

## FRITO-LAY DEPLOYS BEHAVIOR RESEARCH TO BOOST SALES IN STORES

By John Karolefski

(Released January 2012) - Trading partners rely on shopper marketing and category management to present more product choices to shoppers more conveniently in the store. While they are distinct, these practices often work together to benefit the manufacturer, retailer and shopper.

Such is the case with Frito-Lay, which uses a blend of behavioral and attitudinal techniques to better evaluate shopper marketing growth strategies that lead to more sales for retailers.

"We use a variety of research techniques to test and measure the impact of our shopper marketing programs," said Mike Quintana, Director Consumer Strategy & Insights at Frito-Lay. "Traditionally, shopper insights were driven by 'listening' to what people said – attitudes, opinions and stated intent. Thousands of new products and marketing campaigns lived and ultimately died based on this stated research. That is all changing as new techniques help us understand not just what people 'say,' but know what people 'do.'"

Most recently the marketer enhanced its category management advice to an upscale discounter launching a line of private label chips.

The retailer wanted to place the products in line with Frito-Lay snacks – tortilla chips with tortilla chips; potato chips with potato chips; etc. "As category captain," Quintana said, "we had the responsibility to recommend the best layout. Is a sub-category set or brand-blocked set recommended?"

Frito-Lay partnered with SmartRevenue, who conducted quantitative ethnographic research in-store aimed at understanding the shopper in the salty snack category. Leveraging insights from the research, Frito-Lay developed a segment-based approach to planogram development. SmartRevenue's preliminary research identified the following segments aligned to the salty snack category:

**Health Shoppers:** Better-For-You (BFY) snacks tend to have their own shelf space because of the narrow focus of the Health Shoppers.

**Habit Shoppers:** They tend to buy the same brands/flavors every time. Don't confuse them. Make it easy to find their chips so they can get what they want and move on.

**Size/Stimulus Shoppers:** These variety-seeking shoppers like to browse the aisle, so make it organized with brand cues.

**Price/Promo Shoppers:** Shop-by-price consumers need a value section.

"Knowing what criteria shoppers use to make their decisions helps us decide how to position our products and even place them in the aisle," said Quintana, who presented the work in Chicago at a recent conference hosted by the Path to Purchase Institute. He was joined by Cathy Allin, President & CEO of Decision Insight, provider of SimuShop, a proprietary, web-based virtual shopping platform.

Frito-Lay's typical aisle flow is based on the specific benefits each of these shopper segments seek. For the mass merchandiser, Frito-Lay came up with three proposed shopping areas:

**Permissibility:** Baked products, 'natural' portfolio (BFY)

**Fun & Flavors:** Doritos, flavored chips and corn chips

**Convenience & Value:** Multipacks and private brands.

"The layout also created packaging cues – brand blocks – to communicate specific benefits. The packaging cues shoppers to the products and ties the portfolio of brands together on the shelf," he said.

Frito-Lay tested the various aisle-flow arrangements with the help of Decision Insight. The virtual shopping study tested various aisle flow arrangements – current planogram (POG), proposed Shopper Segment POG, and also

the manufacturer's proposed sub-category set where private label products were checkerboarded next to the branded product type.

Some 2,430 shoppers participated in the online study. They were selected using several criteria, including: being the household's primary grocery shopper, having purchased salty snacks in the previous month, having shopped the retailer once a month, among others.

In addition to measuring behavior (sales) in the virtual shopping exercise, Frito-Lay asked follow-up questions around their perceptions of the aisle and the retailer.

Here are the results of the tests:

The Shopper Segment layout grew the category. Average dollars spent in the category increased 5%. In addition, the Shopper Segment layout had a significant impact on core shopper groups. The average category dollars spent increased among Weekly Retailer Shoppers (+2.5%) and Households with Kids (up 8.6%)

"We matched these back to the shopper segments," he said, "showing the new set is easy and logical to shop, which is in line with the decision-tree work previously conducted."

Based on the results from the virtual shopping test, Frito-Lay updated the category set in a limited in-store test which confirmed that the Shopper Segment set increases shopability, builds bigger baskets and grows sales.

Allin of Decision Insight stressed that it is important to actually observe shopper behavior rather than have shoppers say what they do. "There is a giant disconnect between what people say and what they would do," she said.

The second reason to observe shopping behavior, she went on to say, involves "the law of unintended consequences. An example we've seen in many categories: Consumers say they want smaller, less expensive options. But if you put that in the market just based on stated preference, sales of those items may increase. But you have the unintended consequence of lower sales because people are trading down to the smaller sizes and you lose money," she said.

Implementing a strategy or tactic in the actual marketplace is still the best way to gauge the impact, she added, but in-store tests can be prohibitive, both from a cost and timing perspective.

"A virtual shopping platform is a fast, cost-efficient way that has been validated over time to be highly predictive of actual behavior – significantly more predictive than traditional research tools that rely on 'stated purchase intent' and simple attitudes and opinions," she said.