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:

- 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.

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

<table>
<thead>
<tr>
<th></th>
<th>Advocates % strongly agree</th>
<th>Apathetics/Antagonists % strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>97</td>
<td>73</td>
</tr>
<tr>
<td>Selection</td>
<td>94</td>
<td>57</td>
</tr>
<tr>
<td>Convenience</td>
<td>94</td>
<td>53</td>
</tr>
<tr>
<td>Employees</td>
<td>92</td>
<td>59</td>
</tr>
<tr>
<td>Availability</td>
<td>84</td>
<td>48</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>78</td>
<td>39</td>
</tr>
</tbody>
</table>

* Largest gaps between advocates and antagonists

Note: Percent responses represent those that strongly agree with attributes of their primary grocer (scores 8-10), n=6175.

To request a full version of this paper, e-mail us at iibv@us.ibm.com

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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