Shopper Intelligence

Winning in Convenience

The Shopper View

November 2024

Introduction

According to the industry, the Convenience channel is expected to reach £50bn in sales value by the end of 2024 – showing strong growth of over 4% [1].

It certainly seems to be an area that everyone is giving more focus, both Asda [2] and Morrisons opened more new stores last year, whilst Waitrose announced 100 openings over the next five years [3] and Tesco has just begun new ‘food to go’ trials in 30 high footfall stores [4].

All of this activity must be happening for a reason. Busier lifestyles, an increase in shopping around and more frequent smaller shopping trips, will almost certainly have contributed to retailers’ desire to give the format more focus. Additionally, there is also the view that the channel offers greater opportunity versus traditional Grocery which has become increasingly homogenous and driven by a narrow focus on price.

As Convenience becomes the latest battleground it will be interesting to see who the winners will eventually be. What’s certain is that key to winning in Convenience will be a comprehensive understanding of the shopper, their needs and the missions that drive the trip. For shoppers this is not simply a ‘mini supermarket’ and those that acknowledge and adapt from this will be the likely winners in the end.

In setting out to consider how retailers and suppliers can win in Convenience, there are a number of aspects to consider. In this article we’ll explore what makes shoppers unique in Convenience, from their needs and motivations, the typical behaviours we see, and even which occasions play more to this channel.

Set up for the trip

Our first strategy is to be sure we know what drives shoppers to visit the store in the first place. This will be fundamental in helping develop tactics that prompt that visit, and in driving footfall to the store overall.

Strong promotional offers can often be a reason that shoppers take a trip to a store and as figure one shows this is much stronger in the convenience channel than we see in main store grocery. So, a good offer could be a reason that shoppers visit, and consequently communicating that offer effectively in-store becomes even more important. The last thing we want is for shoppers to be unable to find the item or offer they've come in for in the first place.

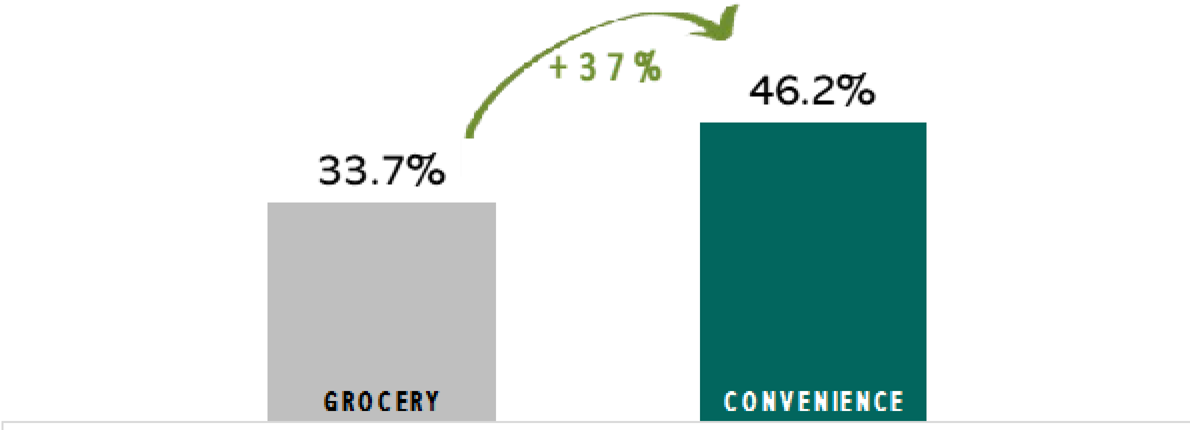

Figure 1: shopper agreement with statement, "promotions encourage shopping

Just as promotions help drive traffic, so too can a shopper's need to not run out at home, and the effective loyalty generated by executing well, with the right products and the right offers.

Setting up for the trip should also include an understanding of shopper missions to identify what's really driving shoppers to a Convenience store. The 'top up' shop clearly forms a big part of this for shoppers, however, perhaps the bigger opportunity for retailers and suppliers to differentiate is the 'eat/use now/soon' mission. As shown in figure two this mission significantly over indexes for Convenience.

