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Shopping Marketing Tactics that Drive Purchases

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Technology is reshaping the retail experience. In the fight for market share, how effective are traditional marketing tactics and technology offerings at attracting shoppers?
Who dominates the retail market?

Retail is changing rapidly, and consumers now hold the power traditionally held by companies. Instead of companies deciding which goods to provide, consumers now control the narrative, and they are rethinking how they shop. Choices about what to buy, where to buy it, how to buy it, how much to pay for it, and how it’s delivered are all up to the consumer. To compete, retail marketers will have to rethink how they influence the purchase process or risk falling behind.

Among retail giants, Walmart and Amazon may be competing in a “two-horse race” for retailer dominance. Walmart’s large network of physical stores is a key competitive advantage not only in maintaining a hold on traditional retailing but expanding its online capabilities. Amazon retains its dominant online presence by offering a wide variety of items and making major investments in its distribution network to prioritize speed.

We asked shoppers what retailer they frequent the most for both general merchandise (GM) and grocery purchases and channel. While Walmart and Amazon dominate general merchandise purchases in-store and online, respectively, the grocery market appears more fragmented.
The race for grocery market share is on

While Walmart and Amazon are the first choice for general merchandise for almost half or more of respondents, their dominance is less pronounced for grocery purchases. Walmart is still the top choice for in-store grocery purchases with 27% of responses. Kroger, Aldi, Publix, and Safeway make up another 22% of responses, but the remaining 51% are split between other grocers.

Many respondents shop with regional grocers. These grocers rely on a strong bond with their shoppers, turning them into customer advocates to gain market share. Without scale, they must make trade-offs like low prices or an online presence. These trade-offs have not always paid off for regional grocers. The pandemic caused many shoppers to shift to buying groceries online. Without online capabilities, many grocers struggled to keep up with big grocers who kept getting bigger.

Amazon and Walmart are once again competing for the top spot in online grocery. Both retailers received 29% of survey responses, followed by Target, Kroger, and Instacart. According to one study, while Walmart sold twice as many items online as Amazon since 2020, Amazon held the lead in revenue. Amazon's revenue (including Whole Foods) indicates shoppers are comfortable paying higher prices.
How do shoppers describe themselves?

To analyze shopper behavior and the effectiveness of marketing tactics, we conducted a survey of 2,900 U.S. shoppers. This study analyzes consumer behavior to provide actionable insights to help retailers succeed in today's changing retail landscape. With so much uncertainty, we wanted to understand shoppers’ reactions to marketing tactics and technology when purchasing online or in-store.

To start, we asked shoppers to rank themselves on a 1 to 5 scale in areas of enjoyment, attention to price, quality, and brand, and planning. Generally, respondents across age groups answer similarly. However, we saw significant differences between younger and older generations in shopping enjoyment, willingness to experiment, and financial constraints. Younger shoppers enjoy shopping and are likely to experiment more than older generations, but younger shoppers also face higher financial constraints.
Catering to modern consumers

Spurred on by the COVID-19 pandemic and rising inflation, today’s consumers differ significantly from consumers of the past. Shoppers today have more access to information than ever before and expect their needs to be met. To succeed in the new “Metail Economy,” marketers should change how they allocate spending. Staying relevant across touch points, focusing on personalized marketing campaigns, and incentivizing first-time shoppers will help retailers engage new and existing consumers.

Retail touch points | Retail is now much more than .com sites and single-brand stores. Consumers are purchasing from brands using marketplaces, social media platforms, and multi-brand stores in addition to more traditional channels. Younger generations want to engage with retailers from their mobile devices. If retailers don’t have a presence across these channels, shoppers will likely look elsewhere.

Personalized marketing | Retailers have access to vast amounts of customer data, and they can use insights from this data to influence retail purchases on an individual level. Providing shoppers with a personalized experience can lift sales and deliver better return on investment.

First-time shopper incentives | When consumers couldn’t find certain products due to supply chain disruptions, they tried a new brand or shopped with a different retailer. Even now, shoppers are not as loyal as they once were. Retailers can capitalize on this trend by offering incentives to attract new customers.

“Retail is one of the most dynamic industry with technology playing an important role in accelerating the shift in shopping behavior. Retailers use different shopper marketing tactics to attract shoppers. This research reveals how important it is for retailers to understand their shoppers well. Proper understanding unlocks the marketing tactics that will work for specific shopper groups.”

Dr. Dinesh Gauri | Professor of Marketing, Walton College of Business
How effective are marketing tactics across age groups?

We asked shoppers from different age groups about the effectiveness of different marketing tactics and grouped them into four categories: (1) coupons and discounts, (2) free samples, (3) in-store media and displays, and (4) advertisements. Across all tactic types, we found that older shoppers believe they are influenced less by marketing tactics than younger shoppers do.

While perceived influence and actual influence may differ, there are significant generational differences that marketers should consider when developing campaigns. By leveraging predictive analytics, marketers can evaluate the effectiveness of different tactics and detect patterns among similar consumers. This way they can improve campaign and offer effectiveness while reducing costs.

Perception of Marketing Tactics

*Which tactics are most likely to influence you to select an item during your purchase decision in the physical store or when shopping online (scale of 1-5)?*
Retailers are doubling down on digital offers

To understand how age groups respond to specific marketing tactics, we identified the top five tactics by age group.

Most shoppers responded favorably to digital offers through multiple channels. Shoppers under 55 ranked digital coupons, email offers, and mobile app offers as the three most-effective tactics. In addition, no printed offers made the top five for shoppers under 45. The effectiveness of printed offers compared to other tactics increases by age. Shoppers over 65 rank print coupons as the most effective tactic, followed by printed store flyers and email offers.

