



ENGAGING THE SELECTIVE SHOPPER

Why Today's Consumers
Expect Personalization

About This Study

Engaging the Selective Shopper is a new study by Catalina that looks at the purchasing choices of American shoppers across available UPCs on supermarket store shelves. Its findings illustrate that product choices are a very personal undertaking. Across tens of millions of shoppers, no two consumers are the same based on their purchases. They are also highly selective. Over an entire year of shopping, a consumer buys on average less than one percent of the available UPCs in a store.

This report is further evidence of the need for greater personalization. CPG brands have widely embraced selection in their product strategies. Brands have dramatically extended product lines—and introduced thousands of new, targeted products that offer specialized scents, sizes, flavors, fashions and functions for today's more selective consumer needs and preferences. It's a trend that will only grow as America's consumer population continues to diversify. The rest of marketing needs to keep pace.

In a world in which every household's BuyerGraphics™ are unique and shoppers purchase only a tiny fraction of available products, retailers and manufacturers are challenged to find new ways to identify and engage the right consumers. Driving new product trial and repeat purchase, retaining customer loyalty and growing share of wallet increasingly demand both the delivery of new relevant product choices and the ability for those products to find the relatively small number of consumers who care. As this report suggests, traditional one-size-fits-all marketing tactics are not resonating with today's selective and unique shopper.

Engaging the Selective Shopper, like other Catalina studies, is unique in the breadth and depth of consumer data analyzed in developing these insights. This study tracked the purchasing behavior of more than 32 million shoppers who spent over \$55 billion across 9,968 U.S. grocery stores during a 52-week period ending June 30, 2013. All of this consumer data came from consistent shoppers who shopped at least twice in every eight-week period and bought more than six different UPCs during the 52 weeks analyzed. The average number of UPCs in each store was 35,372. The study also analyzed UPC penetrations in shopping baskets by week, quarter and full year by major departments, such as Dairy, Frozen, Center Store Grocery, Non-Grocery and others. In addition, the study analyzed UPC penetrations across five major consumer segmentations that Catalina tracks, including Organic, Weight Management, Heart Healthy, Digestive Health and Health & Fitness.

The findings in this report may surprise some in our industry. The study certainly demonstrates the uniqueness of every consumer and just how few products make their way into the shopping baskets of individual households every year. We hope **Engaging the Selective Shopper** provides impetus for both Retailers and Brands to continue their growing efforts to understand their consumers and shoppers and engage them in more personalized and relevant ways across multiple channels, both inside and out of the store.

Across tens of millions of shoppers, no two consumers are the same based on their purchases.

DISCOVERIES

Like fingerprints, every consumer's shopping basket profile is unique:

- Out of more than 32 million consistent shoppers, every one had unique BuyerGraphics™, in terms of the number and assortment of UPCs purchased.

At a time of unparalleled choice in the grocery store, consumers ignore all but a tiny fraction of available UPCs:

- On average, during an entire year, consumers buy just 0.7 percent of available UPCs.
- Even top shoppers, who account for 80 percent of all store purchases, buy just 1 percent of UPCs.

Shoppers are selective about their purchases in every department in the store:

- An analysis of 7 major departments showed that the average department shopper buys just 1.7 percent of Dairy products and 0.2 percent of Health and Beauty Care products over an entire year.

One-Size-Fits-All promotions and advertising do not resonate with a majority of today's selective shoppers:

- Examining a major retailer's Memorial Day shopping circular, we found that two-thirds of all shopping baskets didn't include a single item among the 1,172 advertised.
- Looking at the following week circular from the same retailer, 74 percent of shopping baskets did not include a single item.

Today's Selective Shopper

Today's grocery consumer is choosy. Out of all the UPCs available on store shelves, on average, shoppers buy just one out of every 143 items during an entire year of shopping. That's 0.7 percent of available UPCs (Fig. 1). The selectivity of shoppers holds true across every department in the grocery store, as well as across income and age segmentations.

