
Understanding shoppers: the missing ingredient in sustainable business development

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Objective

- Demonstrate the value of shopper data and how food producers can use it to inform marketing planning and business decision-making

Contents

- About us
- What do you need to know?
- The dunnhumby data
- Case Study
- Conclusions

About us

Background

- Farmers and small food producers seeking to add value and differentiate in increasingly fragmenting markets
 - Provenance, environment, animal welfare, health & wellbeing, indulgence...**but**
- Stiff competition for consumer attention
 - Value propositions must clearly targeted, communicated effectively and deliver the promises consistently
- Farmers and small food producers need much better understanding of **who** buys **what** and **why**
 - Cannot afford to 'hit and hope'
 - The more limited the resources the more important it is to target them

dunnhumby initiative

- **Structure**

- Joint venture between Kent Business School and dunnhumby, launched in April 2005

- **Mission**

- To help farmers and small food producers improve their businesses by developing a better understanding of consumer preferences

- **Delivery model**

- PhD studentships, funded by organisations (industry and government) representative of different commodity sectors and regions
- Ad-hoc funded research projects (e.g. ADS)



Centre for Value Chain Research



What do you need to know?

What do you need to know? – Key questions

- What are the marketing opportunities?
 - Increase penetration (attract new consumers)
 - Focus on stimulating trial purchase (e.g. promotions)
 - Increase purchase frequency (get existing consumers to buy more often)
 - Focus on stimulating new uses (e.g. recipe ideas, meal occasions)
- Who should I target?
 - Buyers (people to whom existing products appeal)
 - ‘Pushing at an open door’ (lower risk but probably lower return)
 - Non-buyers (people to whom existing products do not appeal)
 - ‘Harder nut to crack’ (higher risk but potentially higher return)

What do you need to know? - Key Questions

- What changes do you need to make to
 - Marketing mix (product, price, distribution, promotion) for existing products
 - Are you targeting the right consumers?
 - Does your packaging convey the right message for your target consumers?
 - Does your pricing strategy reflect what it is that your target consumers value?
 - Are your products in the right stores (location, channel, format)?
 - NPD process
 - identifying gaps in the market (under-performing product sectors and/or consumer segments)
 - identifying profiles of potential consumers

What do you need to know?



Focus on attitudes,
leads to difficult measures,
How to convert into
behaviour & profits



Focus on profit,
leads to little relevance,
increasing issues of churn
& dissatisfaction



Understanding what shoppers want
Become more relevant
Keeps shoppers engaged for longer, engenders trust
& long term loyalty and value creation

What is your value proposition?

Value = benefits – costs – risk

↓
As perceived
by consumers

Increasingly
heterogeneous
and often
irrational

↓
'Solution to
my problem'

Meal occasion,
shopping mission,
final consumer

↓
Financial &
Opportunity
Costs

Price (absolute
and relative), time
(merchandising,
labelling)

↓
Unfulfilled
Promises

Supply chain
integrity
(availability,
experience,
credence)

Joining the dots



dunnhumby data

The dunnhumby data

- 2yrs of weekly supermarket purchases
 - 1.4 million shoppers
 - Representative of 40% of UK households
 - Over 30,000 food products
 - Segmented by
 - Lifestage
 - Young adult, Young family, Older family, Older adult, Pensioner
 - Lifestyle
 - Simple (Up-Market, Mid-Market and Less Affluent shoppers)
 - Region (13 TV advertising regions)
 - Geo-demographics (Cameo)

