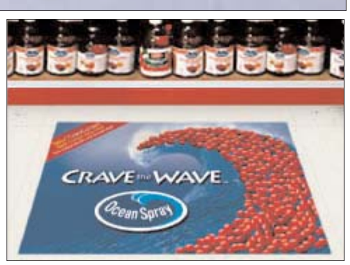
mediaedge:cia
insidedge
MediaLab
sensor
June 2005

Sensor™ Study on In-store Media: 2005 US Findings

The latest study of the Mediaedge:cia's SENSOR™ series – our ongoing research investment to measure the impact of various forms of advertising on consumers – focuses on a unique medium that provides an innovative way to capture consumers' attention. What makes the in-store medium so special is its ability to deliver brand messages at the critical point of a shopper's purchase decision. In-store advertising provides the recency[1] extension to marketers' efforts in reaching key audiences at a time when they are making their final brand choices. As the point-of-purchase industry exceeds an estimated $20 billion[2] in expenditures, it is an indication that the various forms of in-store media have become increasingly important to advertisers in a world of fragmented mass media.

In-store media has the potential to reach a broad universe of grocery shoppers, which is estimated to be 96% of the total population.[3] Although fewer trips are being made to grocery stores, and more trips to value/dollar and supercenters/club stores, the majority of grocery shopping still comes from the typical grocery store. The average American made 69 trips to the grocery store in 2004, which is down from 75 in 2001 and 92 in 1995, while trips to supercenters (frequented by 54% of shoppers) increased from 18 in 2001 to 27 annual trips in 2004.[4]

The earliest forms of in-store media were simple signs created by retailers to advertise featured prices. Today's varieties of in-store media have expanded to include everything from floor advertising and end-aisle displays to in-store broadcasts of television and radio. In-store media have an advantage over traditional media advertising in that they can be more complementary with merchandising and trade promotions (displays, features, TPR's). Also, consumer packaged-good manufacturers can exercise a great deal of innovation in execution and benefit in added revenues. For example, the Campbell Soup Company used in-store media not only as a brand reminder, but also to introduce consumers to a clever way in which to use its product. A FLOORad™ for Cream of Mushroom Soup was placed in front of the poultry case. It offered a recipe to consumers and an aisle locator directing shoppers to the soup aisle.



1. Recency theory claims that the advertising exposure closest to purchase influences the brand choice of consumers who are already in the market for the product. The balance of Recency and Frequency is defined by a brand's objectives and communication strategy.
2. Promo magazine, "Point-Of-Purchase:$17 billion", Oct 29, 2001: (http://promomagazine.com/news/marketing_point-of-purchase_billion/.) MEC estimate of 3% annual increase since '01.
3. Source: Simmons Fall 2004 NCS Adult Full Year Study, "shopped at supermarket/food store, drug store, convenience store, mass merchandiser, or club store in past 4 weeks".
4. Source: AC Nielsen Channel Blurring Study.

continued

IN-STORE MEDIA: 2005 US FINDINGS

continued

This in-store effort resulted in significant increases in brand sales and proved to be more effective than the average floor advertisement.

While some forms of in-store media may be effective in increasing trial of new products (without requiring consumers to clip coupons and bring them on their shopping trip), other forms can be more interactive; based on consumer preferences or on data from the loyal customer database (e.g., ads on the back of cash register tape.) As newer and more innovative forms of in-store promotion are developed, it becomes more challenging for advertisers to understand the value and impact of each form.

