Shopper Management: An Analytical Framework for Customer-Centric Marketing

Overview
The shopper environment has changed dramatically over the last few years for all participants—retailers, manufacturers and consumers. Even as technology, channel, product, payment, promotion and media choices proliferate, success in the marketplace returns to a fundamental precept: understanding the shopper and their shopping behavior as the pathway to success.

This white paper outlines Nielsen’s approach to the emerging discipline of Shopper Management, an approach that integrates loyalty, transaction and consumer panel information and other contextual data, translates these data sets into segmentation layers that reflect consumer behavior, attitudes, product affinity, spending and promotional response patterns, then delivers actionable insights to guide in-store strategies.

The Shopping Environment
More choice and more convenience for shoppers have fostered more competition among retailers and manufacturers coming to terms with an increasingly fractured marketplace. Four dimensions characterize the changes defining today’s shopper environment—1) convenience, 2) choice, 3) innovation and 4) reach.

Convenience. Consider the fact that the sheer number of channels available to the average shopper has more than doubled over the last 50 years. Where grocery stores were once the only alternative for picking up staples like bread and milk, virtually every retail channel—from home improvement centers to pet stores—has tapped into the profit potential of food and beverage marketing.

Choice. Remember when coffee came in just two versions—regular or decaf? The explosion of options from whole beans to varying grinds to pre-measured pods, from cappuccinos to lattes, from house brands to franchise brands, is emblematic of the confounding array of choices available to shoppers in every category. Life used to be simple, especially when it came to grocery shopping. That was before the average grocery store carried upwards of 45,000 SKUs, exponentially complicating the life of time-strapped shoppers.

Innovation. New products are the lifeline for consumer packaged goods companies seeking to expand their footprint and facings at retail. New products bring excitement to the store, reinvigorate aging brands and ignite the consumer imagination. However, the consumer appetite for new products may have passed the satiation point as shoppers attempt to sort through the clutter of more than 32,000 new products introduced each year as measured by the Grocery Manufacturers Association.

Reach. New media alternatives have redefined how and where companies interact with their customers. Smart phones and the Internet have displaced more traditional media outlets in terms of immediacy and impact. The first order of business for marketers is determining a creative strategy and execution that will allow a product to break through the clutter of more than 3,000 marketing messages bombarding consumers every day.

Against this backdrop, the legacy category management approach has evolved to a more nimble and precise methodology that leverages the value of longitudinal consumer information. At Nielsen, that analytical approach is termed Shopper Management.
Key Questions

The Shopper Management process strives to answer five critical questions related to shoppers:

1. **Who are they?** Vivid customer segmentation reveals the inner workings and thinking of households through a series of lenses examining dimensions such as attitude, product affinity, spend/value perception, behavioral and lifestyle patterns and promotional sensitivity. The net result is improved buyer conversion rates.

2. **Why do they shop?** An understanding of the primary trip mission can reveal more effective pricing and promotional strategies. Which trips are stock-ups or quick runs? What’s the need state driving the trip—a restock, a special offer, an immediate need or pure entertainment?

3. **Where do they shop?** Awareness of channel switching activity and preferences can provide needed baseline information for developing loyalty strategies. This has never been more important, with 73% of shoppers admitting to shopping five or more channels.

4. **What influences them pre-store and in-store?** In a recent panel discussion at the Nielsen Consumer 360 conference, representatives from Food Lion, Unilever, Pepsi and Kraft agreed that in-store and social media are redefining the consumer experience. Customer service is rapidly emerging as the new currency for bonding with shoppers and retaining control over the brand.

5. **How do they respond?** That which matters gets measured. Perhaps the most critical part of the process is to understand what works about the product, pricing, promotion and placement and make adjustments to turbo-charge the impact of shrinking budgets.

Shopper Management Framework

As practiced at Nielsen, Shopper Management represents the art and science of deriving and acting on insights about the shopper and the shopping process. The true power of the model vests at the intersection of shopper and consumer insights, viewed through the lens of customer segmentation. Those consumer-centric insights guide assortment, promotion, merchandising and pricing strategies that are then converted into store-based programs that can be measured and tracked for overall effectiveness.

What differentiates the process is the focus on shoppers and shopper segments as opposed to categories. Rob Colarossi, Vice President of Customer Development with the Dr Pepper Snapple Group, an early adopter and advocate of the Shopper Management methodology, summarized the need for a shopper-centric approach this way: “In today’s marketplace, it’s not about brands anymore. It’s about the shopper.”