Key Measures

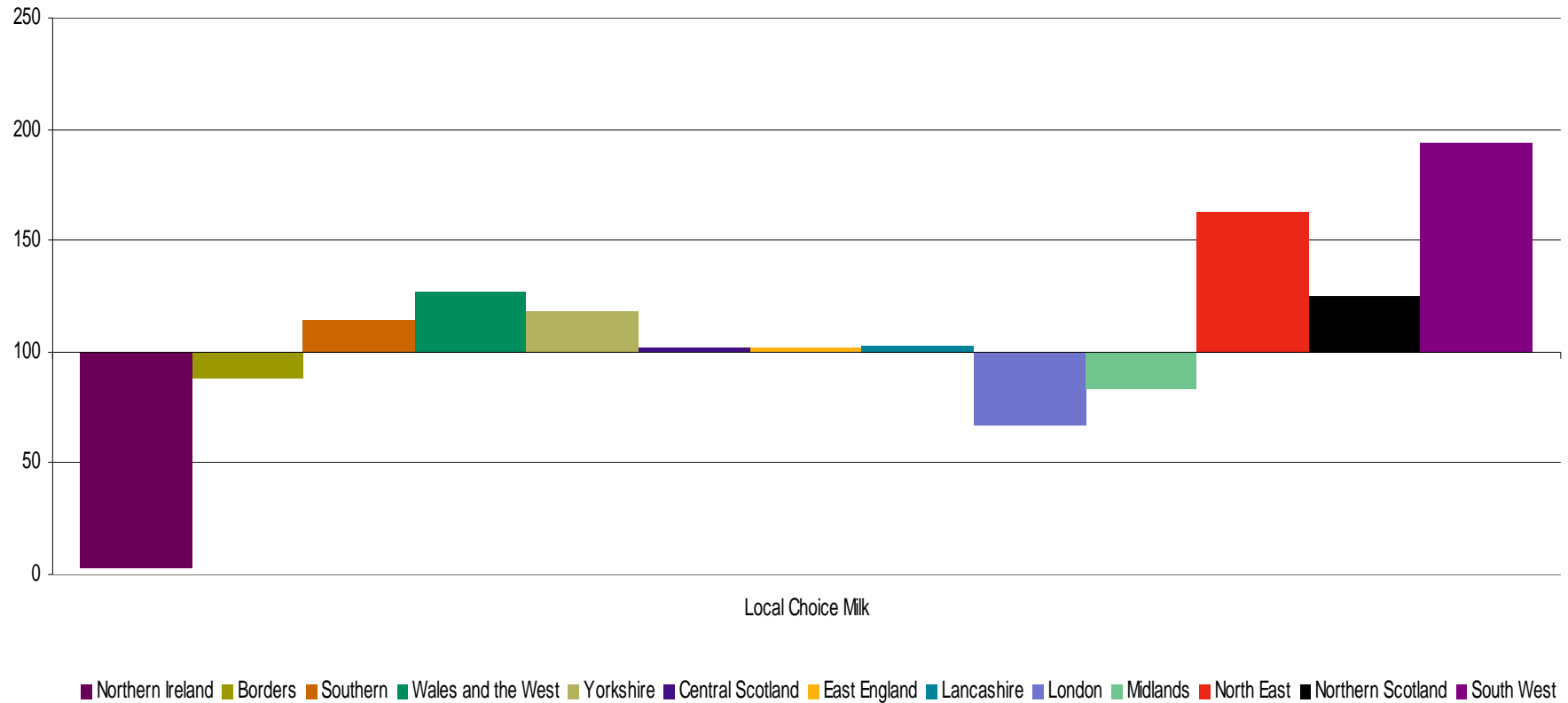
- Sales Growth
 - Indication of 'winners' and 'losers'
- Household Penetration
 - Indication of scope for attracting new buyers
- Frequency of purchase
 - Indicates of scope for increasing product usage
- Repeat purchase rate
 - Indication of product performance and shopper loyalty

Key measures: local choice milk (26 weeks, 1-9-08 to 1-3-09)

Description	Sales Growth	Penetration	% change	Purchase Frequency	% change	Repeat Rate	% change
East Anglia	45%	2.1%	13	2.6	16	42%	12
Midlands	84%	2.1%	28	2.6	27	40%	17
North East	19%	2.5%	2	3.7	10	52%	1
North West	122%	2.1%	51	3.1	34	47%	24
Scotland	70%	1.7%	29	2.8	23	45%	13
South East	70%	3.8%	24	2.6	21	40%	17
South West	80%	3.9%	20	4.9	40	60%	16
Wales	63%	1.2%	8	3.0	35	47%	18
Total	65%	19.2%	21	3.3	125	49%	12

Source: © dunnhumby 2009

Regional segmentation: Indexation(52wks to 1.3.09)



