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*“Engagement with your Website is the art of increasing your share of the customer’s dollar.”*

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# **What the Competition Doesn’t Want You to Know About How Grocery Shoppers are Using the Web**

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Commissioned by Grocery Shopping Network

This paper lays out all the Website features needed to satisfy your shoppers, as well as “lessons learned” on how to use them to strengthen customer relationships and drive incremental sales.

Even today, it's easy to think of the Web mainly as a platform for online grocery shopping, but that's only a small part of the story. While today, less than 4% of shoppers do their shopping online, 70% of shoppers turn to the Web before they go shopping in order to have a better shopping experience. These visits influence both where they shop and how much they spend.

Food retailing is a fast-moving business, so it's easy to miss the early signs of emerging shopper needs. It is even easier when a lot of the emphasis is on pricing, as it is today.

A recent study reported by Integer found that 70% of customers surveyed went online for information to use in their grocery shopping, but does usage of food retailer Websites reflect the growing customer dependence on the Web? The answer is, “Not entirely.” Customer reactions to those sites that are more fully developed, however, have been strong and leads to significantly higher sales. That's what your competitors don't want you to know.

This paper is designed to help food retailers see how well they compare with the competition in attracting and engaging customers on the Web. It also provides a game-plan for playing “catch-up.”

The paper has three sections.

- The first two are written for senior executives:
  - *“What's Driving Grocery Shoppers to the Web?”* gives the facts behind the changing customer behavior, particularly in how they plan their grocery shopping.
  - *“How Does Your Website Compare?”* goes through a step-by-step process that will help you determine how well your Website is attracting customers and provides comparative benchmarks to answer, “How do you compare?”
- The third, *“Driving Customer Engagement and Sales Through Your Website,”* is for the people responsible for making your company's Website and digital marketing program into a competitive advantage.

At the beginning of 2008, 60% of grocery purchase decisions were made at home before the shopping trip. This increased to 75% by the end of the year.

*Source: IRI*

## What's Driving Grocery Shoppers to the Web

Bottom-line, it's a search for value. Traditionally, the customer retail value equation is limited to the shopping experience and specifically on the competitiveness of prices, the quality and variety of products, the engagement of employees, and the cleanliness and conditions of the store. This defined the "playing field" for food retailing. But now customers are increasingly looking for ways to capture value even before they begin their shopping trip.

A just-released IRI study finds that increased planning for grocery shopping is now an important way customers are finding and capturing more value.

This study, released in January 2009, describes how customers have been changing their behavior.

- While many continue to maintain that 70% of the decisions to buy specific products are made in the store, this study found that most grocery purchase decisions are actually made in the home and that the percentage is growing.

At the beginning of 2008, 60% of the grocery purchase decisions were made at home before the shopping trip. This increased to 75% by the end of 2008.

- The IRI study also found that customers use a broader range of different information when making purchase decisions.
  - The product price and cost per serving, not surprising, were among the most important factors.
  - More surprising was that the product quality and nutritional value were also important factors.

A well-designed retailer Website serves as an easy-to-use source of information for home-based planning and purchase decisions.

The IRI findings actually parallel work done by Willard Bishop in 1989 that found that 60% of purchase decisions were made prior to entering the store. (**Source:** July 1989 *Competitive Edge*).

More adults in the U.S. now have access to the Internet than to newspapers.

*Source: Experian Simmons*

This greater emphasis on shopper planning is expected to continue. A recent article in *The Economist* magazine predicted that many of the recent changes in shopping behavior will not end as the economy rebounds. Customers “still want products” that provide a range of different benefits, such as taste, health, and environmental considerations. They just don't want to have to pay more for them.

One way customers are finding value in a retailer's Website is through downloadable manufacturer coupons. A new survey by Experian Simmons found:

- The number of households using online coupons grew 40% from 2005 to 2008, i.e., from about 25.7 to about 36 million U.S. homes.
- More adults now have access to the Internet than to newspapers, i.e., in 2008, penetration by the Internet rose to 71% of the adult population versus just 55% penetration for newspapers.
- Online coupon users have attractive demographics, i.e., a larger percent have children under 18—that's 36% versus 29% for the users of newspaper-delivered coupons. And they also have higher household income, averaging over \$60,000 per year.
- More than 80% of the coupon users also research products and services online before buying at the store.

The growth potential for downloadable coupons was recently documented in a study of Canadian customers by Ipsos Reid. The study found that almost 60% of Canadian shoppers want access to downloadable coupons, but they were frustrated because:

- It wasn't easy to find the online coupons.
- Some grocers were unwilling to accept them.