Many retailers are moving away from printed coupons and toward digital offers as e-commerce grows. However, printed coupons accounted for 98% of coupon distribution in 2020, so they are unlikely to disappear any time soon.

Overall, marketing tactics focused on coupons and discounts are perceived as most effective by consumers. As shoppers face higher prices due to rising inflation, discounts will likely increase in effectiveness.

Discounts also serve an important role in convincing shoppers to switch from other retailers. Only 15 percent of respondents indicated they’d remain loyal to a retailer, even if other retailers offered a discount. This is an opportunity for retailers to take advantage of the loyalty shakeup and capture market share.
Technology as a marketing tactic

In a world of constant digital transformation, retail is no exception. While heavily investing in technology may be intimidating for some retailers, digital and physical retail experiences will continue to mix. Leaders should make investments that address current and future shopper needs.

We asked shoppers about their likelihood of adopting new technologies in the near future if they were available at their primary physical store. Similar to other results, we found younger shoppers to be much more likely to adopt new technologies than older shoppers. Consumers are most optimistic about subscription membership services, personalized recommendations, contactless checkout, and real-time deals. However, shoppers over 65 are, on average, either extremely unlikely or somewhat unlikely to adopt any new technologies in the next few months.

Even drone delivery and in-home delivery, two technology offerings that would improve the convenience of shopping for older consumers, scored low for those over 65. Walmart recently decided to roll their InHome service into Walmart+, their subscription membership service. Customer experience ratings are positive for the service, so our results indicate that rolling in-home delivery into a subscription membership service offering will likely improve adoption and reduce churn of in-home delivery.

Since individuals are more likely to adopt subscription services compared to in-home delivery services, shoppers may be more inclined to try in-home delivery if it's offered as a feature of a subscription service. If they like the service, the shopper is incentivized to keep paying for a subscription and using the service.
“Technology will play a huge role in enabling the time starved shopper. Auto-replenish, drone-delivery and subscription (to name a few) will be important battle grounds for brands and retailers to win over their respective core shoppers.”

Steve McGowan | Head of Shopper Activation & Strategic Partnerships, Mondelez

Technology Adoption by Age Group

Which of the following new technologies are you most likely to adopt in next 2-3 months if they are available at your primary physical store?
Who is more likely to adopt in-home delivery: in-store shoppers or online shoppers?

In-home delivery improves convenience by delivering groceries directly to a shopper’s kitchen. This is great for busy shoppers who aren’t at home to receive a delivery. But what about mostly-in-store shopper? Is the added convenience enough to switch from in-store to online shopping?

Our results indicate that shoppers who purchase less groceries in-store already are more likely to sign up for in-home delivery. While shoppers over 65 buy a higher percentage of their groceries in-store, this trend is consistent across age groups.

It appears the benefits of in-home delivery are realized mostly by those who already have adopted online shopping.

“The reluctance of some shopper groups to adopt new technologies is a challenge for technology providers. We have to prioritize user experience, not just innovation to make sure every shopper can benefit from these advancements.”

John Hennessy | Senior Sales Director, Alert Innovation
Who is more likely to adopt membership services: in-store shoppers or online shoppers?

Subscription membership services, such as Amazon Prime and Walmart+, offer consumers free shipping and delivery, extra discounts and coupons, and sometimes even added benefits like streaming services or in-store improvements to the shopping experience.

With the core benefits of membership services focused on shipping and delivery, how do in-store shoppers feel about the service? Are the benefits worth it if they prefer the in-store experience?

Our results indicate that shoppers who purchase more general merchandise in-store are less likely to adopt membership services. To attract these shoppers, retailers should look to benefits outside of shipping and delivery.
Navigating the changing retail landscape

Despite record industry growth over the last two years, consumers now hold the power to dictate where and how they shop. Marketers will have to rethink how they attempt to influence shoppers’ buying habits or else risk falling behind their competitors.

Two of the largest players in the retail industry, Amazon and Walmart, each dominate their traditional channels, Amazon online and Walmart in-store. With continued investment in technology, they show no signs of slowing down. However, loyalty shakeups across the industry provide an opportunity for smaller retailers to capture market share from large competitors.

Our results show that while younger shoppers enjoy shopping and trying new things, they face higher financial constraints than older shoppers. As inflation continues to rise, consumers will likely seek out the lowest possible price, even if that means switching to another retailer.

Retailers continue to double down on digital, shifting marketing away from printed offers and flyers and toward email and mobile offers. While these tactics are effective for younger shoppers, older shoppers respond better to printed offers.

In-home and drone delivery services, two services many retailers are investing heavily in, score low across age groups. While younger shoppers are more optimistic than older shoppers about technology offerings overall, in-home and drone delivery may still be too new to gain traction among shoppers.

Shoppers who are most-interested in new last-mile offerings likely already purchase products online. This indicates that while the added convenience of the services is enough to attract online shoppers, in-store shoppers may require additional incentives.

As the retail industry faces new challenges, implementing marketing tactics based on real-time shopper behavior is more important than ever.

Key takeaways

- Walmart dominates in-store GM purchases, but Amazon dominates online
- Young shoppers enjoy shopping and try new things more than older shoppers
- Digital offers are effective tactics, and retailers are doubling down
- Shoppers don’t expect to adopt in-home and drone delivery in the near future
- Online grocery shoppers are more likely to adopt in-home delivery
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