

The recession changes the game  
at America's top retailers.

# Aisles

## Wide Open

### What changes have you seen in shopper behavior recently?

**KIM FEIL:** Without question, consumers are focusing a lot more on essentials than on impulse or non-essential products.

We have sharpened our assortment as well as our ability to offer advice in the health-care space. We can help shoppers think through different ways to manage their total budgets to afford the medication they need, while also fulfilling their essential needs.

We're seeing shoppers definitely make harder decisions about that. We're also seeing them spend at the start of the month when they get paid. They'll stock up on larger sizes in the early part of the month and then really only go for whatever their weekly needs are and at a much lower price-point towards the end of the month. So, there is a pattern of spending that we're seeing change.

**BARRY JUDGE:** What we're finding versus past recessions is

that some technology products are becoming relatively more important. Items like notebook computers and cell phones are almost necessary items — almost like food. Not quite *that* necessary, but people feel they can't live without them. They are not viewed as discretionary.

While shoppers might not be going for as big a television set or as fast a computer, they are still opting to upgrade when they can.

together in this turbulent, difficult economy. Everybody is a little worried about their jobs and what's going to happen tomorrow.

The switch from high-priced items is the biggest change, though. Our fine wine business is down dramatically, while all of the \$6.99, \$9.99, \$12.99 wines are up double digits. But when all of the dust settles, people are still going to be sitting around the table with food and wine on it.

**Price and value are important, but service and the personal touch also play a really important role.**

KIM FEIL

Financing is also being used a lot more. We have an attractive offer out there — 18 months on anything over \$500, and while we used to lean more into lower-income groups, we're now seeing applications across all income strata.

**STEW LEONARD, JR.:** We definitely see people cooking at home more now. I think families are bonding

**ZAIN RAJ:** The moment-of-truth, or the time when the decision is made, has changed. The decision is now happening more often at home, long before the shopping trip starts, when consumers are making their shopping lists.

In addition, consumers today want to minimize their anxiety when they make a purchase decision.

### A ROUNDTABLE FEATURING

**Kim Feil**  
Walgreens

**Barry Judge**  
Best Buy

**Stew Leonard, Jr.**  
Stew Leonard's

**Zain Raj**  
Euro RSCG  
Discovery

As a result, they are not browsing as much as before. That's why we have seen an increase in mission shopping, significantly less impulse shopping and less time spent in the store overall.

### How have you responded to these changes?

**FEIL:** We've launched a concept called the "affordable essentials." Basically, this is a focus on the top 12 categories shoppers buy and need most often, offered at a really great price every day. We are saying that shoppers can count on coming to Walgreens and finding great brands at a very good price in each of these 12 categories all the time.

We prominently display these items in an "affordable essentials" display end-cap and make them easy to find at the front of the store. So, it's the idea that if you're just stopping in and just need one of your essentials, you can find it right away, get it at a good price and count on finding it in the neighborhood at your local Walgreens.

**JUDGE:** We're putting more emphasis on Reward Zone, our loyalty program, which includes about two million people who do a good chunk of our business.

We are pushing more benefits into Reward Zone to try to engender more loyalty with people who have an affinity for Best Buy.

Benefits now include a longer return policy, and free shipping from our web site. We've got special telephone numbers that they can use to get hold of an operator faster. We're planning to introduce a program where clearance and over-stock items will

be offered to our best customers first. We're trying to love the ones who love us back.

**LEONARD:** We're focused on keeping it fresh, having really good prices, being really nice to the customers and giving them really good customer service. We take a "yes, we can" attitude around the store. Yes, we can help you. A lot of stores right now are cutting back and it's a "no, we can't" attitude.

We have more recipes out in the store. We've never had porterhouse steaks at \$3.99 before. We also had salmon at \$3.99 a pound. We've asked our suppliers for better prices and we're passing them on to our shoppers. One shopper came

### Do you think any of these changes will be permanent?

**FEIL:** Walgreens is undergoing a transformation where we are looking very hard at trying to understand our customer a lot better, in good times and bad. We are doing this not just because of the economy, but in general, and it's been interesting.

