Mass, Supercenter, Club, Dollar. The data source is granular down to the individual chain level. Household shopping planning, coupon use and promotion sensitivity data was crossed with this purchase behavioral data to yield the present results.

The approach was designed to derive a practical shopper segmentation based upon behavioral shopping attributes.

Data Sources. Household-level panel data from Information Resources, Inc. Consumer Network Panel.

Analytic Method. Household level shopping attributes were examined and the researchers segmented the data set by those attributes at the household level. The algorithm applied is proprietary to Henkel Consumer Goods.

ABOUT HENKEL

For more than 130 years, Henkel has been a leader with brands and technologies that make people's lives easier, better and more beautiful. Henkel operates in three business areas – Home Care, Personal Care, and Adhesive Technologies – and is ranked among the Fortune Global 500 companies. More than 60 percent of Henkel's sales are in fast-moving consumer goods, while the industrial business accounts for almost 40 percent of the company's total sales. In fiscal 2008, Henkel generated sales of \$20.8 billion and adjusted operating profit of \$2.1 billion. Our more than 55,000 employees worldwide are dedicated to fulfilling our corporate claim, "A Brand like a Friend," and ensuring that people in more than 125 countries can trust in brands and technologies from Henkel.

Henkel in North America

In 2004, Henkel Consumer Goods Inc. acquired The Dial Corporation with its successful consumer products brands including Dial® soaps, Purex® laundry products, Renuzit® and Soft Scrub® home care brands, as well as Right Guard® antiperspirants, got2b® hair gels, Loctite® adhesives, and Combat® insecticides. Visit www.henkelna.com for more information.

For Further Information or Additional Copies of This Report

The Dial Scottsdale, AZ-based team is leading this breakthrough work for its 200-plus customers across more than 300 categories. To learn more, please contact your local Dial Customer Solutions Team or visit <http://henkelna.com/shopperinsights>.

ABOUT THE AUTHORS

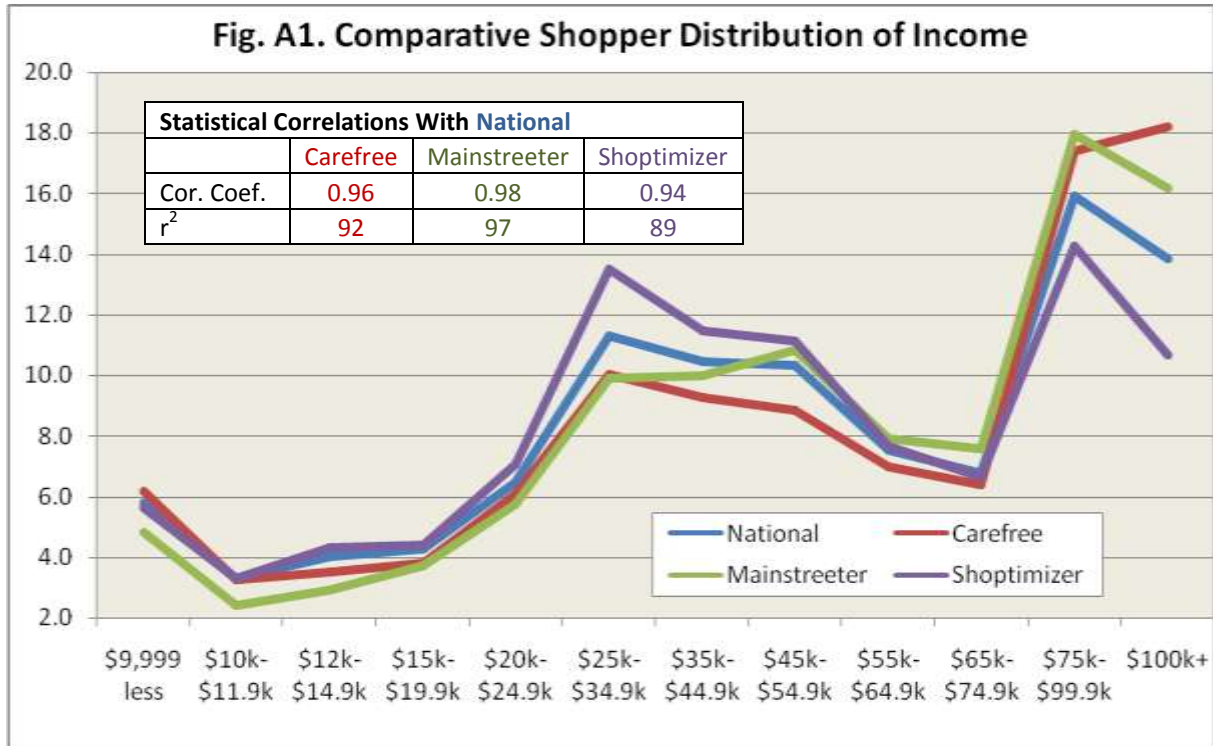
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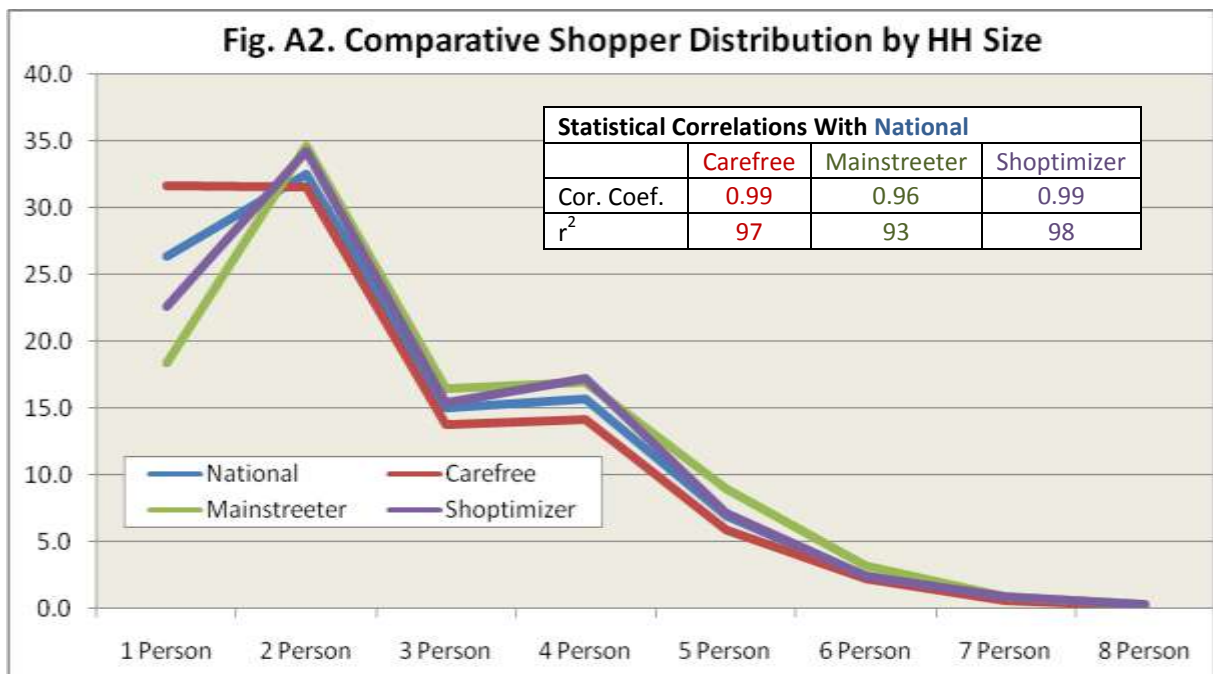
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APPENDIX