Category management represents a legacy approach fueled by data sets reflecting weekly item movement. Shopper management deploys three types of information, integrated to fully dimensionalize the consumer:

- **Loyalty card data** is now more accessible than ever. This enables a behavioral understanding of how consumers actually shop the store, promotional sensitivity, brand loyalty and complementary item relationships for cross-merchandising purposes.
- **TLOG or transaction log data** reveals shopping basket composition and tracks changes in the basket over time for each household. The granularity of the data informing Shopper Management decisions leads to rich and robust insights that are delivered to marketers.
- **Consumer Panel data** presents longitudinal information about consumer purchase behavior across all outlets, detecting emerging trends and shifts in buying behavior, as well as a gauge on store performance against the competition.

Nielsen’s Shopper Management Process Loop

**Step 1: Define Objectives.** What are the business issues that the analysis needs to address? What is the operative strategy and tactical plan being measured? How will the recommended action plans benefit each business partner?

**Step 2: Collect & Integrate Data.** Activating the Shopper Management Process requires assembling and integrating all of the disparate data sets that inform consumer behavior: loyalty card, transaction or TLOG and consumer panel data, for a full-circle view of the consumer.

**Step 3: Create Segmentations.** The strength of Shopper Management is its ability to synthesize simplicity from the complexity of the shopper milieu, identifying and aggregating households along important variables such as attitude, product affinity, spend/value perception, behavioral and lifestyle patterns and promotional sensitivity. As one client put

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1. Per Colarossi presentation narrative at C360.
it, "marrying behavioral information with attitudinal information allows us to find real people to target versus some artificial construct."

**Step 4: Conduct Analysis.** The Shopper Management Process combines consumer, shopper and customer insights to improve buyer conversion rates by calibrating assortment, promotion, merchandising and pricing strategies for more effective store-level executions. Programming sophisticated analyses into the system ensures accurate and repeatable projections and recommendations.

**Step 5: Prioritize Findings.** To facilitate decision-making, the Shopper Management process generates alternative strategies for meeting stated objectives, with projected outcomes that help visualize and ordinate implementation plans.

**Step 6: Activate Insights.** With a clear pathway to shoppers in hand, the marketing team can craft targeted campaigns that reach shoppers pre-store, in-store, and reinforce the purchase decision at the point of consumption, all with unprecedented precision.

**Step 7: Measure Response.** Relationships—between channels and stores, stores and shoppers, shoppers and products, products and complementary goods—media responsiveness and promotional effectiveness all get captured and fed into the Shopper Management model, where actual results align with anticipated outcomes and variances suggest strategic modifications. Diagnostics evaluate results relative to the category, competitors, retailers and channels.

**Step 8: Adjust Strategy/Execution.** Using outcomes and responsiveness to establish a baseline, the team can recalibrate the go-to-market strategy and adjust the marketing mix to better match the consumer wants and needs evidenced by transaction data. The process loops around again in an incremental effort to optimize results.

**A Repeatable Process**

According to Wikipedia, "to be termed *scientific*, a method of inquiry must be based on gathering observable, empirical and measurable evidence subject to specific principles of reasoning."

In the case of Nielsen’s Shopper Management Process, the science involves an eight-step repeatable process with a continuous feedback loop.

**Net Effect**

In a truly consumer-centric world, Rob Colarossi envisions retailers and manufacturers harmoniously staging cooperative marketing efforts against common goals through aligned planning and execution. The reason is simple and builds from the foundational assumption that underlies the Shopper Management model: The shopper is paramount.

His experience with Shopper Management at Dr Pepper Snapple Group has demonstrated that when retailers understand the brand value to the stores, then retailer behavior changes. When that behavior changes, category profitability improves because the partnership is treated as a strategic asset. When that asset is completely embraced, it drives overall account performance to the benefit of both partners. The shopper base expands over time, maximizing future volume initiatives.

Shopper Management represents a consumer-centric approach to marketing that keeps the shopper front and center in brand and store planning for more cooperative, and more profitable, outcomes.
About This White Paper

The data and insights in this white paper are compiled from a range of Nielsen resources. For more information, contact your Nielsen representative or Jay Stockwell, Senior Vice President, Shopper Management and Loyalty, North America, The Nielsen Company, jay.stockwell@nielsen.com.

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