Brick and mortar grocers can deliver greater value to their customers by enhancing the capabilities of their Website and digital marketing programs.

Walmart's focus is on  
"owning the concept  
of value on the  
Web."

Source: *Advertising Age*

A handful of retailers have already taken major steps to begin to drive store traffic with a customer value delivered on the Web.

For example:

- Aldi offered a \$250 gift card for free groceries to 200 Illinois shoppers in April 2009 just for participating in an extensive survey.
- Walmart has dramatically expanded the range of products available on their Website over the last year with the clear possibility of—in the not too distant future—being able to offer customers a range of choice similar to what Amazon does for books.

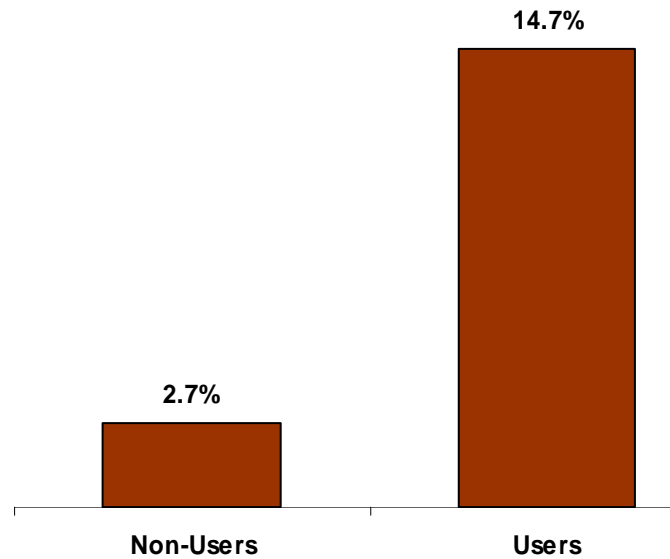
Of potentially greater importance is Walmart's focus on "owning the concept of value online," as described in a March 30, 2009 issue of *Advertising Age*. The article points out that Walmart has launched free classified ads and hosts message boards "crammed with content about saving money," all under the theme of "save money/live better."

Another demonstration of the power of retailer Websites to drive sales comes from a 12-month analysis of household spending that was completed in 2007. Approximately 1,000 households with similar weekly spending were drawn from two successful regional food retailers. Five hundred of these were registered and documented users of the retailers' Websites, and the other 500 showed no indication that they had used the retailer's Website.

Spending growth was significantly greater for households using the retailer's Website.

*Source: Grocery Shopping Network*

**Figure 1: Retailer Website Use Increases Spending  
(% Increase in Weekly Spending)**



*Source: Grocery Shopping Network*

Growth was significantly greater for households using the retailer's Website, i.e., 14.7% vs. 2.7%. While there is still a need to better understand exactly how different Web features increased spending, this is a strong indication that good Websites deliver more than just better customer service.

For these reasons, digital marketing is a priority in retail technology. The April 2009 Retail Technology study conducted by Gartner and published by IRS reported that:

- Customer satisfaction and experience will be the top-rated business/IT strategy for the next 18 months.
- Establishing brand consistency and providing more personalized experience for shoppers in e-Commerce as well as the store is a top priority.

Retailers across the board are working hard to have a strong Internet presence that is seamlessly integrated into their overall marketing and sales strategy.

## “How Does Your Website Compare?”

Store traffic is a key driver of performance and it looks like the same can be true of Web traffic.

### **Best of Class Non-Traditional Competition**

It's also useful to compare the Web traffic of traditional food retailers with operators of some of the new competitors who are increasingly challenging supermarkets.

**Figure 2: Web Traffic for Selected Non-Traditional Competitors**

	Average Number of Unique Visitors/Store/Month—April 2009
Costco	13,821
Walmart	11,745

Source: *Compete.com*

It's evident that these retailers are already driving significant traffic to their Websites. This traffic is mainly to search out the availability of products in the store and only occasionally to purchase products online. It demonstrates the powerful role the Website can play for customers as they plan their shopping trips. It's important not to allow this early dominance to go uncontested because the Website provides customers with increasingly important reasons to visit a retailer's stores.