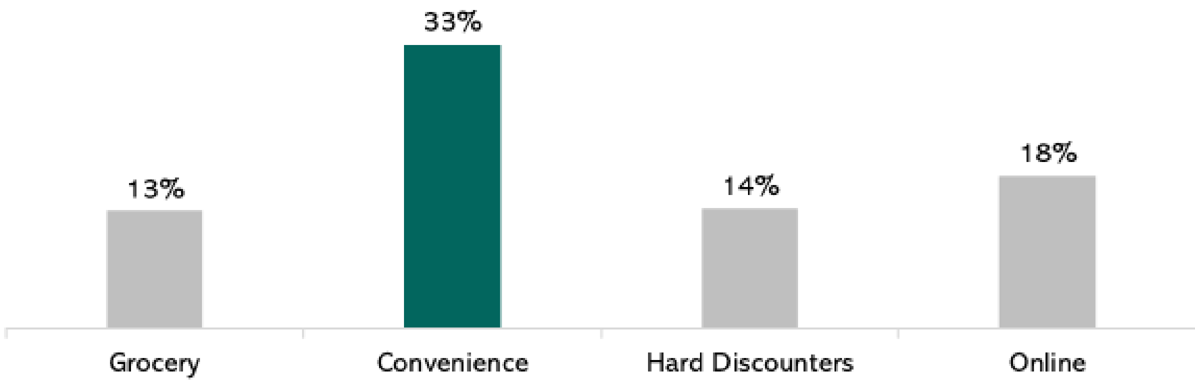

Figure 2: & shoppers buying on an 'eat/use now/soon' mission

To capitalise on this will require new considerations around areas like assortment (pack sizes and formats for example), merchandising (to help shoppers buying complimentary categories), and signage and point of sale material (to ensure products are easily found and bought).

Make the offer relevant

Now that we understand a little more about the mission opportunity in Convenience, the next step is to consider the occasions that shoppers are buying for. Typically, in Grocery stores we're likely to see a much larger number of purchases for 'general use' or 'no particular use' – in fact 76% and 43% more respectively, in Grocery versus Convenience.

However, where Convenience particularly over indexes is in 'snacking' occasions. As we can see in figure three, Convenience shoppers are over 30% more likely to be buying for a snacking occasion, meaning products designed to meet this need are more likely to succeed. A nod here to the recent acquisition of Kellanova by Mars which certainly helps position them well from a snacking point of view [5].

This focus on snacking opens up the opportunity to drive aspects like trade-up and premiumisation as shoppers will be more open to seeking new snacking options.

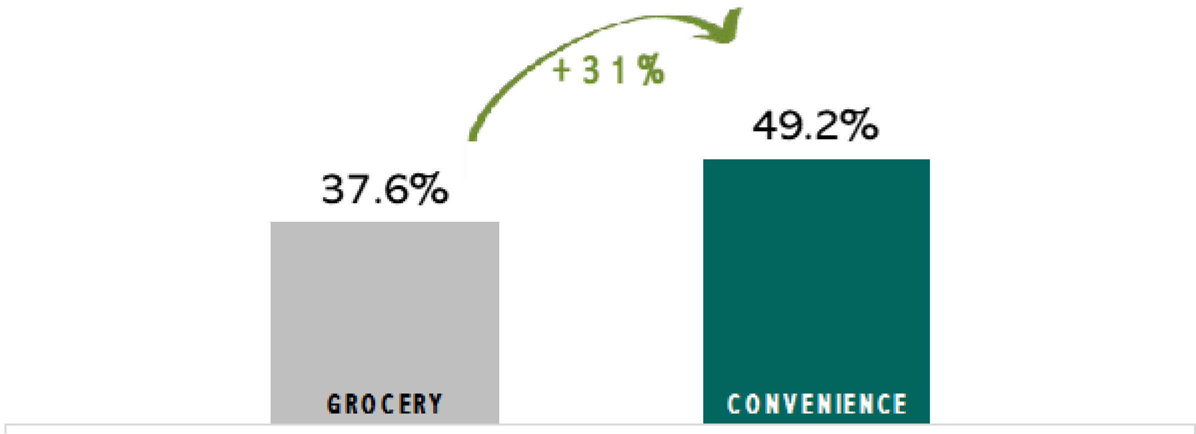

Figure 3: % shoppers buying for 'snacking' occasions

Interestingly, what we also see is that within these snacking occasions around 50% of them are typically sharing occasions (i.e. for two or more people). The creates an opportunity for Convenience to focus ranges more towards sharing rather than the typical 'stock-up' options we might normally see dominate fixtures. A good example of this can be seen in Confectionery where segments like sharing bags dominate attention from shoppers versus traditional multipack options.

