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Title

Choice of Information in German Food Retail – an analysis of user behavior

I want to submit an abstract for:

Conference Presentation

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Research Question

Which consumer (type) uses which channel of information how often, in which way and with what purpose?

Methods

Data collection took place in December 2017 using an online questionnaire and face-to-face interviews (n = 271.) A cluster, a funnel and a factor analysis were conducted.

Results

Four cluster were identified. Conversion rates differ strongly between cluster groups and stores (types). Participants favor buying stock. Three factors were identified: “inspiration and procurement planning”, “store image” and “proximity”.

Abstract

Introduction

In 2016, German Retailer did invest 4.1 Billion Euro on advertising. In food retailing 47 % of their total investment (1.2 billion Euro) were spent on printed media (Nielsen, 2017). Although, campaigns in additive advertising, like TV (25 %) or radio (14 %) and online (7 %), are getting more important as part of the retailers´ media mix, printed media in form of promotion flyer (PF), catalogues or (newspaper) ads still are very popular. No other type of advertising has a similar high impact or range of influence while, at the same time, being simple, available and easy to use (Langhauser, 2006).

According to the GFK Consumer Panel 2017, 44 % of the German households use printed media regularly (41 % occasionally) to prepare their shopping (GFK, 2017).

Therefore, the general research aim of this study is to identify which consumer (type) uses which channel of information how often, in which way and with what purpose.

Data and Methodology

Data collection took place in December 2017 using an online questionnaire and face-to-face interviews (n = 271).

At first, a cluster analysis was conducted to identify diverse consumer groups. The clustering algorithm based on the question which channel of information were used to gather information on special offers in food retail.

That followed a funnel analysis for three steps of usage for promotion flyer of different stores. Conversion rates

were determined to identify different levels of impact and range of influence of these printed media. Finally, important drivers to the usage of promotion flyers are given by a factor analysis of a wide range of statements with regard to promotion flyer.

Results

The aforementioned research question is further separated into several subquestions:

a) Which possibilities do consumers use to gather information on special offers?

The participants of this study were clustered into four different groups, based on their preferred channel of information. In cluster 1, all those were sorted who use printed media, preferably; whereas cluster 3 uses TV & radio and word of mouth, and cluster 4 Apps, Social Media and online platforms, respectively. Members of cluster 2 use all kinds of channels to gain information on special offers in food retail.

Table 1 gives an excerpt of multiple sociodemographic variables to further describe these groups. Cluster 1 ("print"), being the largest group, has the highest share of seniors the age 50+. Here, compared to the other groups, the households are of bigger size, have a high income of more than 2.600 € per month and spend the most on food per week, in absolute terms.

Cluster 2 ("use-all") on the other hand consists of young single adults with low income and food budget.

Middle-aged couples with high income and an average food budget mainly build cluster 3 ("radio & TV / word of mouth").

Youngsters less than 25 years old and mainly singles are clustered to group 4 ("apps / social media / online platforms"). Here, a low income (less than 900 € per month) but average expenditures on food can be found.

Table 1: Description of clustered groups (excerpt)

Source: own calculation

All the following analyses are based on these four clusters with the total sample as average reference group.

b) Do the promotion flyer of German food retailer differ in the way consumer make use of them?

At first, we show which food retail stores are most frequently used and which differences occur by cluster. This is followed by a funnel analysis. We define three steps of usage for promotion flyer from "I have it at home" to "I read it" to "I use it for planning my shopping". For each level a conversion rate (CR) is determined. We can show that the CR differs strongly between stores, store types and cluster. For the total sample, only the most popular store, Aldi Süd, is able to reach a CR of 50 %, saying that one out of two consumer, who have access to the promotion flyer, actually uses PF to prepare shopping. All other stores have much lower CRs, down to less than 10 %. The results deviate from the average when done separately for each cluster. We see that the CRs are the highest, regarding each store, for those consumer, who use multiple channels of information (cluster 2). We conclude that the CRs of promotion flyer can be improved by addressing more channels than just the traditional printed way.

c) Which products or product groups are of special interest and what effect do special offer have on the consumer's shopping behavior?

After identifying which promotion flyer are used preferably, the participants were asked to name up to three products which are mostly bought while in discount. For each of these products it was stated whether the consumer is willing to switch to another product, which is on special offer, or to another store, offering the preferred product with a discount, or whether they tend to buy stock.

As expected, with regard to special offers, consumers tend to buy branded products with high discounts like coffee, tea and dairy products or products with seasonally limited availability like fruits and vegetables. These results are quite similar for the clustered groups. In terms of brand and store loyalty, it can be shown that the participants are more willing to switch stores for their preferred special offer product (53.1 %) than switching brands (39.5 %), but two thirds of all participants plan on buying more units of the aspired good to store it.

On product level a switch of brands is mostly done for convenience products like pizza and least done for experience goods like cosmetics. This ranking is stable for all four cluster, but for changes in the percentage.

d) Which factors can be identified as important drivers to the usage of promotion flyer?

Three factors were extracted. The first represents statements relating to gaining “inspiration and procurement planning”. The second factor emphasizes the positive store image conveyed through promotion flyer, whereas the last factor describes the preference to use promotion flyer of nearby stores. For factor 1 and factor 2 statistically significant differences can be found between the four clustered groups. The printed media user (cluster 1) decline using promotion flyer as a source of information and are neutral to the other two factors. Both cluster with young and low income singles (cluster 2 and 4) confirm to use promotion flyer for preparing their shopping (factor 1). Differences occur between regarding factor 2. Young adults (cluster 2) state that promotion flyer improve overall store image. This is declined by youngsters, who use “new-fashioned” media like apps and social media (cluster 4).

Summary

The above mentioned analyses will help to understand how consumer (types) use channels of information.

Four different cluster groups can be identified based on their preferred channel of information.

Conversion rates for multiple levels of usage of promotion flyer differ strongly between cluster groups and stores (types).

62.4 % of all participants favor buying stock rather than switching stores or brands for special offers.

Three driver for the use of promotion flyer were identified: “inspiration and procure-ment planning”, “store image” and “proximity”.

Literature

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