### **Comparison with Other Supermarkets**

There are several sources for Web traffic data and each has their strengths and limitations. For purposes of this paper, we're using *compete.com*, a broadly used resource that's based on a large sample of Web users. This service has the advantage of being accessible at no charge, so any retailer—large or small—can pull their information in order to answer the question, “How do we compare?” (See instruction in Appendix)

**Figure 3: Comparison of Supermarket Web Traffic**

Average Number of Unique Visitors/Store/Month—April 2009	
Typical Traffic*	High Traffic**
805	4,230

\**Kroger, Safeway, Schnuck, Publix*

\*\**Wegmans, Festival Foods, Giant Food, Harris Teeter*

Store traffic is a key driver of performance and it looks like the same can be true of Web traffic.

34% of households are “in play” for grocery shopping, i.e., either actively open to shifting their spending to other stores.

Source: IBM Institute

Typically, supermarket Websites enjoy under 1,000 unique visitors per store per month. Retailers with these numbers run the risk of losing share to those who do a better job of attracting and engaging customers. By comparison, high traffic supermarket Websites generate over 4,000 unique visitors per store per month.

To find out how your Website compares, use the instructions in the Appendix and record the results in Figure 4 below. This will show you how your site compares with the competition.

Figure 4: Comparison of Supermarket Web Traffic

Range of Average Unique Visitors/Store			
Your Company	Direct Competition	Typical Food Retailers	Top-Performing Food Retailers
		805	4,230

If you're satisfied your Web traffic compares well, after running the numbers, congratulations. If not, the next section of this paper lays out a roadmap and some “lessons learned” on how to improve Website digital marketing performance.

### Driving Customer Engagement and Sales Through Your Website

Most grocery customers shop several stores and that is where there's significant sales-building opportunity. “Five Rules for Retailing in a Recession” by Favero, Romberger, and Meer, in the April 2009 *Harvard Business Review* points out that in today's market, the big opportunity is to increase sales by winning more of what your shoppers now spend with the competition. That is done by closing the gap between what these customers want and what you offer.

Guidance on why and how to translate these ideas comes from a new report on “Shopping Advocacy” from IBM Institute. This study, based on a survey of 30,000 households, found that:

- While loyalty to “their store” is growing, 34% of households are “in play” for grocery shopping, i.e., they're actively open to shifting their spending to other stores, so the dollar opportunity to grow the business is quite large.

Engagement is the art of increasing your share of customer dollars.

- Those households who are “store” loyal report that their store provides information that helps them with their shopping, along with the expected, e.g., fair price, good service, clean stores, etc. This can make a difference as shopping advocacy grows. Just look at Trader Joe’s mission—the retailer that also happens to have the highest percentage of advocates, according to the IBM survey.

Food retailers can find further direction on the more important areas to close the customer-needs gaps by looking at what companies like Campbell Soup are learning about the changing needs of the customer. A *Wall Street Journal* article about Campbell’s on April 21, 2009 reported that:

- Recipes downloaded and printed from the Campbell’s Website increased 29% in February 2009 to 430,000 for that month. Customers are turning to recipes online, and food retailers have an opportunity to make them more easily available, ideally on a personalized basis on their Website.
- Coupon redemptions were up by 20% at Campbells over the last year, and their shoppers are now using coupons to reduce the price on a broad range of products, not just the things that were “on this week’s list.” Manufacturer coupons are becoming a way for consumers to save and can be an important transaction-building tool for retailers. Those retailers that make it easier for customers to use them will reap the benefits.

The way to “close the gap” is to make it easier for customers to spend more in your stores.

Customers need help in two big areas of planning:

- **Meal planning**, where they want to be able to confidently select a dish that meets their family’s health and diet needs and to prepare it knowing that what’s in the recipe is on hand or that they need to buy it. Food retailers can do this in ways that can’t be duplicated by food manufacturers.
- **Trip planning**, where they want to quickly and easily go through the many offers and feel satisfied that they have gotten a lot of value for their money. They also want to quickly find what they’re looking for—and this usually means having a well-organized shopping list, including coupons.

Retail food Websites that produce the best outcomes... engage customers to do more of what they want to do without having to make big changes in behavior.

While there's growing evidence that visiting a Website can drive business, there's still a need to identify the features that make a Website engaging. Top performing Websites engage their customers by striking the right balance between having all of the "content" that customers need and making it easy to access. Engaging your customers at this point is the first step in delivering a great shopping experience.

### The Key Opportunities for Engagement

Let's start with what a customer needs to accomplish on all of their grocery shopping trips, i.e., regardless of the type of shopping occasion. There are four goals that cover the range of needs.