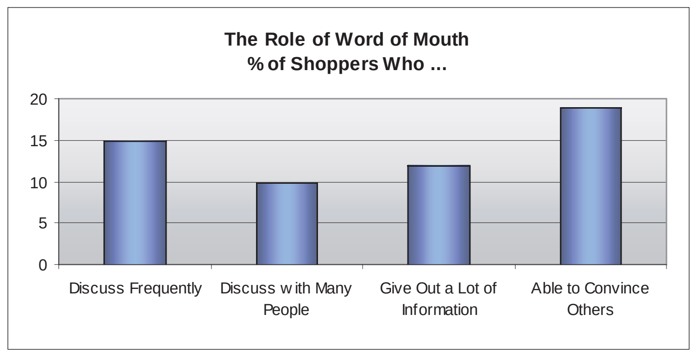
The MEC 'In-store' Sensor study – conducted in November of 2004 among a nationally representative sample of US consumers aged 18 years and older – expands our knowledge of in-store media in grocery-related channels by delivering insights in the following areas:

1. Grocery shopping habits of American consumers
2. The influence of kids on brand choice
3. The impact of various forms of in-store media
4. Understanding which in-store media are more likely to prompt consumer action
5. The role of word-of-mouth for promotional offers and in-store ads

FINDINGS

▶ **Special offers in the grocery store generate a relatively low word of mouth compared to other categories.**

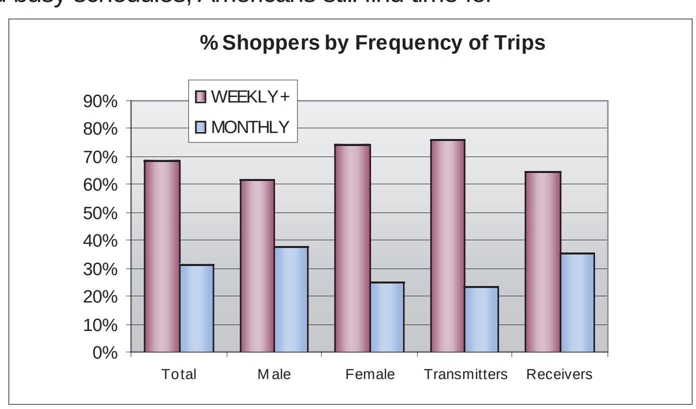
Word-of-mouth involvement is defined by four dimensions: 1) frequency of discussion, 2) number of people involved in the discussion, 3) amount of information given out and 4) the ability to convince others. MEC defines the top 30% of the most involved with word-of-mouth activities as Transmitters, and the remainder as Receivers.



- Promotional offers and ads generate a low level of buzz among shoppers. Only about 15-20% of shoppers are captivated enough to initiate frequent discussions with other people about the brands advertised and then try to convince them of their opinions.
- Although not very dominant, there is some value from Transmitters spreading the word about in-store ads, especially ads at the checkout counter and around store entrances and parking lots.
- Overall, Transmitters are also more aware of in-store ads, noticing every type of ad more than Receivers.

▶ **69% of consumers shop for groceries every week**.

- Despite longer work hours and busy schedules, Americans still find time for weekly grocery shopping trips. 28% of shoppers do it on a monthly basis and only 3% do it daily.
- Men are almost as likely to do grocery shopping as women – but do it less frequently.
- Transmitters are more frequent shoppers.