Catalina looked at the shopping behavior of more than 32 million consistent shoppers, who purchased at least twice every eight weeks and bought more than 6 different UPCs throughout the year, to discover the low penetration of UPCs in American shopping baskets. The 9,968 stores participating in the study averaged 35,372 UPCs on their shelves, but shoppers purchased an average of just 260 different items among all those choices over the year. On a quarterly basis, the average shopper bought only 83 different items, or just .23 percent of what was available. On a weekly basis, shoppers bought an average of only 0.04 percent of items (Fig. 2). Even the top shoppers in the study—those who in aggregate accounted for 80 percent of all sales for retailers—purchased just 1 percent of available UPCs throughout the entire year.

The findings of **Engaging the Selective Shopper** have significant implications for retailers and brands. Consumers are becoming increasingly adept at filtering out irrelevant offers and unwanted messages. They use their DVRs to skip past television advertising they don't want to see. Similarly, they filter out thousands of brands as they pass through store aisles.

If consumers are so particular, it's no wonder that so few new products are truly successful in the marketplace. And if so much of what is being sold on store shelves is not relevant enough to the individual consumer to warrant even a single purchase over an entire year, brands and retailers need to consider more personalized approaches in the way they market and promote their products, and reward their buyers.

Fig. 2

Few Are Chosen

Today's Selective Shoppers buy only a tiny fraction of available UPCs. In fact, on a weekly basis they buy an average of less than one-half of one percent.

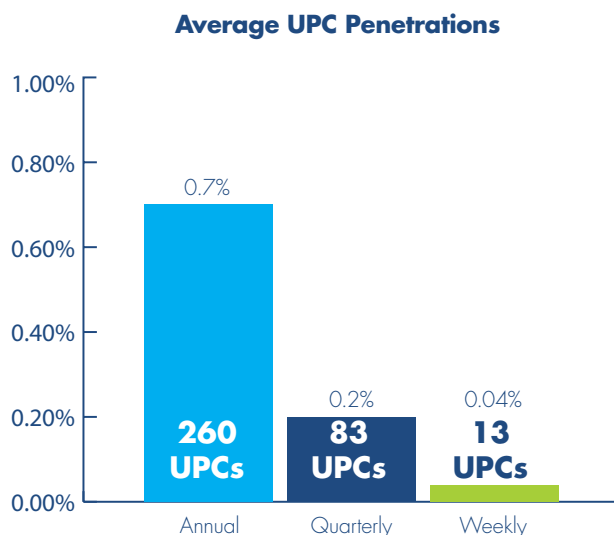


Fig 1

Today's Selective Shopper

On average, shoppers purchase just **0.7%** of available UPCs in a supermarket over an entire year of shopping.



According to this year's IRI New Product Pacesetters report, 68 percent of the nearly 1,900 new CPG products launched in 2011-12 failed to generate more than \$7.5 million in first year sales. Some 75 percent of non-food products failed to reach that mark.

In fact, average year-one sales have been trending down for years, in part because new products are becoming more granular in the consumer preferences they target. Consider the case of Tide®. When Tide® launched in 1949, it was a single product brand that promised consumers "oceans of suds" and cleaner clothes. Today, Tide® is a master brand encompassing some 43 highly differentiated laundry product brands offering a wide range of consumer benefits and values. Its portfolio of products range from easy-to-use Tide Pods® that combine detergent, stain remover and brightener, to Tide Plus Febreze Freshness Sport®, made specifically for sports apparel, and Tide Free & Gentle®, a detergent that is free of any dyes or perfumes. Each of these brands reaches different sets of consumers, with different ideas and preferences in how they clean, condition and care for their laundry.

From time to time, retailers have tried to push back on the proliferation of products and brands. Many have discussed the need to rationalize SKU selections and weed out those that appeal to smaller audiences. Yet these efforts can backfire. Consumers want what they want, and they may go elsewhere if their current store doesn't supply it. Walmart, the world's largest retailer, reversed directions on a major SKU rationalization program in 2011, announcing it would bring back 8,500 items it had taken off store shelves. "Some of these products were very important to our customers...and they let us know they wanted them back," explained Duncan Mac Naughton, Walmart's chief merchandising officer, in an article in Supply Chain Digest.

