

# Shopping for Value

BY AL WITTEMEN

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**W**hen I think of loyalty, I don't think of brands. I think of people. I think about what it is that a person does that makes him or her so special that it makes me loyal. It's the intellectual, spiritual and emotional connections that make the difference. For me, loyalty is having lunch with my friend Tim at the Little Kitchen in the Compo Shopping Center on Route 1 in Westport, Connecticut.

Mitch Albom had his lunch with Morrie, which had an impact on his life, and my lunches with Tim do the same for me. Our lunches are always about making people think, smile, and realize that sometimes there's a different way of thinking that can lead to a more creative solution.

These lunches are always about the truth. They always begin with what's new with shoppers and retailers and their collaborative relationship. In years past, when we talked about brand loyalty, our assumption was that whatever you wanted to do at retail could be done.

That's not true today. We now also have to consider what can be done with the retailer, and that affects what we can do to build brand loyalty.

The second issue concerns the difference between what retailers and brands say, and what they do. This dichotomy intrigues me. The reality is that some marketers develop plans based on who they are, how they live and what they do, versus whom they are marketing to and what they can do for them.

Last but not least, when Tim and I have lunch, we're always looking for who's doing it best and the results achieved, because it's always about keeping it real.

**Let's give shoppers more value than they pay for.**

So, we're having lunch, and as usual, I always get around to asking Tim about the next issue of the *Hub*. It's not like I shouldn't remember. But this time

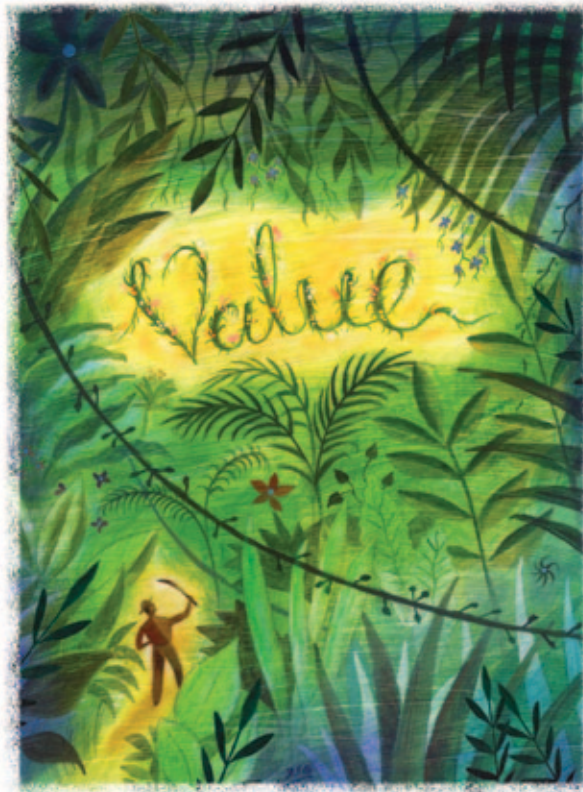
the issue is going to be about brand loyalty. And my first thought was, "Hey, piece of cake." Hell, that's who I am and what I've done my entire life.

In fact, my career was built on making people loyal to brands. So, whether it's Heinz ketchup, Finlandia cheese or Swift beef, it's all about creating brand loyalty, and I know how to do that.

But the truth is that there really is no such thing as *true* brand loyalty anymore. Almost nobody buys the same brand all the time. Even fewer people will bother to find a different store if their favorite brand isn't available. That's the real acid test of brand loyalty and it's a test few brands, if any, can pass every time.

Loyalty is bull when you apply it versus those definitions, especially in consumer packaged-goods, ever since the Great Recession. Never before have we seen life in general — not to mention ingrained purchase behaviors — so disrupted.

And yet, everyone has an answer to the question, "Which brand are you most loyal to?" Often, it's a food item. Some people are addicted to the taste of Tabasco



sauce, Heinz ketchup or Diet Pepsi. Others are hooked on personal items, like Dove soap or Head and Shoulders shampoo.

So, this isn't just another *Hub* issue about loyalty, or another time in space where we're going to talk about brand loyalty. This is really a watershed moment where never has the concept of brand loyalty been so important to achieve, and yet so difficult to accomplish.

There is no "normal" where loyalty is concerned today. There's only a new book, yet to be written, on brand loyalty.