Another aspect to consider in making sure we have a relevant offer is trip duration. We need to remember that shoppers in Convenience are spending much less time in store versus a typical supermarket and are likely to be much more focussed on what they need to get.

Figure four shows just how different average trip duration is across Convenience versus Grocery. Shoppers typically spend only one sixth of the time in store that they will in Grocery.

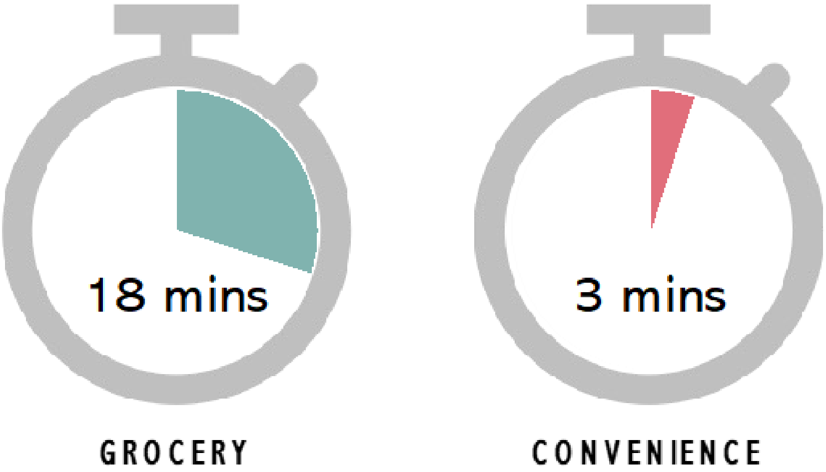

Figure 4: average trip duration, all shoppers, typical supermarket and convenience store

What does this mean? Well, it's going to be more important to help shoppers quickly find what they want to avoid frustration – think navigation and ease of shop, but also range in terms of offering the right choices. It will also mean that potential impulse offers and basket building tactics will need to be visible and relevant to be considered and bought.

Disrupt the usual flow

Given what we've already discussed about trip duration, another key aspect to ensuring success in Convenience is giving consideration to how shoppers flow through the store, where they most typically visit and of course where they don't!

In figure five we show how shoppers flow around a typical Convenience store based on footfall, what this really highlights is even in small stores, how little is frequently visited by shoppers and thus how critical disrupting this flow can be.

Figure 5: typical convenience store heatmap, traffic flow—red indicates most traffic

This shopper flow is significant when we know that Convenience shoppers are sixty percent more likely to buy from display when compared to purchases in other channels (figure six). If these displays are to deliver as planned and create a return on this investment, then they must be present in the right locations around the store to be visible to shoppers.

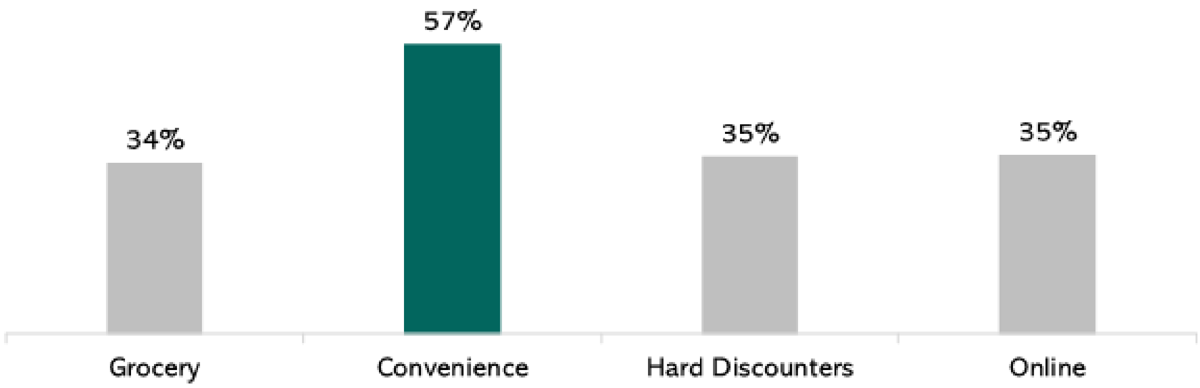

Figure 6: % shoppers that bought from a secondary display (all types of display)