Our findings suggest that the proliferation of targeted products has achieved the goal of meeting the more individualized preferences of today's consumers. Brands need a broad assortment of offerings to address the meticulous desires of today's consumers, but they also need more granular and personalized engagement to capture attention and retain loyalty in a cluttered and fragmented marketplace.

Every Shopper Is Unique

Indeed, when it comes right down to it, no two shoppers are alike. Among the more than 32 million shopper IDs analyzed, not one bought the same assortment of UPCs as another shopper over a 52-week period (Fig. 3).

As it turns out, unique shopper BuyerGraphics™ are as unique as fingerprints. Each is personal to an individual consumer and household. Understanding those BuyerGraphics™ can help marketers elevate the relevance of their communications with consumers, improve the value they deliver to shoppers and dramatically improve their ability to increase loyalty, share of wallet and trial.

Brands need a broad assortment of products, but also need more personalized engagement.

Fig 3

Personal Purchase Profiles

Every consumer is unique. Among more than 32 million consistent shoppers tracked over a year, none bought an assortment of UPCs that matched another shopper.



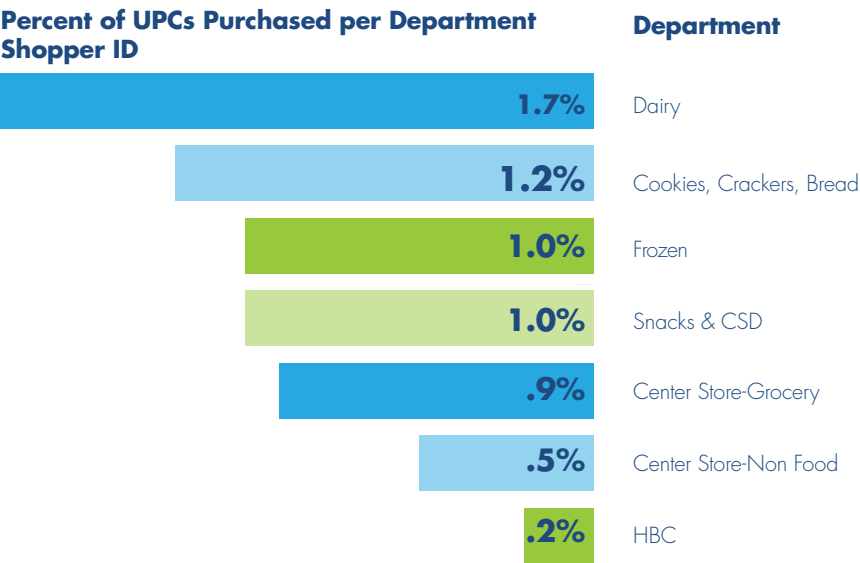
Selectivity within Grocery Categories

The selectivity of shoppers is not just a whole-store phenomenon. It exists on every aisle in the grocery store. Shoppers tend to be highly particular and targeted in their purchases in every department, despite much lower numbers of available items (Fig. 4).

Fig 4

Department-Level UPC Penetration Rates

Low UPC penetration exists in every department in the grocery store. On average, only .2 percent of available Health and Beauty Care products and 1.7 percent of Dairy products find their way into the average shopper's basket on a yearly basis.



In both Frozen Foods and Salty Snacks/Carbonated Soft Drinks, for example, the average department shopper bought just 1.0 percent of available UPCs over a 52-week period. In the Center Store Grocery Section, they bought an average of only .9 percent. Dairy had the highest UPC penetration of all departments we tracked. Yet the average Dairy department shopper bought just 1.7 percent of available UPCs. For Health and Beauty Care, the average penetration was 0.2 percent.

The selectivity of shoppers holds true on every aisle of the store.

Penetrations within Key Consumer Segments

Catalina has developed analytics around major consumer segmentations, such as Organic, Heart Healthy, and Weight Management, in order to help retailers and manufacturers better understand and target the preferences and needs of shoppers. The Organic Segmentation, for example, allows brands to identify and talk to consumers who buy organic products across a variety of food and non-food categories.