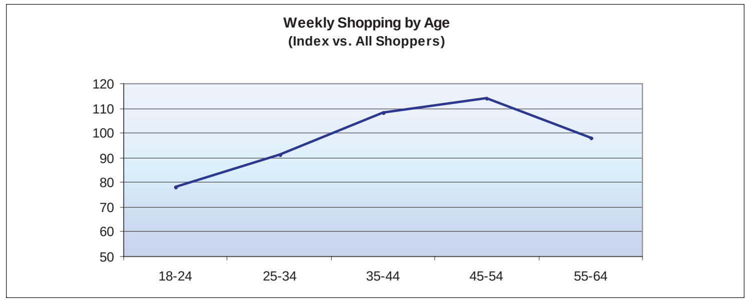


FINDINGS
continued

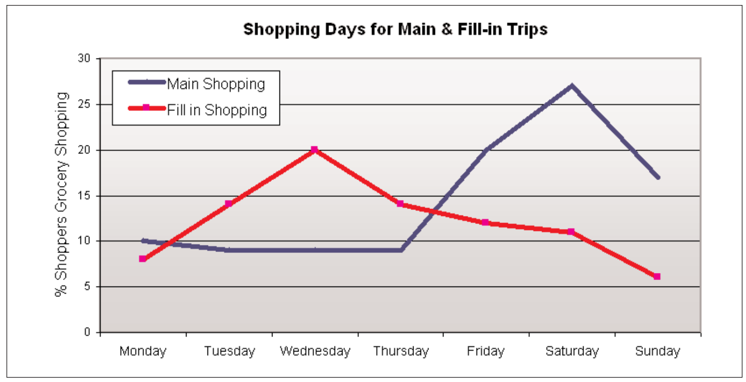
▶ Frequency of shopping trips increases with age, until the mid-50s.

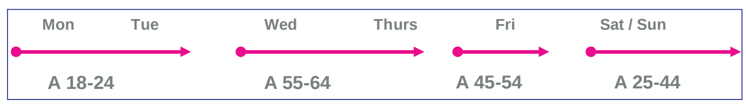
It comes as no surprise that as consumers age – and their families expand – their need for more groceries increases, prompting more frequent trips to the store.

- 35-54 year old shoppers are almost 30% more likely to do weekly shopping than their younger counterparts.
- 76% of 35-54 year olds shop weekly vs. 59% of 18-34 year olds.



▶ It's Saturday… do you know where your consumers are?

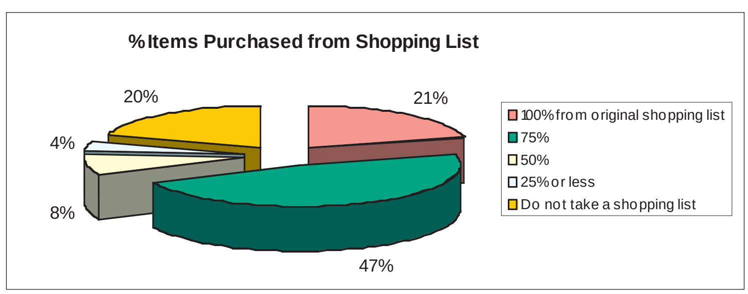




- Friday through Sunday – are the days of choice for grocery shopping.
- Wednesday is the preferred day for "fill-in" shopping.
- Shoppers' age plays an additional role in selecting their most frequented main shopping days. The oldest consumers, 55+ year olds prefer to shop in the middle of the week. Traditional newspaper advertising for food products on Wednesdays works well for these consumers. Meanwhile, the 25-44 year olds can be found shopping mostly on weekends; the youngest, and the least frequent adult shoppers, tend to reserve the beginning of the week for this chore.

▶ Close to 70% of shoppers use a grocery list and buy most items on the list.

- Over the years, many discussions have been devoted to better understand consumer behavior in selecting products and brands at the point of purchase vs. planned brand purchases. This research points to a remarkably high proportion of shoppers coming to a store armed with a grocery list.
- Only 20% of shoppers do not bother with any type of a shopping list.
- The list-makers tend to be 25-54 year old females.
- Not surprisingly, the 18-24 year olds are the least likely to use a shopping list.

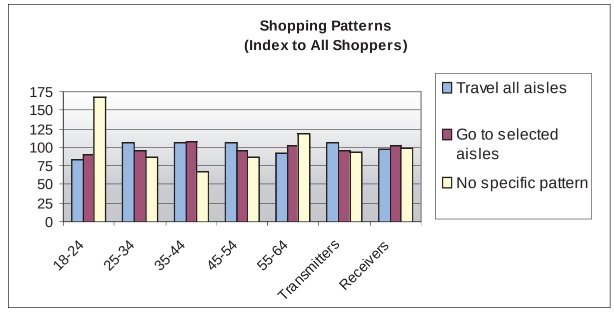


▶ Consumers' movement through the store reveals many opportunities for exposure to in-store media.

