

LEARNING FROM LOYALTY – HOW TO GET CLOSE TO YOUR SHOPPER

Stephen Vowles, Chief Marketing Officer, Stop & Shop Supermarket Co.

Chief Marketing Officer of Stop & Shop Supermarket Co., Stephen Vowles, discussed the relevance of segmentation in today's industry at Summit 2006

Stop & Shop is £10bn business, with 600 stores, mainly in the north east and mid-Atlantic region of the US. A key player in the grocery retail market, it uses a hi-lo pricing strategy. Its main rivals are Hannaford, Path Mark, Shaws and Roche Bros, who between them cover all the main store types, from EDLP to high quality products.

Other rivals include Costco who run low cost promotions but attract a high end demographic; Wegmans who provide low price goods but have a high quality eat in offering; Wal-Mart, who, after many years not offering food, now do so but it is low quality to match the low prices; Family Dollar have a quirky offering but goods are cheap and useful; Trader Joes is an upmarket retailer with imported products; while Whole Foods is the Waitrose of the US, with a natural, organic and very much top end demographic.

The way that retailers have to position themselves is constantly having to evolve to fit with the aspirations and perception of the shopper. The market can now be segmented into behavioural types: urban seekers; budgeters; quick fixers; traditionalists; discerning diners; and good lifers.

In order to provide the right kind of products in the right kind of store, it's important to understand the different types of shopping trip that shoppers make. Trip missions can be segmented as follows: Emergency (e.g. milk); Stock up (a combination of perishables and household goods); Institutional (mass buys for small businesses); Replenishment (everything), Great save (anything on sale); need a meal (ready meal or just the ingredients for one meal); and Fresh fill-in (perishables required mid-week).

Of all the trip mission types, that there are most emergency trips simply indicates the time pressures that most shoppers are under. Meanwhile, replenishment trips, due to their all-encompassing nature, are perhaps predictably the most lucrative. Fresh fill-in trips are both frequent and profitable due to being more expensive and the shorter lifespan of such goods. It has become apparent that gaining share of trip is more important than gaining share of market.

Stores themselves can also be segmented into three distinct types. The majority are 'saving centres', which are deal driven and have a lower spend per household than other stores. 'Quality places' are highly profitable as customers buy premium and perishables, and are less deal oriented. Representing a mix of value and quality are the 'mainstream markets' which attracts a broad range of shoppers.

To get maximise profitability, retailers and suppliers must work together in three key areas of the business. The first is common tool use, looking at segmentation, analytics and issue analysis. The second is common business processes, in areas such as marketing, merchandising and store operations. The third and final area is a new engagement model, which combines 'one view of the truth' with joint value added planning and execution.