The most active buyers in these segmentations have within-segment UPC penetrations that are significantly higher than other shoppers (Fig. 5). Yet, even among these active buyers, selectivity reigns. Among approximately 2.4 million active buyers in the Health & Fitness segmentation, the average UPC penetration was 1.9 percent. Among 2.3 million active buyers in the Digestive Health segmentation, the average UPC penetration was 2.8 percent. That's four times higher than the storewide UPC penetration of the average shopper, but it also demonstrates how selective consumers are even within key preference areas.

On average, shoppers buy just 0.2% of available health and beauty products.


Fig 5

Active Buyers In Key Consumer Segmentations

Active buyers in key consumer segmentations analyzed by Catalina have significantly higher UPC penetration in those segments than storewide penetrations for average shoppers (.7 percent) and even top shoppers (1.0 percent) who account for 80 percent of store sales. However, selectivity still remains the rule of thumb. Note: It is difficult to compare these segmentations to each other. Each segmentation was built with independent methodologies, including timing, number of clusters, and scope of the definition of relevant UPCs.

Average UPC Penetrations

	Number of IDs	Mean % UPCs
Digestive Health	2.3MM	2.8%
Weight Management	2.3MM	2.5%
Heart Healthy	4.4MM	2.2%
Health & Fitness	2.4MM	1.9%
Organic	6.6MM	1.5%



Little Variation by Income and Age

Demographics are a long held segmentation for CPG marketers, but age and income do not seem to impact selectivity. The study breaks down UPC penetrations based on the median income and age levels of store neighborhoods. While there are tiny variations, in all cases the average penetrations were less than one percent.

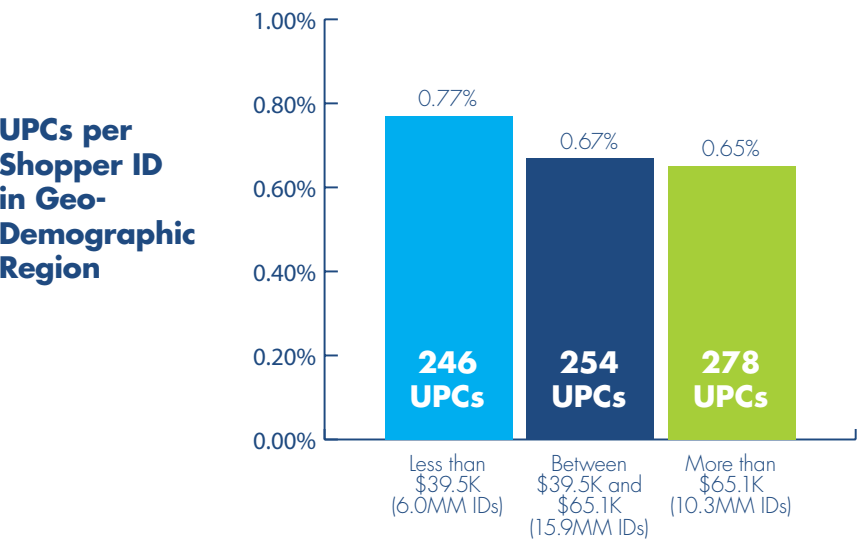
The average shopper in high-income neighborhoods, with a median annual income of more than \$65,100, bought more UPCs than average shoppers in middle income and low income neighborhoods (Fig. 6). However, they bought a lower percentage (just .65 percent) of the larger number of UPCs available.

Neighborhoods with older populations tended to buy more of available UPCs and a higher percentage of those available. Average shoppers at stores in neighborhoods with a median age of 41.3 years bought 283 different UPCs, or .74 percent of available items. In neighborhoods with the lowest median age (under 35.4 years), the average shopper bought 235 different UPCs, or .64 percent of available items.

Fig 6

UPC Penetration per Shopper ID by Median Income of Store Neighborhood

The average shopper in high income neighborhoods, with a median income of \$65,100, buys a wider assortment of UPCs than average shoppers in other neighborhoods, but a smaller percentage of the total number of UPCs in those stores. Average UPC penetrations are well below one percent across all neighborhood income levels.