- Despite all the talk about being pressed for time, 51% of shoppers still move through all the aisles in the store, making them a perfect target for exposure to in-store media. *continued*

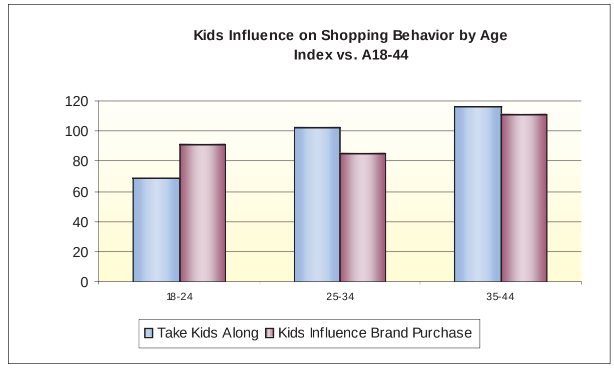
FINDINGS-
Opportunities for exposure
continued

- One-third of shoppers go to select aisles only on their major shopping trips.
- While the 25-54 year olds have a systematic way of moving about the store, the younger shoppers do not follow any specific patterns, resulting in a greater challenge to reach them.



Little People – Big Voice: Children influence parents' brand choices.

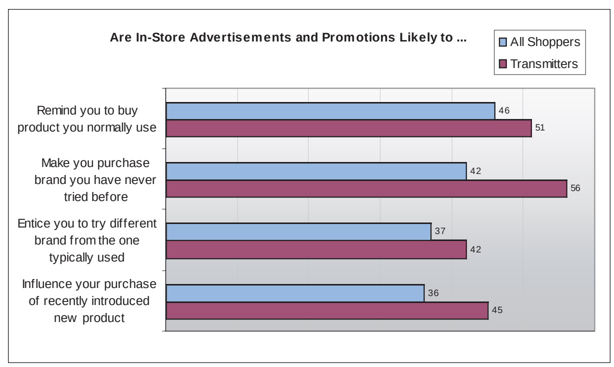
- 51% of shoppers with families (18-44 year olds) take kids along on their food shopping trips. Women are more likely to do so than men, and moms in the Northeast are less likely to shop with kids.
- 64% of 18-44 year old shoppers claim that their children influence their brand decision. This is especially the case for the older, 35-44 year old moms (112 index).



What are the most effective uses of in-store media?

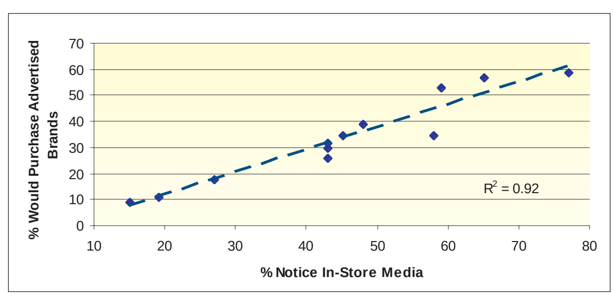
As the use of various forms of in-store media proliferates, understanding their role in fulfilling a marketing objective becomes critical. These findings shed light on the most effective uses of in-store communication contacts.

- In-store ads are more likely to remind consumers to purchase a product that they normally buy than to stimulate a trial of a new product.
  - ⇨ Yet, over a third of shoppers admit that the in-store ads influence them to purchase a new product or try a different brand from the one typically used.
- Transmitters tend to be more responsive to any of the in-store media, especially when it comes to buying a brand they have never tried before.



Exposure to in-store media serves as a good predictor of unplanned brand purchases.

- In general, a strong correlation exists between shoppers noticing an in-store ad or a promotional offer, and then having that exposure result in brand purchase.