I decided that the only way to attack brand loyalty in a fresh way, is to go back to the three things Tim and I talked about at lunch: The truth about shoppers and retailers; the reality that brands have more price pain; and the fact that, despite all of this, people still believe they are loyal to certain brands even though those loyalties may have shifted.

#### A MATTER OF TRUST

The truth about consumers and customers can be summed up by this quote from Kelton research: "This recession has accomplished what markets spend lifetimes trying to do: disrupt ingrained purchase behaviors and encourage change."

We marketers used to make a living on creating demand through increasing impulse purchases, for example. That's not as easy anymore. One recent survey found that 74 percent of shoppers have changed their shopping behavior and are making fewer impulse purchases, using more coupons and buying more private label.

I saw this with my own eyes while doing in-store intercepts last Saturday. Most shoppers had their heads down, reading their shopping lists,

clutching their coupons, and checking their circulars. Nobody looked particularly happy.

It's not just at the supermarket. You could pick almost any brand in America and it is at risk. General Motors used to be a brand everyone aspired to. The Gap used to sell what everyone was wearing. We all remember the Marlboro

Man. And who didn't want an account at Merrill Lynch?

Most people don't even mention these brands in polite company today, much less trust them enough to be loyal to them. This collapse in consumer trust has dramatically changed shopping behavior.

Whom do we trust anymore? We used to implicitly trust brands, but now it's almost as though brands are guilty until proven innocent. A few have held onto their equities—Walmart, McDonald's, Nike and Apple, come to mind. But most others are slipping.

To restore trust, marketers have to think about re-framing value differently. They have to think about the cost-to-benefit ratio. The challenge is that it used to be easy to identify the number-one attribute of a brand, develop a positioning based on that, and communicate it.

But today, it's harder than just identifying an attribute; we have to create value and do so on a consumer's and shopper's terms. That's not necessarily what we think the attribute is, but it's not that complicated, either: It all comes down to value. Shoppers will shop less unless we're providing them with value. However, often that's a category decision, not a brand decision.

#### RETAILERS ARE RESPONDING

The truth is that retailers, more than brands, are responding to these shopper changes. Just look at their ads. My most favorite thing on Sunday morning,

after going to church, is pulling out the newspaper ads and analyzing what retailers are doing. There's a difference today.

Traditionally, retailers lowered prices to clear inventory. You could almost predict the ad, year after year. Today, they're cutting prices because consumers are demanding it. They're just not buying unless they see the value and many retailers are providing it.

You know, I always thought Kroger had too much private label, but now I think Kroger doesn't have enough, even though they've increased their private-label line by 15 percent. Kroger's private label is selling and why wouldn't it? A "Big K" Kroger-brand soda sells for about half the price of a name brand.

There's a big difference between 10 percent and 50 percent when it comes to prices. It is the difference between thinking you have brand loyalty and living in the real world. Some marketers, such as Procter & Gamble understand this.

P&G had forever dismissed the idea of cutting prices for its brands, whether it's Tide or anything else. But in September they announced price cuts across 10 percent of their global line. They're going to increase promotions and emphasize value benefits, and are introducing a value offering through a new line called Tide Basics.

Unless your brand is making a difference in terms of how that shopper and retailer defines value, it won't be around very long. It probably doesn't even deserve to be on the shelf.

To bring this reality to life, suppose your brand is in the pain relief category. How can you build loyalty in a category where the fastest growing brand is retailer's private label? The retailer's own pharmacist recommends the store brand as just as good and lower priced. Whom do you trust more than your pharmacist?

So, you come up with a new positioning, complete with advertising and digital campaigns. You go about

## *The Book of Loyalty*

*Let's write a new book on brand loyalty, based on three things:*

1. Prove our value every single day. If we want brand loyalty, we need to give loyalty, and we need to give loyalty in terms of what the shopper wants in terms of value.
2. Meet the basic needs of your shopper. In the past, we tried to create wants through impulse purchasing and demand creation. Today, people want what they need, nothing more and nothing less.
3. Communicate how our solutions solve their problems within budget with better packaging, displays and most of all, a better, higher-value product.

this classically, based on insights and research. It all looks perfect, except for one thing. You don't make your numbers.

What to do? Try this: Go shopping for a week's groceries for a family of four, on a budget of \$100. Dinner for seven nights. This is no joke: Most of America makes just \$45,000 a year. When you look at what they're spending on other things, that's what they have left for a week's worth of groceries.

By Tuesday, you're going to have a headache and you're going to need pain relief, so that has to come out of the \$100. Would you buy your own brand? Not

a chance. You're going to buy the value brand, the private label.