Traditional Promotions and the Selective Shopper

Traditional retail promotions tend to treat all shoppers the same, but the truth is today's consumers frequently don't respond. Take the example of a Memorial Day weekly circular from a major grocery retailer.

Catalina tracked the sales of the 1,172 UPCs included in the retailer's circular and found that two-thirds of all baskets during the shopping week did not include a single advertised item. Another 17 percent of baskets included just one, or .085 percent of the UPCs advertised. Just 3 percent of shopping baskets included five or more items from the circular (Figure 7).

Catalina also tracked UPC penetrations for the same retailer's circular the following week. The penetrations were even lower. Some 74 percent of all baskets didn't include a single item from the 1,020 advertised. Another 15 percent of baskets included just one.

Traditional one-size-fits all promotions are relevant to only a tiny fraction of today's consumers. While they may attract some shoppers who are highly attuned to getting the best deals and savings, they fail to reach the vast majority of buyers. There must be more relevant and effective ways to reach consumers around the products and brands that matter to them.

Personalization and the Selective Shopper

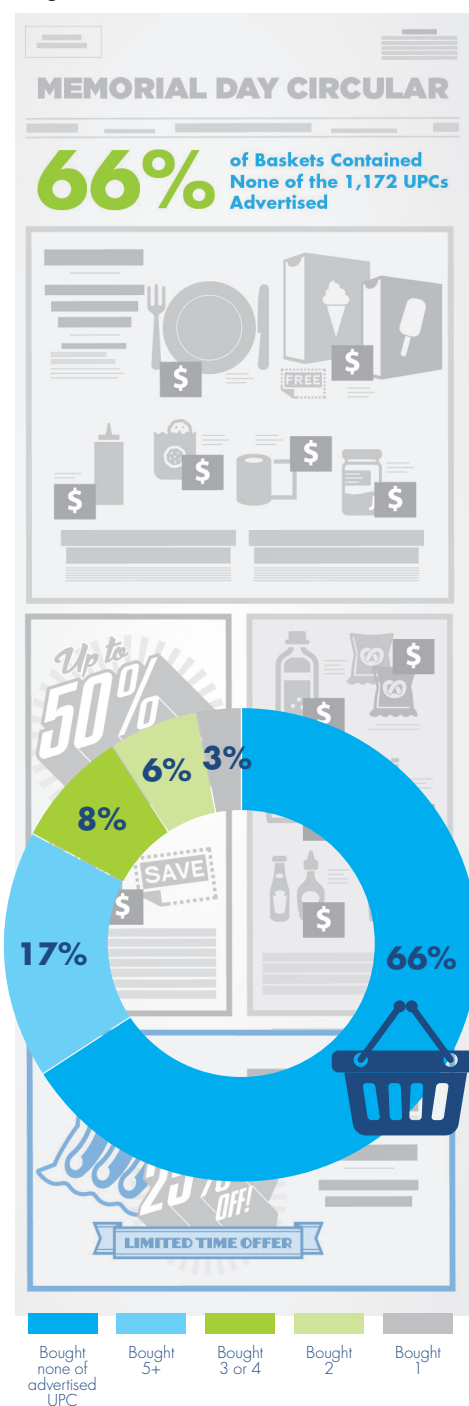
In an era of targeted brands and selective shoppers, marketers need to understand and respect the individuality of today's consumer. Since no two shoppers are the same, and each buys only a tiny fraction of available UPCs, retailers and brands should tailor more of their communications and promotions to the specific needs and preferences of individual shoppers and households.

With just .7 percent of UPCs being purchased by the average shopper, retaining the loyalty of those who buy is critical. Marketers need to reach out to their consumers with communications and rewards that recognize their preferences and reinforce their loyalty.

And with so few products making it into a consumer's basket, it's no wonder that so many new products fail. Today, products need to find the right consumers, as much as consumers need to find the brands that matter to them. Marketing the right new product to the right consumer, based on their preferences, becomes critical to driving trial and repeat purchase.