We've been fairly open about saying that over the years we've added items, but we really haven't taken any away.

What's happened is that we've created a more cluttered atmosphere

### We're finally at a place where data can really help accelerate our efforts, specifically digitally.

BARRY JUDGE

in the other day and said, "I know this is a tough economy, but I've never eaten so well!"

**RAJ:** The fundamental way to respond to these changes is to become digital at the core. The reality is that consumers are no longer looking at a store as one place, online as another place, and 800 numbers as a third place. Shoppers have become channel agnostic, and the only way you can manage that is by putting digital at the center of your marketing strategy.

The second change is that you've got to use the end of the last transaction as the beginning of the next transaction. In the old model, retailers could let each transaction live by itself. Today, the offers have to follow right after the transaction is completed. Joseph A. Banks does a terrific job of that.

with lots more stuff, but not necessarily merchandised in the most effective way based on what consumers say they'd like to be able to find every day in our store.

**JUDGE:** That's the \$64,000 question. In the past, we always thought behavior changes were temporary. This recession may be a little more scarring, and I think that depends partially on how long it lasts. If we come out of this thing relatively quickly, there will be fewer changes than if it lasts longer.

Either way, there will be some lasting changes because housing isn't going to be like an ATM machine anymore and credit won't be as easy to get. So, there will be a natural pullback. If this goes on for another year or so you'll also see a lot less storefronts.

**LEONARD:** What is happening with the economy is leaving an indelible impression, especially on the baby boomers. Nobody thought this could happen.

We all grew up in the Starbucks generation, where we thought nothing of spending \$4 for a cup of coffee. Who would have ever guessed that that would end?

Although this isn't as difficult as the Depression, it is a huge correction. People are not going to come out of it as freewheeling as when we went into it.

Maybe they're not going to be so brand conscious. It's okay to walk around in a regular pair of sneakers. It doesn't have to be the Nike Super X, like Michael Jordan wears.

**RAJ:** Some of the changes will be permanent, but not all. The multi-channel convergence, and the need to be digital at the core are fundamental, permanent changes.

That's because convenience and ease-of-use are two key drivers in

Impulse shopping will come back because it is a basic human behavior. It's just on hiatus for now.

### **What are the greatest lessons you've learned from these changes?**

**FEIL:** First and foremost, having everything for everybody isn't as valid as having the right things for your key customers.

You might think that by offering something for everybody you're just absolutely the best. We want to sharpen that assortment and make it more meaningful to our core customer.

The other big ah-ha is the degree to which women view our destination as a very efficient community store.

Women like the intimacy and the service that they can get in a smaller retail format. Price and value are important, but service and the personal touch also play a really important role.

The second thing is how fast things can change. I'm stunned at how quickly consumer behavior has reacted and how quickly the stock market has fallen.

I wonder how much that will impact people's confidence going forward. It's interesting that we all expected growth to happen forever and just how tenuous all that was.

**LEONARD:** One of the things I've learned is that you never want to over-extend yourself.

A lot of businesses that tried to expand too quickly are in serious trouble right now because they have no rainy day fund.

The second thing is being proud of selling everyday items, commodities.

Be proud of selling bread and fish and meat and produce and vegetables. Put your chin up. Be proud of selling wine at \$10 a bottle. Always be proud of that, forever.

**RAJ:** I've learned that it's paramount to your business to build a strong behavioral bond, or brand ritual.

This means making sure that the value equation is not just price or great customer service, but also an emotional reassurance that deals with the consumer's anxieties. The full value equation connects the left side of the brain to the right.

Additionally, today's more successful brands and retailers are doing a better job of leveraging behaviors versus just attitudes.

They are focusing on bringing existing customers back to the store by giving them good merchandise and a good experience. Walgreens, Walmart and Best Buy will continue to do well because they have been doing that all along.