Source: © dunnhumby 2009

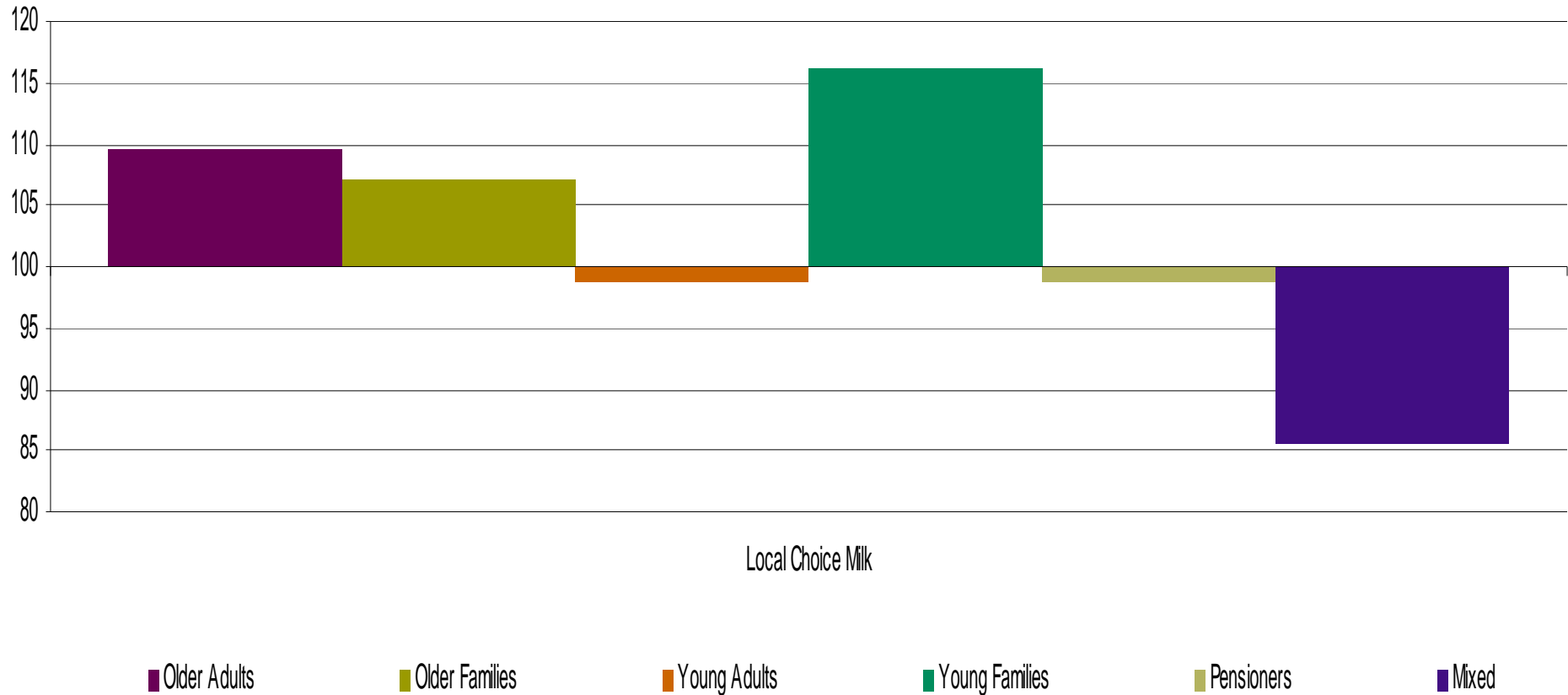
'Best' and 'worst' performing local choice milk SKUs (26 weeks, 1-9-08 to 1-3-09)

SKU	Indexed sales growth
T Localchoice Cheshire S/Skim Milk 2.272 Ltr	358
T Localchoice I.O.M S/Skimmed Milk 568MI	321
T Localchoice East Midlands Semi 2.272Ltr	277
T Localchoice Nth Wales S/Skimmed Milk 2.272Ltr	264
T Localchoice Dorset S/Skimmed Milk 2.272Ltr	246
T Localchoice Devon Skimmed Milk 1.136Ltr	220
T Localchoice Nth Wales S/Skimmed Milk 1.136Ltr	217
T Localchoice Lancashire Semi Milk 2.272 Ltr	217
T Localchoice Somerset Whole Milk 1.136Ltr	202
T Localchoice South East Semi Milk 2.272 Ltr	198
...	
T Localchoice Somerset Whole Milk 2.272Ltr	100
T Localchoice Sth East Whole Milk 2.272 Ltr	100
T Localchoice Sth Wales Whole Milk 2.272Ltr	100
T Localchoice W/Country Whole Milk 2.272 Ltr	100
T Localchoice W/Midlands Whole Milk 2.272Ltr	100
T Localchoice Wales Whole Milk 1.136Ltr	100
T Localchoice Yorkshire Whole Milk 2.272 Ltr	100
T Localchoice Cornwall Whole Milk 1.136Ltr	99
T Localchoice North East Skim Milk 1.136Ltr	89
T Localchoice Cumbria Skimmed Milk 1.136Ltr	75
All Products	164