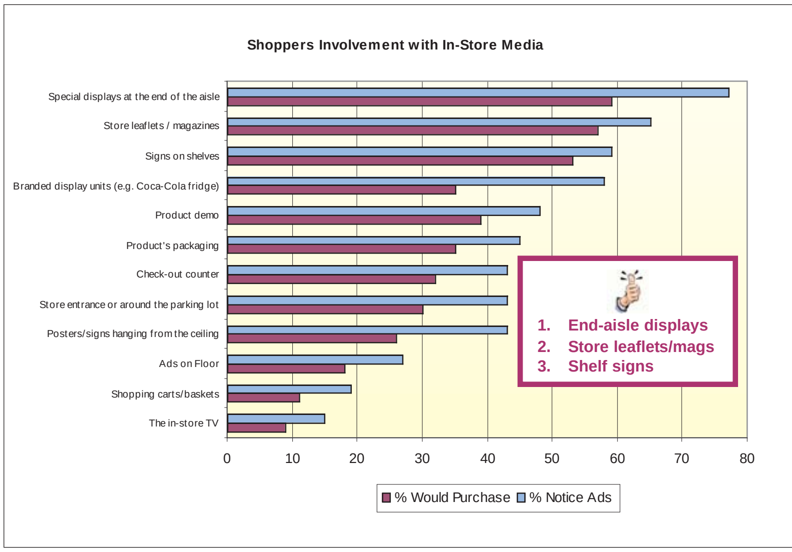


continued

FINDINGS
continued

44% of shoppers notice an average in-store ad and 34% claim to be influenced to purchase the advertised brands. And the winning in-store media are …

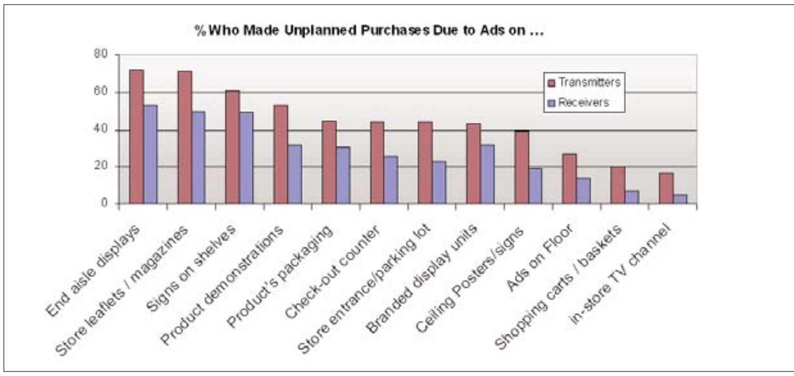
- Shoppers are very involved with in-store points of contact.
  - ⇨ The great majority (91%) of consumers have had opportunities to see all types of in-store advertising.
  - ⇨ Only in-store TV commercials had lower penetration, due to TVs installed only in select grocery retailers across the country.
  - ⇨ End-aisle displays and store leaflets/magazines are the most noticed forms of in-store advertising, because they are usually deal-related.



- However, shopping cart ads and in-store TV are ignored by busy on-the-go shoppers.

Word of mouth increases the effect of advertising across all in-store contact points.

- Transmitters demonstrate a greater responsiveness to all forms of in-store ads.
  - ⇨ They are 33% more likely than Receivers to notice in-store ads and are 61% more likely to make purchases of advertised brands.



A shopper's age can determine how responsive he/she is to different types of in-store media.