Indeed, retailers and brands are increasingly embracing personalization based on an understanding of the consumer's actions and preferences. Major retailers are expanding their loyalty programs to build deeper relationships and increased loyalty based on rewards, savings and engagement tailored to individual

Fig 7



Memorial Day Circular

One-size-fits-all promotions don't engage most shoppers. A major retailer's Memorial Day circular contained **1,172** different UPCs. Yet, two-thirds of baskets that week did not contain a single item from the circular.

customers. Brands are seeking to leverage big data insights and engagement across multiple digital channels, both inside and outside of the store, to identify consumers who care and build greater intimacy with them over time.

In today's digital, multi-channel, highly personalized world, the buyer's journey has become more complex than ever. There is no linear path to purchase. The consumer selectively engages with brands across multiple devices, formats and channels of research and communication, both in-store and out-of-store. Manufacturers and retailers need to be there as consumers form new preferences and make their buying decisions.

Nearly all consumers (97 percent) now use online media when researching products and services in their local area, according to one recent study. About 80 percent of smartphone shoppers use their phone while shopping to research products and pricing, according to survey findings released by Google in June of 2013. And 90 percent of smartphone shoppers use their phone for pre-shopping activities.

The ability to find, engage and influence shoppers via these new digital channels based on purchasing behavior can be critical to winning the attention and loyalty of today's selective shoppers. New data-driven, purchasing segmentation technology makes it possible for advertisers to target their most valuable consumers through display, video and mobile advertising, and then close the loop by measuring the impact of this advertising on in-store purchases by targeted buyers. That more personalized engagement can then continue through the delivery of targeted advertising and offers at point of sale.

Shoppers today are paying attention to only a few products on store shelves. Catching them where they are in the aisle with the right message can influence the purchase. For example, a mobile solution from Catalina allows retailers and brands to serve up personalized promotions—from advertising messages, recipes and reminders, to coupons and special offers—based on purchasing history, what items are in the shopper's basket, and where they are in the store. Marketers can continue that relationship beyond the store to influence the next trip.

Reaching and engaging today's selective shopper based on actual purchasing preferences needs to be an essential part of the way to grow and sustain brands and customer relationships.

STUDY IMPLICATIONS

Insight	Response
Like fingerprints, every shopper's profile is unique in the assortment of products they buy each year.	Retailers and brands should seek to understand and engage consumers around their individual shopping needs and behaviors to deliver offers and communications that are more relevant to the consumer's personal BuyerGraphics™.
Shoppers ignore thousands of products and brands as they move through grocery store aisles.	New mobile solutions that understand a shopper's buying history, what's in their basket and where they are in the store can help marketers cost effectively gain the consumer's attention at the point of decision.
Traditional one-size-fits-all promotions are relevant to only a tiny fraction of today's consumers. They may attract deal-driven shoppers, but they fail to sway the vast majority of buyers.	Marketers need to rethink how promotions and offers are delivered, so that they reach the consumers who care and drive greater value for the customer, the retailer and the brand.

Conclusion

At a time of unrivaled choice and increasingly targeted brands, consumers dismiss all but a miniscule fraction of the products available on store shelves. The selectivity and unique BuyerGraphics™ of consumers make it more important than ever that marketers find the consumers that fit their products and then build relationships that grow recognition and loyalty over time. Reaching and engaging today's selective shopper based on actual purchasing preferences needs to be an essential part of the way to grow and sustain brands and customer relationships.

About Catalina

Catalina's personalized digital media drives lift and loyalty for the world's leading CPG retailers and brands. Catalina personalizes the consumer's path to purchase through mobile, online and in-store networks powered by the largest shopper history database in the world. Catalina is based in St. Petersburg, FL, with operations in the United States, Europe and Japan. To learn more, please visit www.catalinamarketing.com or follow us on Twitter @catalina.

If you're interested in learning more about how Catalina can help you reach and engage today's Selective Shopper, please call **1-877-210-1917**.