The location of secondary displays is also doubly important given that we know these displays play multiple roles for the store. They're not simply an opportunity to sell product to shoppers, but in many cases, they are also an 'advert' for the category (figure seven – 'advertising effect'), prompting shoppers to consequently make a purchase from the main category aisle. For instance, we know that on average the display 'advertising effect' in Convenience is 2.19 or in other words, shoppers are over two times as likely to visit and buy from the category fixture if they see a display. Also of note is that displays after the main aisle are much less likely to prompt shoppers to return to the category and make a purchase.

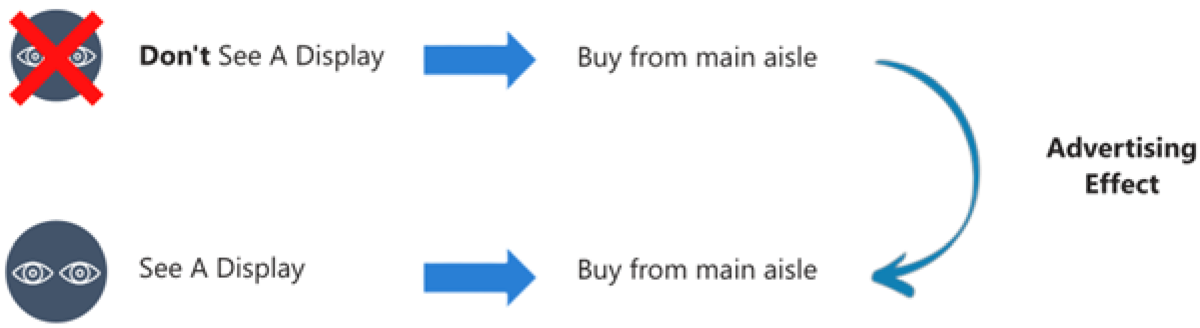

Figure 7: Shopper Intelligence 'advertising effect' explained

Locating displays appropriately is only part of the challenge of course, we need to be sure the displays themselves are set up for success. Consider what will attract a glance from shoppers and crucially what will hold their attention long enough to create engagement with a display and ultimately prompt a purchase.

Displays should offer a simple message to shoppers to capture attention in the few seconds they're seen. Product visibility is also key, as is limiting the different products within a display and making sure that whatever the offer is, it's communicated clearly and simply. All of these factors will help convert visibility into engagement and eventually engagement into a purchase.

Of course, having shoppers with a greater tendency towards temptation and impulsivity will also be key. This is something that we see come through much stronger in Convenience than elsewhere, as shown in figure eight, shoppers are over forty percent more likely to be in this mindset within Convenience versus Grocery.