The conventional way of building brand loyalty isn't working. If we want to get real about building our brands, we've got to get real about what shoppers think not only about our brands, but the brands they're buying. That private-label brand, to them, is more important than ours; they're more loyal to it because they see the value in it.

### **CLEARING PURCHASE HURDLES**

I did a few store checks to help me think through how loyalty has changed, and saw several purchase barriers. The first one is quality and performance. Shoppers think the private-label brand is just as good as ours. That's what they think. When it comes to cost, they cannot afford a branded product even if it did have a slight advantage. They have \$100 to buy seven meals for the week.

From a sentiment standpoint, they are seeing two products on the shelf that, based on the appearance of the product and package, seem similar. But one brand is charging \$4-\$5 more than the next. From a business standpoint, shoppers do not like a brand that charges so much more for no apparent reason.

From an ethics standpoint, this kind of price gap makes them angry. They see it as borderline illegal or immoral for a brand to charge a higher price with no

apparent difference in quality. Actually, sometimes the private-label brand looks better. The package is easier to read. Sometimes it's easier to find store brands on the shelf, giving them an advantage in terms of "shoppability."

In fact, the retailer's private label is not necessarily a "price" brand; it might be part of its "health care" brands. Some retailers are building reputations for education and information. They have tools and diagnostics. I got my flu shot while I was doing my store check at CVS. That demonstrates a patient advocacy that says they care.

If branding today is trust, then we've got to be the trusted brand whenever, wherever there are shopping decisions. We've got to create that relationship along the path to purchase, and we've got to take away the de-selection barriers. We've got to give them reasons to buy our brands.

If the purchase barriers are quality and performance, we need to differentiate. If the barrier is cost, we need to sell our product benefits, expertise and service. We need to build a brand affinity program, or cause marketing. If there's an ethics issue, we need to create confidence around the research.

If there's a problem with "shoppability," we've got to make solutions of our products, very similar to what retailers do with their brands at the store.

Lastly, from a communications standpoint, we need to join the conversation as health-care experts.

To be successful, we have to understand how and why consumers buy our brands in our categories (the path to purchase) and what our brand equity really is. Then we have to take the purchase barriers away and offer shoppers more value through expertise and service.

#### **WHOLE FOODS ROCKS**

Since loyalty is personal, I'd like to share that Whole Foods is the brand I'm most loyal to today. I drive right past Kroger, Walmart, Tom Thumb and an Albertson's to go to my Whole Foods.

I've always loved Whole Foods, although I did shop at other stores before the Great Recession. As a retail expert, I've watched Whole Foods since they began. But I look at them through a different lens today. Now I *only* shop at Whole Foods, and I'd like to tell you why.

After the Great Recession hit, and the national discussion turned to health care, I started thinking about things differently. Like many others, I believe

that what we need is more health and wellness, and less health care. If we had more health "well" as opposed to health "care," we wouldn't be having such a big debate about health care.

So, I went back to the basics. When I think of health care, whom do I rely on as an expert? The truth is that I started thinking about Whole Foods. The reason I shop there is that I fundamentally believe that health care is as much about healthy eating and exercise as anything, and I can control that.

I can control that, in part, by shopping at Whole Foods, eating less sugar, more fresh foods, organics and a Mediterranean diet. I now see Whole Foods as my best chance at improving my health, which is my best chance at controlling my health-care costs. Whole Foods is a great example of a retailer and a brand coming together to understand my needs and provide benefits that help me live a better, healthier life.

True, the cost is higher. One of the raps against Whole Foods is that it's expensive, and it's true that I can't buy what I need for \$100 a week. But go in there on a Saturday now. It's almost like a Costco with samples and meal solutions that offer surprisingly good value.

But Whole Foods solves my problem, and therefore earns my loyalty. So, to me, the value of being healthy outweighs the few extra dollars I'm paying. If you think of branding as the ability to charge a little bit more for a solution, then Whole Foods is a great example.

The bottom line is that because of the Great Recession, power and control has shifted to consumers and shoppers as never before. It's up to us to give to consumers more innovation and more value than we're asking them to pay. That's what we need to create loyalty now. Let's write a new book on brand loyalty (*see sidebar*).

By the way, if you've never had lunch with Tim, I'd highly recommend it. The chicken curry is great! I hope you enjoyed this article ... start writing your own new book on brand loyalty! ■



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