Source: © dunnhumby 2009

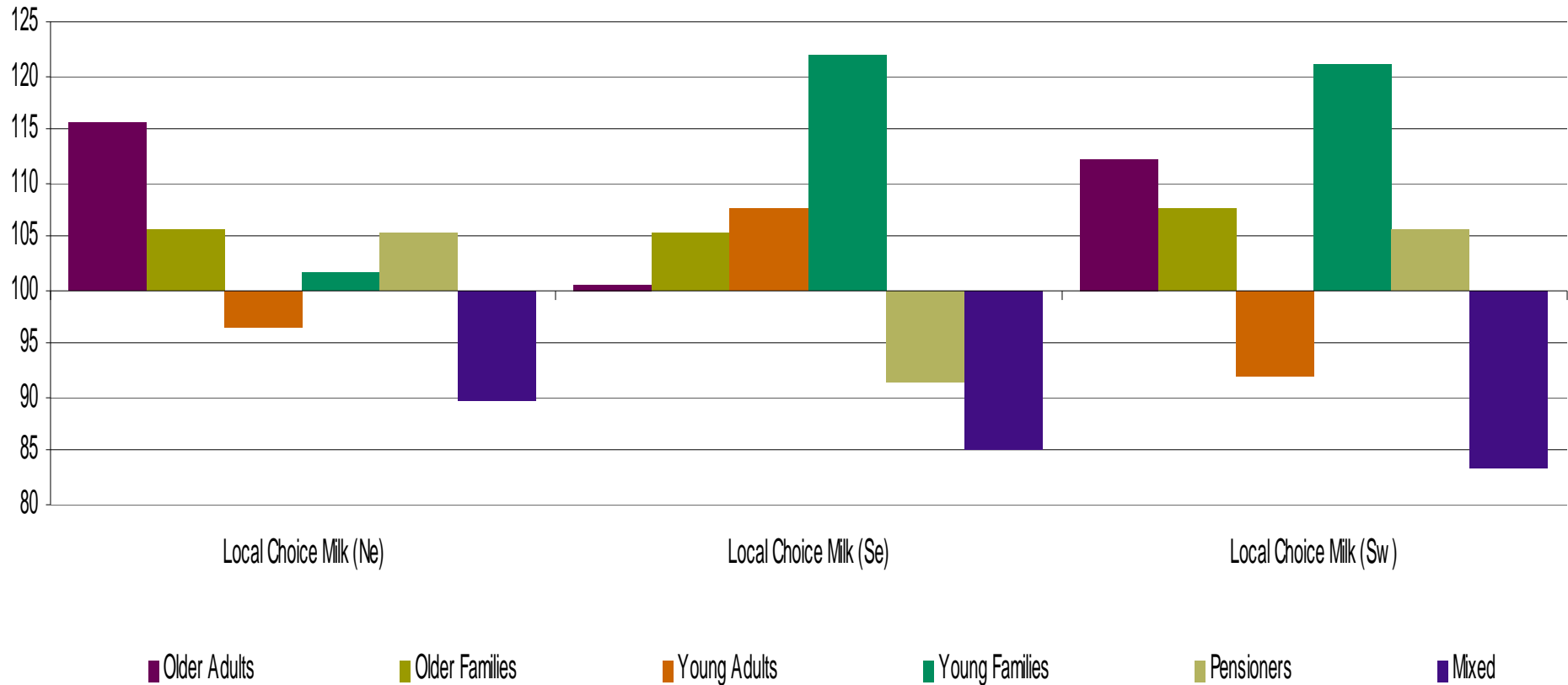
Who buys local choice milk? - Lifestage -

Detailed lifestyle segmentation: (52wks to 1.3.09)



Source: © dunnhumby 2009

Detailed lifestyle segmentation: (52wks to 1.3.09)

