

Why advocacy matters to grocers

Surveyed consumers give retailers food for thought

Food retailers typically struggle to differentiate themselves, especially when they rely on the standard levers of cheaper prices and geographic penetration. Our new survey of U.S. grocery consumers reveals key insights into what actually drives customer advocacy. By concentrating on customer advocacy, grocers can create new ways to differentiate and can ultimately pursue customer-focused initiatives and investments with greater precision and success.

Growth in the retail food industry has come at the expense of traditional supermarkets as customers turn to supercenters, wholesale clubs and specialty and boutique food stores. As customers continue to gain choices concerning where and how to shop for their groceries, retailers are struggling with finding ways to differentiate themselves amongst a growing list of competitors.

Research by IBM Institute for Business Value of over 6,000 grocery customers reveals that this competitive market is also plagued by negative consumer attitudes; only 27 percent of customers are Advocates of their primary grocer. Consumers defined as "Advocates" are those customers who recommend their primary retailer to others, buy more from that retailer when they have choices

and stay with that retailer when new competition becomes available. The two other consumer attitude segments are Apathetics, those who are indifferent, and Antagonists, those who actively dislike their primary retailer.

Financial impact: Advocacy pays off

Advocates are not only more loyal customers; they are, in general, more valuable. Our study shows:

- Advocates are more likely to choose their grocer for large shopping trips – 14 percent more advocates than antagonists spend more than US\$100 per week with their primary grocer.
- Nineteen percent more advocates give the majority of their business to their primary grocer.

- More than twice as many antagonists (14 percent) as advocates (6 percent) decreased the amount they purchased from their primary grocer over a two-year period.

With this in mind, increasing the number of advocates will help grocers realize financial benefits by boosting the average basket size, share of wallet, as well as spend over time.

Creating more Advocates

Generally, grocery customers concur on areas that are most important to them, the difference between Advocates, Apathetics and Antagonists is the degree to which the grocer meets these key attributes. All three groups strongly agree that the essential attribute for a grocer is quality. Attributes coming in next were related to selection, convenience and employees / customer service. Knowing these key attributes, grocers can focus on delivering them not only to maintain Advocates, but also transform non-Advocates into Advocates.

While the retail food market is crowded and competitive, there are clear opportunities and advantages in taking a new approach that puts the customer in the spotlight. With insight into customer advocacy and the right strategy for developing customer-focused operations, retailers can build



Advocates and develop a new competitive advantage that does not rely on the same old levers of being bigger or being

cheaper; but rather capitalize on the fact that creating a satisfying experience for customers leads to advocacy.

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FIGURE 1.
Generally, customers concur on which activities their primary grocer does well.

	Advocates % strongly agree		Apathetics/Antagonists % strongly agree		
Quality	97	Store offers good quality products	73	48	
Selection	94	Product selection fits lifestyle and food preference	57	40	
Convenience	94	Provides a convenient shopping experience	53	38	*56%
Employees	94	Happy with service from store employees	61	38	*56%
	92	Employees are friendly and positive	59	39	
	90	Store employees knowledgeable and attentive	53	34	*56%
	88	Pleasant and enjoyable to shop at grocer	58	38	
Availability	84	Products I want are always on the shelf	48	17	*67%
Social responsibility	78	Grocer is socially responsible	39	22	*56%

* Largest gaps between advocates and antagonists
Product availability is one area where antagonists are least satisfied

Note: Percent responses represent those that strongly agree with attributes of their primary grocer (scores 8-10), n=6175.
Source: IBM Institute for Business Value 2007 Customer-focused Grocer Study.

How can IBM help?

- **Strategy and Change** – Help to address changing customer buying behaviors, organization and customer-centric processes.
- **Retail Industry Solutions** – Solutions to address multi-channel retailing, merchandising and supply chain, total store, and retail performance analytics.
- **Retail Industry Offerings** – Innovative and market-leading offerings to support the retail industry, including but not exclusive to Merchandise Operations Strategy, Next Gen e-commerce and Customer Analytics.

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