## ***One of the best decisions we've made in the last 10 years is to not go into online shopping.***

STEW LEONARD JR.

today's time-starved society. The evolution of the value equation, in which price is a commodity, isn't going to change.

However, the trend toward mission shopping versus impulse shopping probably is temporary. As soon as the level of anxiety drops among consumers, impulse shopping will become part of their lifestyles again. People love to shop. Guys do, in certain categories. Women do, in other categories.

**JUDGE:** From a consumer point of view, the greatest lesson is the importance of building trust. We've taken a lot of things for granted and trusted a lot of institutions.

What's happened over the last six months has shaken that foundation. People are questioning everything — all institutions and all brands. The bond that you create with your consumer beyond price is increasingly important.

## What changes in shopper behavior do you see ahead?

**FEIL:** The customer is going to start to see the shopping experience as being a little bit easier. Our stores will be easier to navigate because we have these insights about what the consumer really wants. We'll be able to offer a better mix of services and a better set of advice based on what we're learning about what she wants.

As a retailer, I cannot stress enough how important the

purchased from us, I can suggest things that you might not even know about. You don't have to buy a new television; I can show you how to use your television better. With data I can do that and do so efficiently online.

We're also starting to test the mobile phone's ability to improve the shopping experience. You can bring a lot of the best parts of the web into the store and really accelerate the experience.

**LEONARD:** One of the best decisions we've made in the last 10 years is to not go into online

## The more successful brands and retailers are doing a better job of leveraging behaviors versus just attitudes.

ZAIN RAJ

partnership with our vendors is going to be in this journey. We are enlisting the strategic shopper insights of our vendor partners to help sharpen our brand, so that we can also be sharpening theirs. I'm really excited about being able to help translate what vendors can do with us and what Walgreens can do with them.

**JUDGE:** We're finally at a place where data can really help accelerate our efforts, specifically digitally. We have 500 million visits to our web site every year.

We also have 500 million transactions that happen in the store. Turning that information loose on customizing communication is critical because it can make what we do much more interesting, relevant and effective with consumers.

If I know what you're interested in, and can understand what you've

shopping. We do have a gift center and a wine business that are online. There is something about food that you buy where you want to look at it, touch it and taste it.

What we're focused on is getting it in fresh today, build a big display, sample it, and then get some more in tomorrow. Most people like to come in and smell the bread being baked and the chicken coming out of the oven.

I don't see online shopping affecting fresh food purchases that much, although I do see it affecting more of our grocery items like paper towel, Coke and Pepsi.

**RAJ:** The democratization of information is going to be the driver of the biggest change in shopping behavior. And the brands that are going to be at the intersection of helping consumers democratize that behavior are



**BARRY JUDGE** is chief marketing officer for **Best Buy**, where he also helped launch BestBuy.com. He previously held positions with Caribou Coffee, Coke, Quaker Oats and Pillsbury.



**KIM FEIL** is VP and chief marketing officer for **Walgreens**. Previously, she was SVP and CMO for Sara Lee N.A., a vice president of marketing with Kimberly-Clark and president of marketing with IRI.



**STEW LEONARD, JR.** is the president and CEO of **Stew Leonard's**, a family-owned and operated fresh-food retailer with four food stores and seven wine stores, with 2,000 employees and sales of nearly \$400 million.



**ZAIN RAJ** leads Euro RSCG Worldwide's global retail practice and is CEO of **Discovery**, the company's data analytics and customer relationship marketing unit. He can be reached at [zain.raj@eurorscg.com](mailto:zain.raj@eurorscg.com).

the bots like Shopping.com or Pricegrabber.com as well as a brand like Amazon.com.

They are creating a whole new shopping ritual and have the ability to commoditize retailers if the retailers don't have a high degree of differentiation.

The broader issue of behavior is where the next frontier of marketing is headed. If you start looking at how people behave, you know that's sustainable. That's why this whole behavior orientation idea is so fascinating and so important to creating brands that stand the test of time. ■