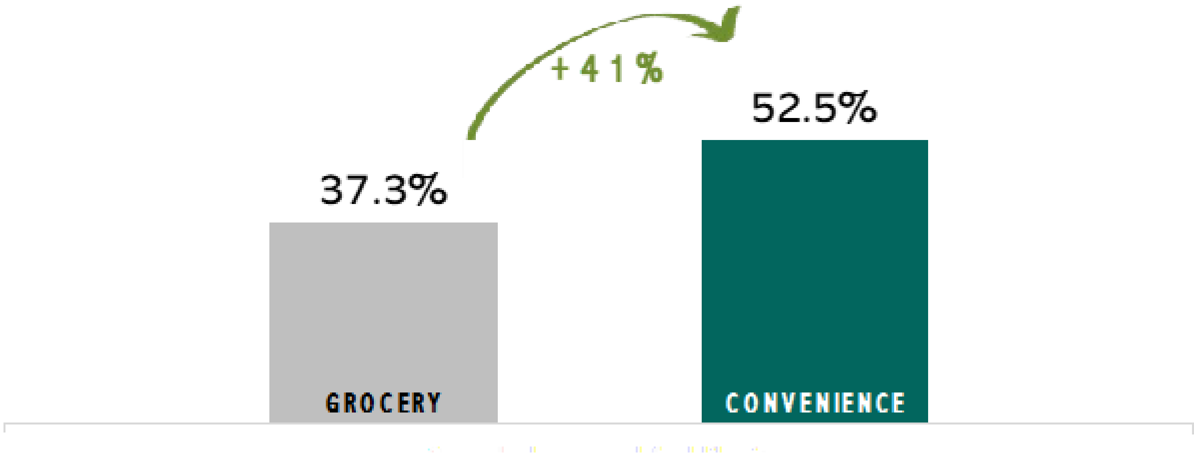

Figure 8: shopper agreement with statement, 'buy because I feel like it'

Keep things simple

One of the biggest gripes for Convenience shoppers is simply being able to find what they're looking for! Shoppers are significantly less satisfied with 'ease of find' (navigation) when compared to what we see in Grocery, satisfaction is almost twenty percent lower on average.

The real significance of this fact only comes to light when we look at what the priorities of the Convenience shopper are versus Grocery. As figure nine shows, the most important things to shoppers are essentially the same in both channels, however outside of these 'hygiene factors', navigation (ease of find) is next of the list for Convenience shoppers whereas it only just makes the top 10 for Grocery.

	Convenience		Grocery
1	Fresh	1	Fresh
2	Quality	2	Quality
3	Price	3	Price
4	Range	4	Range
5	Offers	5	Layout
6	Navigation	6	
7		7	
8		8	
9		9	Navigation
10		10	

Figure 9: shopper priorities by channel, ranked on most important

So, the effect is amplified, navigation is more important, *and* shoppers are less satisfied with it. Clearly, simple store layouts which are logically linked to the missions and occasions shoppers are shopping for, are a must for Convenience.

If we're able to help shoppers find what they are looking for more easily there are additional benefits to this which may help grow baskets overall. Generally, when shoppers are able to complete their initial task quickly and easily, they will be much more open to exploration and browsing after this, since they've freed up time. Shopper willingness to browse is actually something that we see more of in Convenience versus Grocery anyway, perhaps because there is less store to explore, shoppers will explore it.

Figure ten shows how willingness to browse compares, but also delves a little deeper than this to show the reasons behind this. Whilst there is a great percentage of Convenience shoppers showing engagement (interested), the greater differential is actually of those that browse for more negative reasons. Almost a third more shoppers in Convenience are uncertain or seeking inspiration and this is what drives their willingness to browse.

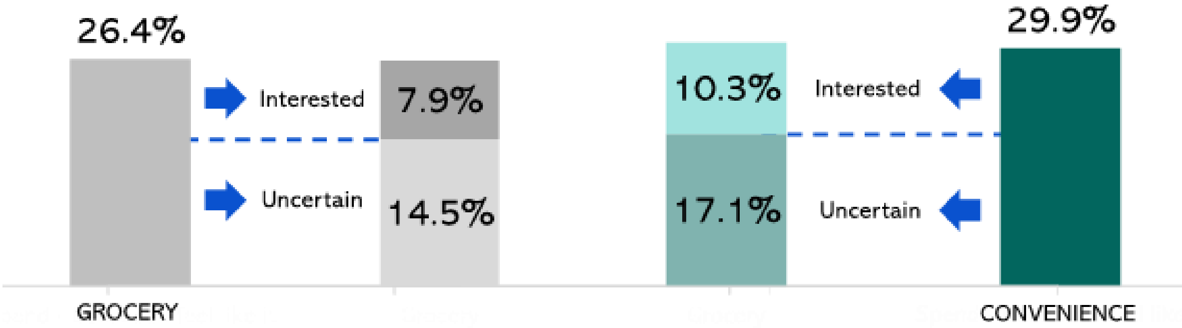

Figure 10: % shoppers willing to browse and reasons for this

Earlier in this section we talked a little about shopper dissatisfaction (specifically with navigation), clearly one thing we don't want is unhappy shoppers. If shoppers aren't happy then they're much more likely to shop elsewhere next time, and on a category-by-category basis they may even walk away from a category within a specific shopping trip. This impacts overall basket size and may have a lasting effect on shopper loyalty.

In figure eleven, which shows the average relative risk of this 'walk away' for the Convenience and Grocery channels, we can see that Convenience shoppers are on average almost ten percent more likely to 'walk away' than in Grocery.