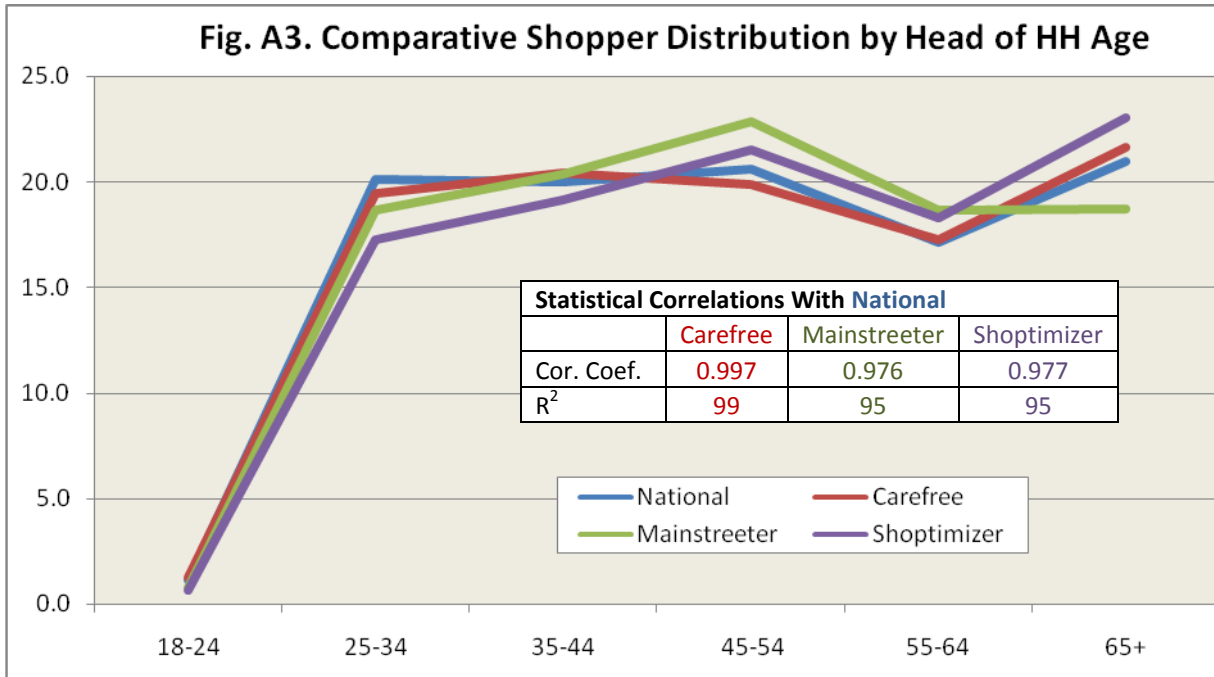


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