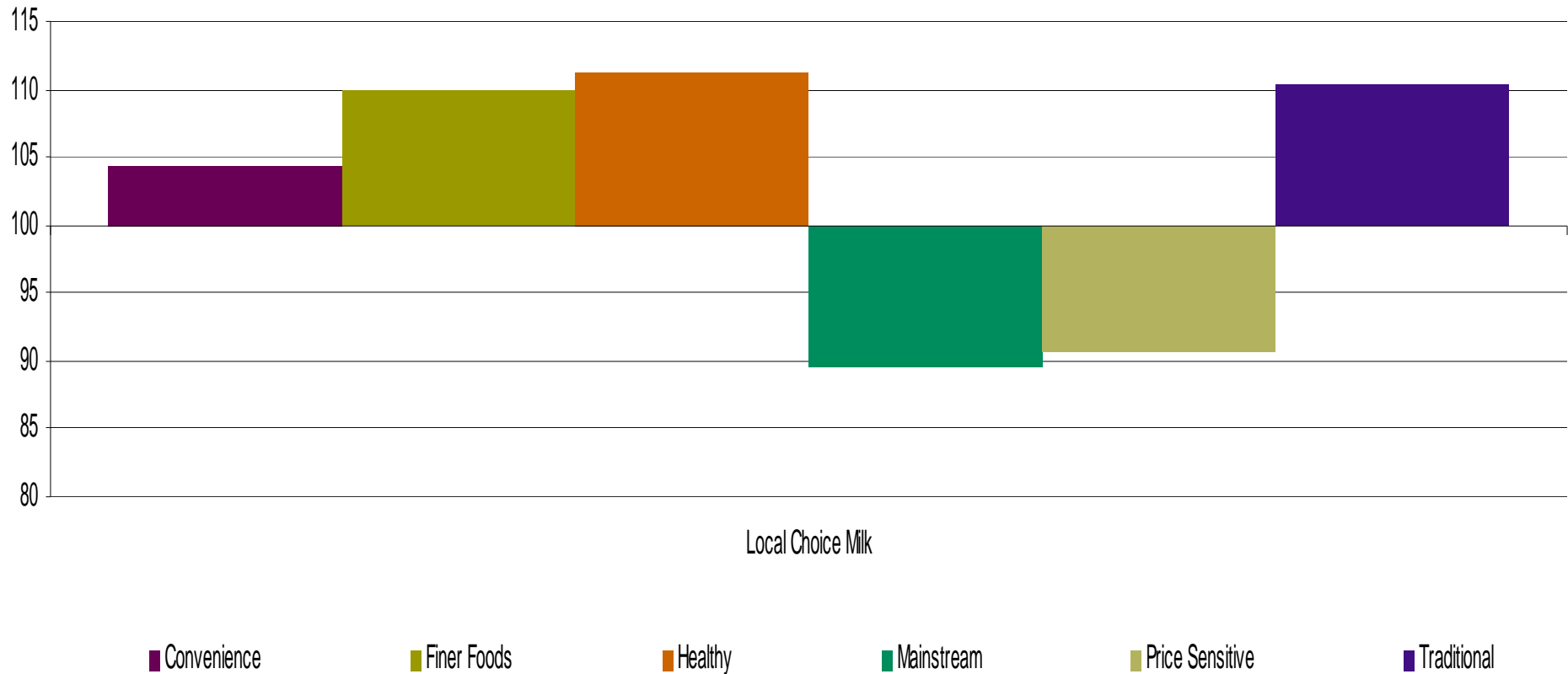


Source: © dunnhumby 2009

Who buys local choice milk?