- ***Saving money*** or at least being confident that they've received good value, i.e., quality and price for the money they have spent.
- ***Saving time*** or at least spending time in ways that are rewarding and even pleasant.
- ***Translating dietary and health needs*** and meal plans in a way that the family members both enjoy the meals and eat what's "good for them."
- ***Preparing and serving a meal*** in ways that please and satisfy family members and make the cook proud.

Retail food Websites that produce the best outcomes, i.e., the strongest increases in sales, have one thing in common, i.e., they engage customers to do more of what they want to do without having to make changes in behavior. For example, shoppers are used to just taking an item off the shelf and putting it in their cart. The best sales generating sites allow them to do this by creating a single shopping list that ties all of the customer selections together, whether they come from the weekly circular or a need from a new recipe.

Giving more value to customers who visit the Website is a strong incentive for repeat visits.

## The Keys to Increasing Sales and Strengthening Loyalty

These top-performing Websites deliver simultaneously for customers on two levels:

- Delivering value for the money in a way that encourages and rewards visitors.
- Engaging customers in ways that increase their satisfaction and the number of items they buy.

When these two are combined, particularly when personalized, they provide an experience that delights the customer and builds loyalty to the site and to the retailer.

### *Delivering Value for Money*

Most food retailer Websites post the weekly ad and it's generally the most highly visited area of the site. More are also making available manufacturer coupons, but these are just the basics.

Top-performing sites typically also provide other sources of value, including:

- Easy access to all the items that are on sale in the store, including TPRs, EDLP items, and in-store specials—in addition to circulars.
- Additional information for items in the circular such as other available varieties, recipe ideas that reflect the shopper's diet and health profile, thus making the suggestions more relevant.
- Retailer coupons that are **only** available at the Website and relevant offers based on past purchase and click activity, as well as the ability to view all of the sponsored coupons by category.
- Only coupons that can be used at the shopper's favorite store—which eliminates the frustration of not being able to use a specific coupon.

These added features expose customers to the full value of the retailer's offer, which is a big benefit in today's world. Additionally, giving more value only to customers who visit the site is strong incentive for repeat visits and builds the foundation for greater customer engagement.

### ***Engaging the Customer***

Engagement happens when the customer finds that it's worth their time to tap into the information and services on a retailer's Website. And when engaged, they're more likely to buy a product that is not already built into their plans, e.g., for a specific purpose such as a particular meal. Most retailer Websites offer recipes and some include information on diet and health.

Top-performing Websites also typically offer:

- Personalization of diet and health information by giving shoppers an easy way to enter their family's health and diet parameters just one time. This information is then used to tailor the suggestions for recipes to their specific diet plans. It is important that the personalization covers all the issues important to customers, e.g., whether you are a Vegetarian, Vegan, or Kosher. It should provide a way to select recipes by allergies, calories, carbohydrate level, total fat, saturated fat, cholesterol, calcium, iron, dietary fiber, and sodium. This can be a great time saver and a way for those in the household tasked with planning and preparing healthy meals for their families to fulfill their responsibilities.
- A recipe library that's large enough to add real value. Some websites provide over 60,000 recipes as meal and eating suggestions and can be sorted by equipment, region of origin (ethnicity), and time to prepare, skill level, holiday, and course. Recipes display health and diet profile of the household when available.

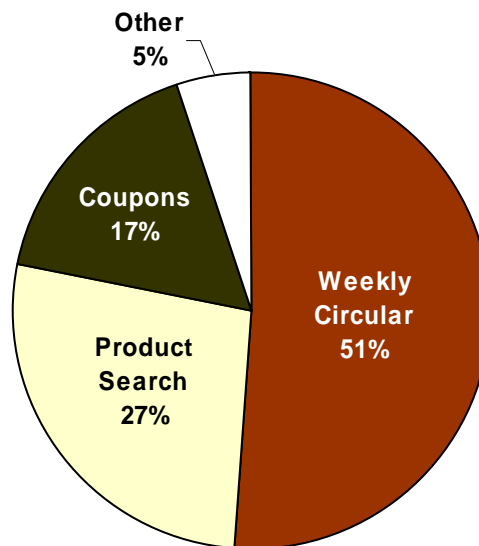
Other content can include wine pairing suggestions, how-to cooking videos, articles about cooking techniques, prep methods, ingredients, and general themed information related to cooking. Having the grocer be a resource for all things cooking raises their value to the shopper.