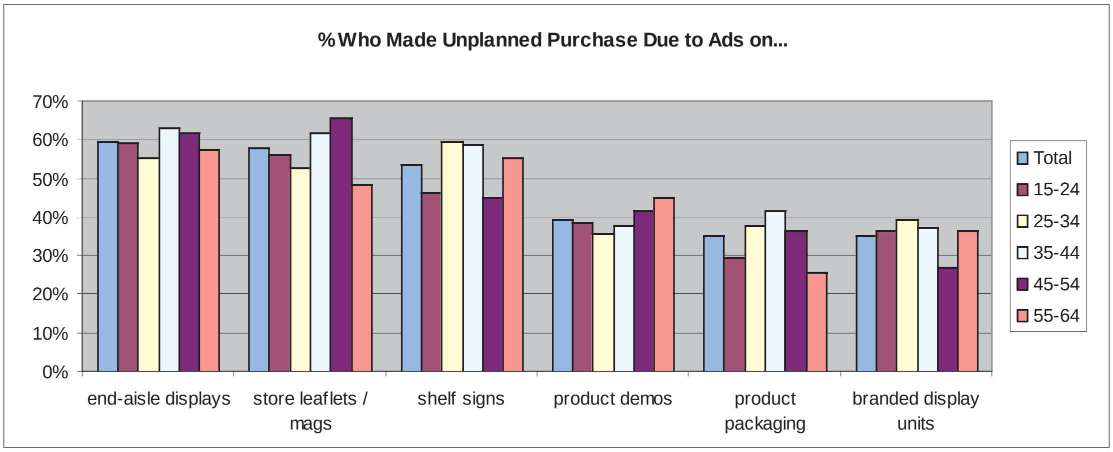
Although there is a general effectiveness hierarchy of in-store media in driving unplanned brand purchases, some contacts work harder against older consumers, while others are more impactful with the younger set.

- Older shoppers (age 55-64) are influenced by product demonstrations to make purchases.
- Shoppers aged 45-54 are 66% more likely to respond to store leaflets/magazines.
- Shelf signs are effective in driving unplanned purchases among shoppers aged 25-44 (58%).
- Shoppers aged 35-44 respond favorably across many in-store media, and are most influenced – in comparison to other shoppers – by product packaging (42%), as well as by some of the less effective forms such as check-out counter ads (41%), and ads around the store entrance/parking lot (34%).
- In-store ads, with the exception of poster ads hanging from the ceiling, are more effective against female shoppers for triggering unplanned purchases, especially if they are deal-related.

continued

FINDINGS
continued

Looking at the top most responsive in-store media …



SUMMARY

In-store media advertising represents an effective extension to marketers' efforts in reaching consumers in the most relevant and impactful environments. Since these various communication forms represent the final point for brand choice selection, creative use of in-store media can provide a pivotal role in driving brand sales. In-store media, in general, have the distinction of generating the second highest level of consumers' "intent to purchase the advertised brand after exposure to the ad" as compared to other media forms measured in previous Mediaedge:cia's Sensor studies, trailing closely behind TV's impact.

This research illustrates that consumers have many opportunities to be exposed to in-store media, since most are shopping on a weekly basis with many walking through all the store aisles. Understanding when the target is most likely to be in the store helps the advertiser further maximize the impact of the in-store communications. Almost 1 out of every 2 consumers surveyed has noticed in-store advertising and promotions and 1 out of 3 has been influenced to purchase a brand due to the advertising. Typically, in-store ads are more likely to prompt a repeat purchase than to motivate a trial purchase. While some forms of in-store communication are more effective than others, word-of-mouth further magnifies the impact of in-store advertising.

In conclusion, in-store advertising is expanding and serves as an effective complement to other communication efforts in the era of channel neutral planning. Retailers and manufacturers are finding more innovative ways to use the retail environment for advertising, engaging with the consumer at the point of sale. As newer forms of the media come into the marketplace, we need to be ready to measure their affect on consumers' acceptance and the ability of the media to close the deal. The Sensor's key impact dimensions of "noticibility" and "intent to purchase" serve as good indicators and differentiators of the value of communication contacts in driving brand purchases.

Comment

The In-store Sensor study was conducted across 26 countries with a total sample of 15,300 shoppers. It was fielded by telephone interviews and coordinated by BMRB International.

Authors: Ayala Cohen and Fran Kennish

If you wish to receive our newsletters via email or if you have any questions or comments, please contact Nathalie Alfred, Partner, Marketing & Communications at (212) 474-0554 or by email: nathalie.alfred@mecglobal.com.

A publication of mediaedge:cia

insidedge™ MediaLab sensor

825 Seventh Avenue
New York, NY l0019