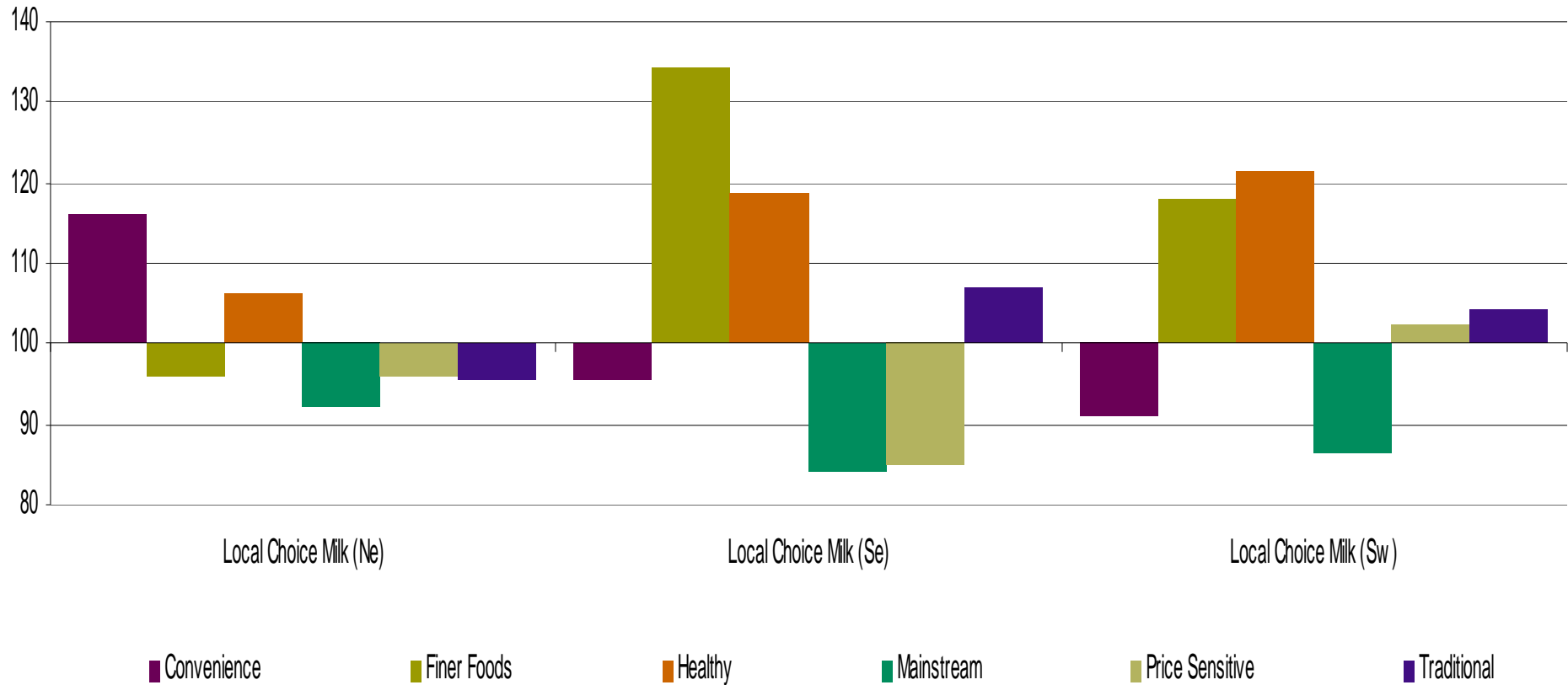
- Lifestyle -

Detailed lifestyle segmentation: (52wks to 1.3.09)



Source: © dunnhumby 2009

Detailed lifestyle segmentation: (52wks to 1.3.09)



Source: © dunnhumby 2009

Case Study

Case Studies (www.kent.ac.uk/cvcr)

- KG Fruits – raspberry promotion
- Long Clawsons – blue cheese (promotions)
- Anthony & Lucy Carroll – heritage potatoe (MD)
- Coastal Grains – rapeseed oil (NPD)
- James & Lucy Barclay – speciality beef and pork (MD & NPD)
- Sunnyfields Organic – organic retail (MD)
- Processed Vegetable Growers Association – Frozen Peas (PR)
- Sarah Petit - Organic vegetables (conversion)
- Sue Gwilliam – Get Real (NPD)
- Rebecca Rayner – Glebe Flour (NPD)
- Paul Southall – Runner beans (MD)



Exploring the market for speciality cooking oils and 'healthy' bread

A number of farmers who belong to Coastal Grain, a farmer-controlled grain marketing business in the North East of England, have identified two "value adding" opportunities for their products, but have little experience of consumers and thus whether and in what form their ideas might work.

With both cereals and oilseed rape value is generally added further up the supply chain when the grain is processed in one form or another. But, farmers are just as well placed to identify new ways of adding value and in this case identified a high value rapeseed cooking oil and speciality bread with specific health attributes as potential new product opportunities.