- Practical direction on how to prepare and serve a meal, created by a staff culinary expert that is timely based on the season and holiday period. These are built to provide guidelines and ideas for preparing a meal that is both delicious and nutritious.
- Capability to easily bring all this together on to one shopping list that leads to the desired outcome, i.e., a great shopping trip. This can be for regular shopping but can also extend to special occasions, such as camping trips, holiday parties, etc.

### Growing Bigger Shopping Baskets

An effective Website should help a customer easily find the products and values they are looking for and to get them all onto one shopping list. So, where do shoppers find the products that they add to their shopping lists? A recent analysis of more than 250,000 Website generated shopping lists reveals where customers find those items.

**Where Do Items on the Shopping List Generate?**  
(% of Items)



*Source: Grocery Shopping Network*

When an offer is personalized, it's more relevant and of greater value to the customer.

The cornerstone for driving larger transactions is the weekly circular containing all the sale items. It's a place where 51% of the items on the shopping list originate. There are two other areas that are necessary for a solid sales-building foundation.

- Searching/browsing for products generated 27% of the items, making it important to give the customer access to a complete listing of everything in the store.
- The availability of coupons, both from manufacturers and retailers trigger another 17% of the items on shopping lists.

The remaining "other" 5% originate from places such as recipes, videos, brand ads, etc., so, at minimum, a successful Website must offer the big three purchase triggers, i.e., weekly sale prices, a complete list of items, and coupons.

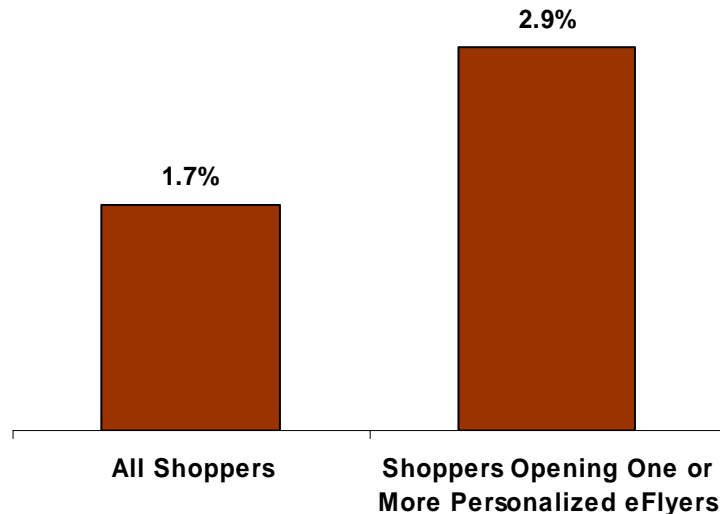
### **Personalizing the Experience**

When an offer is personalized, it's more relevant and of greater value to the customer, but personalization requires additional effort and some retailers have experienced mixed results in personalizing offers within their loyalty programs.

Top-performing retailer Websites typically include personalization across the range of content. This is easier to execute if the retailer has accurate household spending files from a loyalty program, but it isn't required for all personalization, e.g., diet and health information can be introduced directly onto the Website.

While the sales driving power of personalization is directly related to how well the personalization is executed, there's evidence that it can have a significant impact on spending.

**Figure 4: An Example of How Personalization Drives Spending**  
(% Increase in Weekly Spending)



*Source: Grocery Shopping Network*

This example shows how the spending increases for households that open more personalized email flyers, i.e., using any of the personalized email flyers is associated with a more than one percent additional increase in household spending.

### Call to Action

A good Website is rapidly becoming a key part of a retailer's value proposition; one that contributes in a measurable way to higher sales and increased customer loyalty.

To be sure that your business doesn't miss this opportunity to deliver greater value to your customers:

- Find out how well your Website compares with the competition using the process laid out in the Appendix.
- Use the "lessons learned" in this paper to make your Website more engaging.

Spending increases for households that open personalized email flyers.

*Source: Grocery Shopping Network*

## Appendix: How Do You Compare

Here's all you need to do:

- Go to compete.com and type
  - Your Website in the left window
  - The Website of a direct competitor in the right window
- And hit Go.
- Take the unique visitors per month for your Website and that of your competitor and divide them each by the number of stores run by each of the businesses. This will give you the unique visitors per month per store.
- Record this information in the figure below. This will show you how your Web traffic compares with:
  - Your direct competition
  - A typical supermarket Website
  - A top-performing supermarket Website

### Comparison of Supermarket Estimated Web Traffic

Range of Average Unique Visitors/Store—April 2009			
Your Company	Direct Competition	Typical Food Retailers	Top-Performing Food Retailers
		805	4,230

A Do-It-Yourself  
Comparison