There are obviously multiple reasons shoppers leave a category without making a purchase. It could be down to assortment, category merchandising or indeed the final offer in place to entice shoppers. Focussing on doing the simple things right is just one part of it, albeit an important one. These are the types of risk that see retailers making big plans across entire estates such as was recently announced

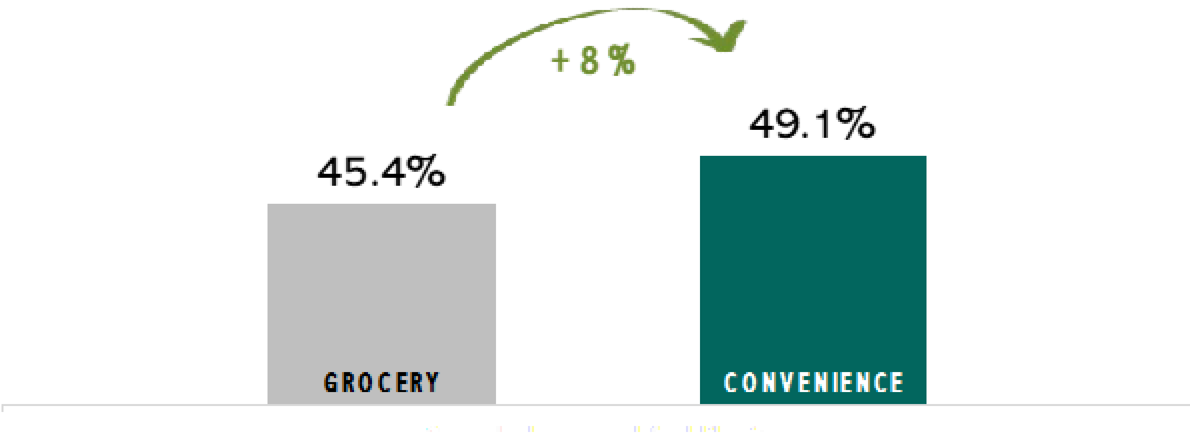

Figure 11: % shoppers that will 'walk away' if they can't find what they wanted

Look for ways to differentiate

Outside of making sure we are doing all the essentials already discussed in this paper to keep shoppers happy, there are other areas that we may want to consider when it comes to winning in Convenience. As we briefly touched on at the beginning, something we can all readily see is how the landscape within Grocery has increasingly become one of homogeneity. For shoppers this makes the choice of where to shop and where to place our loyalty very simple, with other factors such as proximity dictating the decision.

Finding ways to differentiate requires a deeper understanding of shoppers across other aspects, such as shopping attitudes towards macro trends like health and sustainability.

Sustainability is significantly more important to Convenience shoppers with factors such as demographics playing a role in this – the question then becomes how to differentiate?

Finding the right sustainability messages to focus on would be a good start, we know that shoppers are focussed on aspects like recyclable packaging, sustainable manufacturing and products with clear sourcing. However, these factors are universal and actually, not really any more important for Convenience or Grocery shoppers. One area that may be a good starting point is local community support. These aspects very clearly stand out for Convenience shoppers when compared to Grocery as shown in figure twelve.