Consumer Analysis

Coastal Grain were among the first group of farmers to seek insight from the data on the behaviour of 1 million shoppers provided to us by dunthumby Ltd.

Their key questions at this stage were who would buy such products, how much would they pay and how large might the market be?

Speciality Bread

The analysis of the speciality bread market revealed a distinct lack of interest in these products amongst shoppers in the North East of England, Lancashire and Yorkshire – three regions in which the purchase index was significantly below the average for the country as a whole, see Figure 1.

Coastal Grains – Cold Pressed Rapeseed Oil

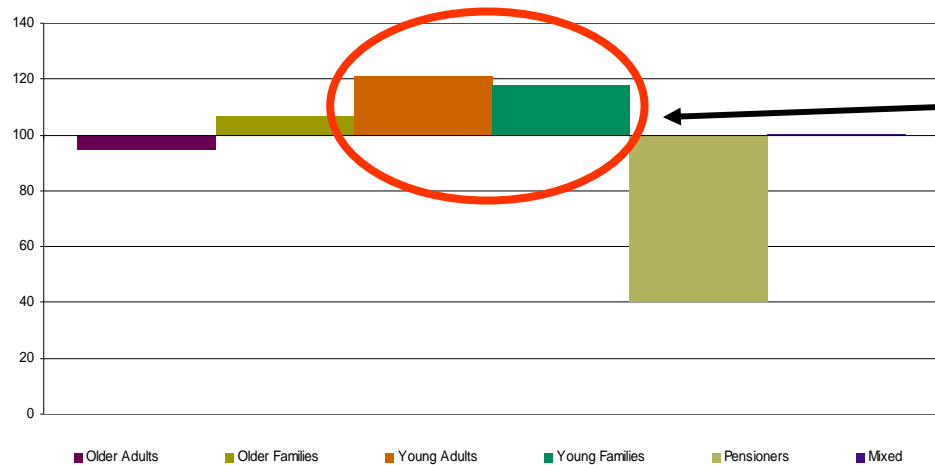
- 81 members with 62,000t of committed cereal storage and 11,000t of oilseed rape
- Seeking to improve the marketing of members' grain and add-value where possible
- Exploring various ideas but have limited knowledge of consumers and market potential to guide their decision-making

Rapeseed oil was poorest performer but but growth in speciality oils suggested niche opportunity

PRODUCT ITEMS	Number of Product Items	% Stores Stocking Products	Volume Growth over previous 52 wks (%)	Value Growth over previous 52 wks (%)	Customer Penetration (%)	Average rate of Purchase (no. of times per year)
Total Edible Oil	111	79	6	16	48	3.5
Vegetable Oil	7	78	3	6	17	2.5
Rapeseed Oil	2	35	-27	-26	1	2.0
Other General Cooking Oil	20	73	9	7	23	2.4
Speciality Oil	82	79	6	23	28	2.6

- Lowest penetration
- Significant negative growth
- Lowest average spend
- Poorly positioned - sells at a premium over vegetable oils but heavily discounted against speciality oils

Finding the opportunity...

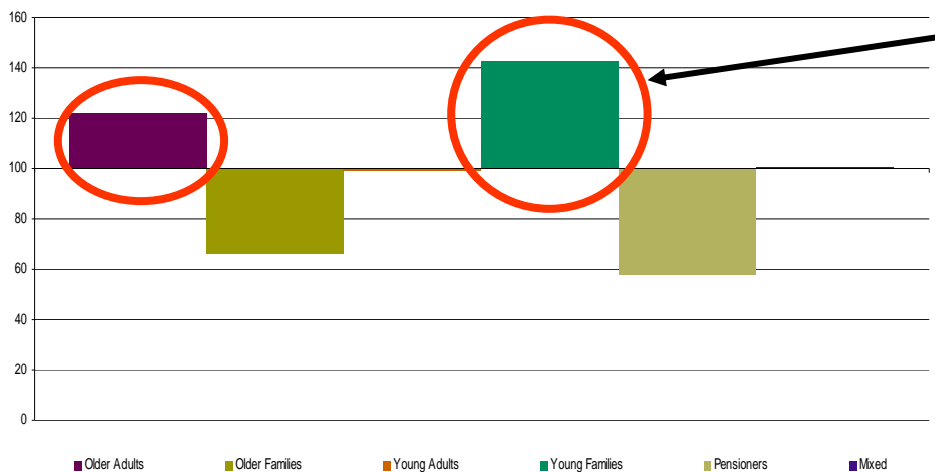


Belazu (extra-virgin olive oil)

- Appeals particularly to young adults and young families across the UK as a whole

BUT

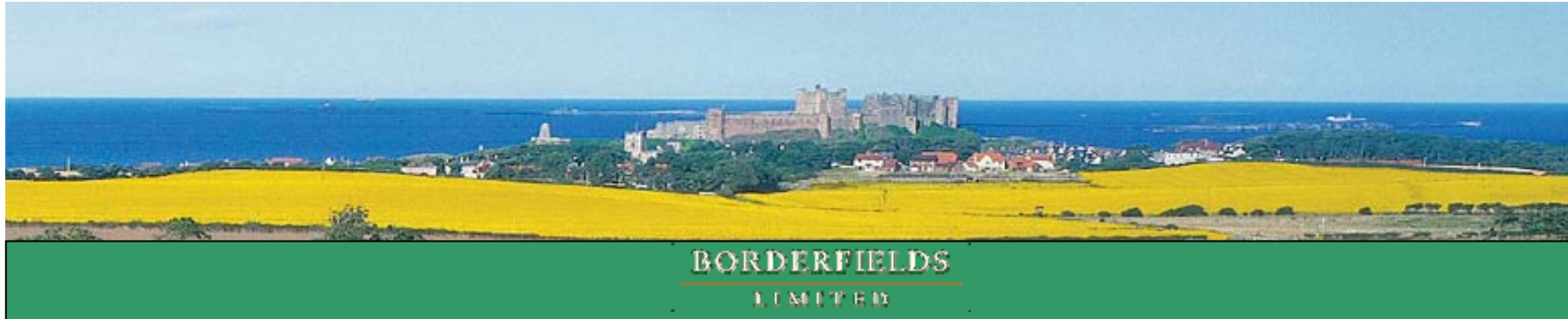
- Appeals particularly to young families and older adults in the North East



Concept development – focus groups (older and younger females)

- Strong positive associations with ‘taste’ and ‘health’ with extra virgin olive oil
- Lack of understanding of ‘health’, ‘taste’ or cooking attributes of rapeseed oil
- ‘Health’ and ‘local’ sufficient to drive trial purchase (provided the bottle catches the eye!) but taste and functionality will determine repeat purchase

A year later Borderfields and ‘Olifeira’ are born



Naturally Northumberland
quality food from the land



“We were all commodity producers making variable returns on our cereals and oilseeds and we felt it was time we tried putting some value into what we grew” John Baker-Cresswell

- 4 farmers, with support from a further 12
- Full-time sales assistant and PR officer
- ‘Bird Song’ wild bird food
- ‘Olifeira’ culinary oil
 - £6/bottle (600 bottles/tonne)
 - 2000% added value
 - Tesco launch 2009

Conclusions

Conclusions

- Shopper insight is an essential ingredient for success, no matter how good the product is
 - Differences in purchasing behaviour between segments may be significant and should not be assumed
 - Heterogeneous segments require differential treatment
 - The more limited the (marketing) resources the more important it is to target them

Conclusions

- Two golden rules
 - Don't prospect alone
 - You **will** miss some gems
 - What you find may not be as valuable as you think
 - Having the insight is not the key it's what you do with it that counts
 - Be proactive (don't expect someone else to do it for you)
 - Who stands to benefit the most from consumer insight?
 - Suppliers have a small number of products and should have expertise at the product level
 - Retail buyers are responsible for hundreds of products and have expertise at the category level, which for regional/local is extremely diverse

Warning!

- The dunnhumby data offers unparalleled breadth and depth but it does not tell us why shoppers behave the way they do
 - Further research is warranted in order to understand the purchasing drivers (e.g. attitudes, perceptions, motivations) before changes are made to the marketing mix (product, price, place, promotion) or resources are deployed for the development of new products

Next Steps

- Consider the extent to which consumer insight
 - feeds into your business strategy
 - is embraced by your business culture
 - Is integrated within your decision-making processes
 - existing products, customers and markets
 - new products, customers and markets
- Join our continuous improvement network
 - www.whobuysmyfood.org

Thank you!