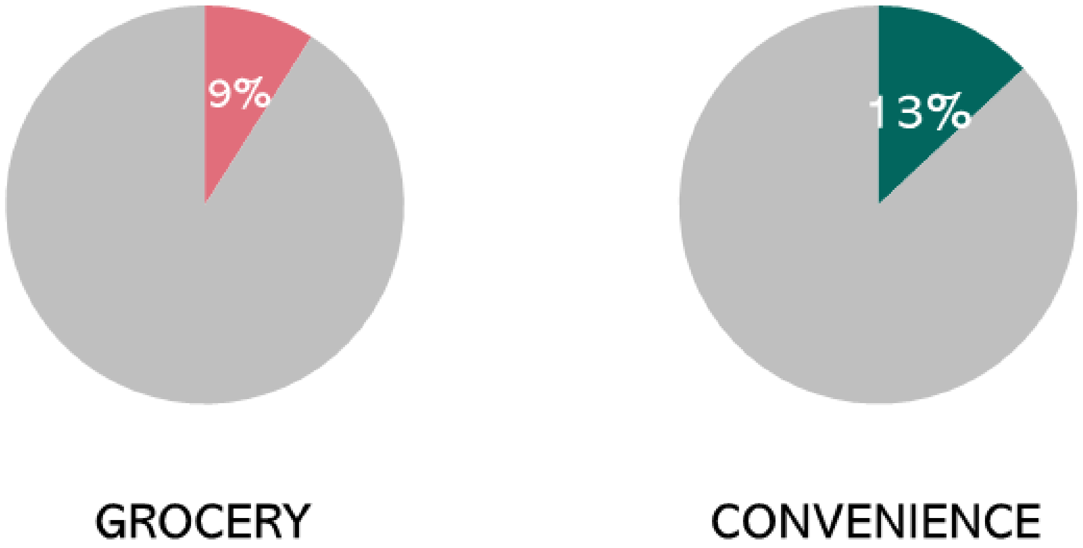

Figure 12: % shopper responses to 'what does sustainability mean' that reference community/local support

Dedicated space and ranges devoted to local products and initiatives will undoubtedly be a good starting point, as will communication that shows this support.

Focussing on areas like this that we know shoppers are motivated by, will not only help to drive loyalty, but can also be an effective route to premiumisation and encouraging shoppers to trade-up.

In fact, if we look at shoppers' willingness to pay more for these types of things then there is a clear opportunity for Convenience. As shown in figure thirteen, Convenience shoppers are significantly more likely to be willing to pay more for both sustainability and health. So actually, there could be a win-win here as we meet shoppers needs more effectively and also increase basket spend at the same time.

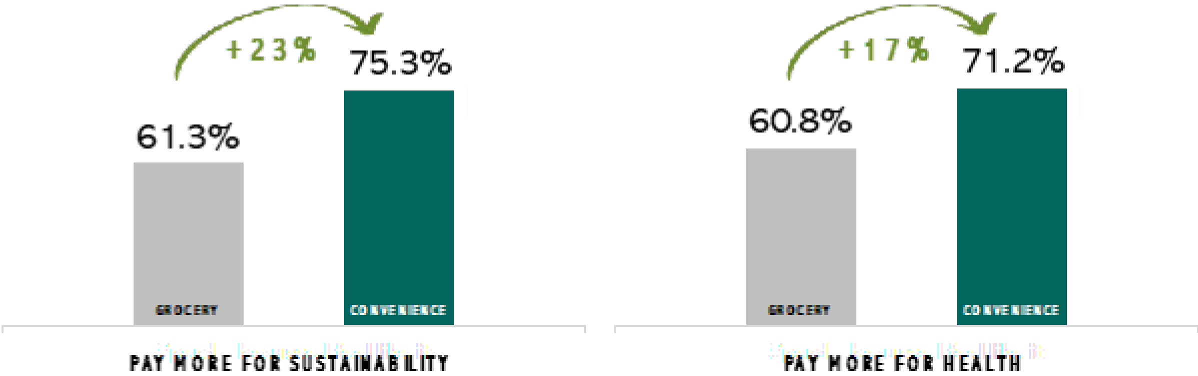

Figure 13: % shopper willing to pay more for sustainability and health

This willingness from shoppers to trade up can also be seen more generally in shopper mindsets. Convenience shoppers are more likely to agree they 'don't mind paying more' for better quality options than their Grocery counterparts. Of course, it's always been generally accepted that we have to 'pay for convenience', but it's encouraging to see that this mindset extends to more than just higher prices on everyday products.

Some closing thoughts

As we wrap up this paper what stands out is just how different Convenience shoppers are when compared to other channels. Perhaps most crucially what is clear is just how little (so far!) has been done to adapt Convenience stores to make the most of these opportunities.

Hopefully this report helps provide a little more clarity on some of these opportunities. As mentioned at the outset, this is clearly a big opportunity, and those that take it now will likely be the ones to drive greater growth and generate stronger loyalty in a crowded market.

Winning in convenience will require actions across all aspects, remember:

Set up for the trip

Make the offer relevant

Disrupt the usual flow

Keep things simple

Look for ways to differentiate

If you need support in how to deliver this for your stores or for your brand, talk to us at Shopper Intelligence, we're ready to help!