

## **Working paper on grocery shoppers' characteristics and behaviour**

1. This paper provides an overview of grocery shopper characteristics and shopping behaviour. It is based on a combination of publicly available industry research from the IGD (a grocery industry research organization), Competition Commission (CC) analysis of TNS data, and consumer research conducted by grocery retailers and made available to the CC. Where appropriate, comparisons are made with the CC's own consumer research from the 2000 investigation.<sup>1</sup> This approach reflects the CC's decision, relatively early in the current investigation, to rely on the substantial volume of existing research in this area, rather than commission its own survey of consumers.
2. The paper is set out in two parts. First, an overview of consumers' choice of shopping outlets and shopping frequency is provided, and second, shopper characteristics and typologies, and shopping missions are considered.

### **Shopping outlets and frequency**

3. In looking at characteristics of grocery shoppers, we review the following areas:
  - choice of shopping outlet type and determinants of store choice;
  - shopping travel distances and transport;
  - shopping frequency; and
  - determinants of product choice.

### ***Choice of grocery shopping outlet type and store***

4. More than 90 per cent of shoppers report using a supermarket for purchasing groceries according to research conducted in 2004 (see Figure 1). This research also found that a wide range of other outlets are also used for grocery purchases,

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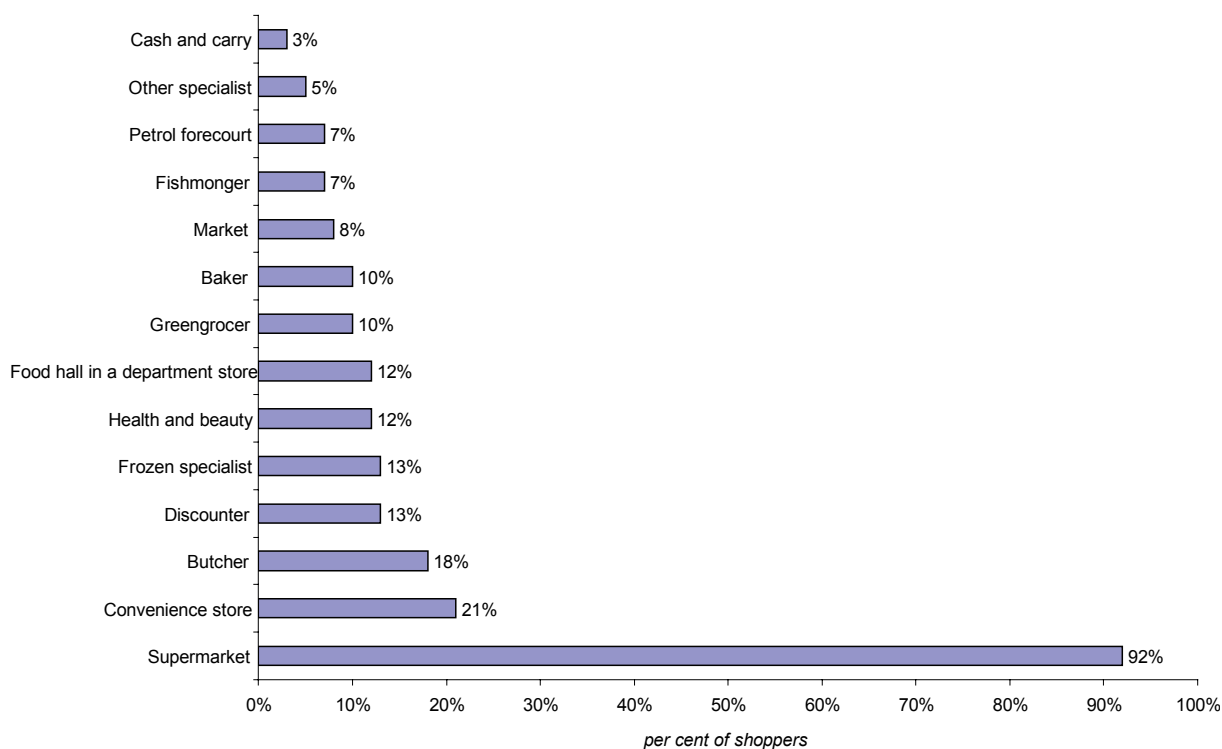
<sup>1</sup>We note that differences in research methodologies may mean that the CC's survey results in 2000 are not strictly comparable with the results of the later consumer surveys that we cite in this paper.

including convenience stores (21 per cent), butchers (18 per cent), frozen food specialists (13 per cent), health and beauty outlets (12 per cent), bakers (10 per cent) and greengrocers (10 per cent).

5. This research is broadly consistent with the CC's own consumer survey in 2000, which found that 85 per cent of overall grocery expenditure occurred in supermarkets. Consumer research conducted by one UK grocery retailer found that regular supermarket shoppers tend to use one core supermarket and one other more occasionally.<sup>2</sup>

FIGURE 1

### Shoppers using different outlet types for food and grocery shopping



Source: IGD Shopper Insight, 2004.

6. Other consumer research conducted for another UK grocery retailer referring to growth in convenience store shopping attributed this to demographic changes, such as smaller households with more elderly and single people and the growth in smaller

<sup>2</sup>[8]

shopping missions with more tendency to top-up. The increased emphasis on health and healthy eating may also be driving more frequent shopping as shoppers undertake more frequent shops in order to purchase fresh and chilled food. It also notes that as the retail offer of convenience stores has improved, these stores are taking more revenue from larger format stores.<sup>3</sup>

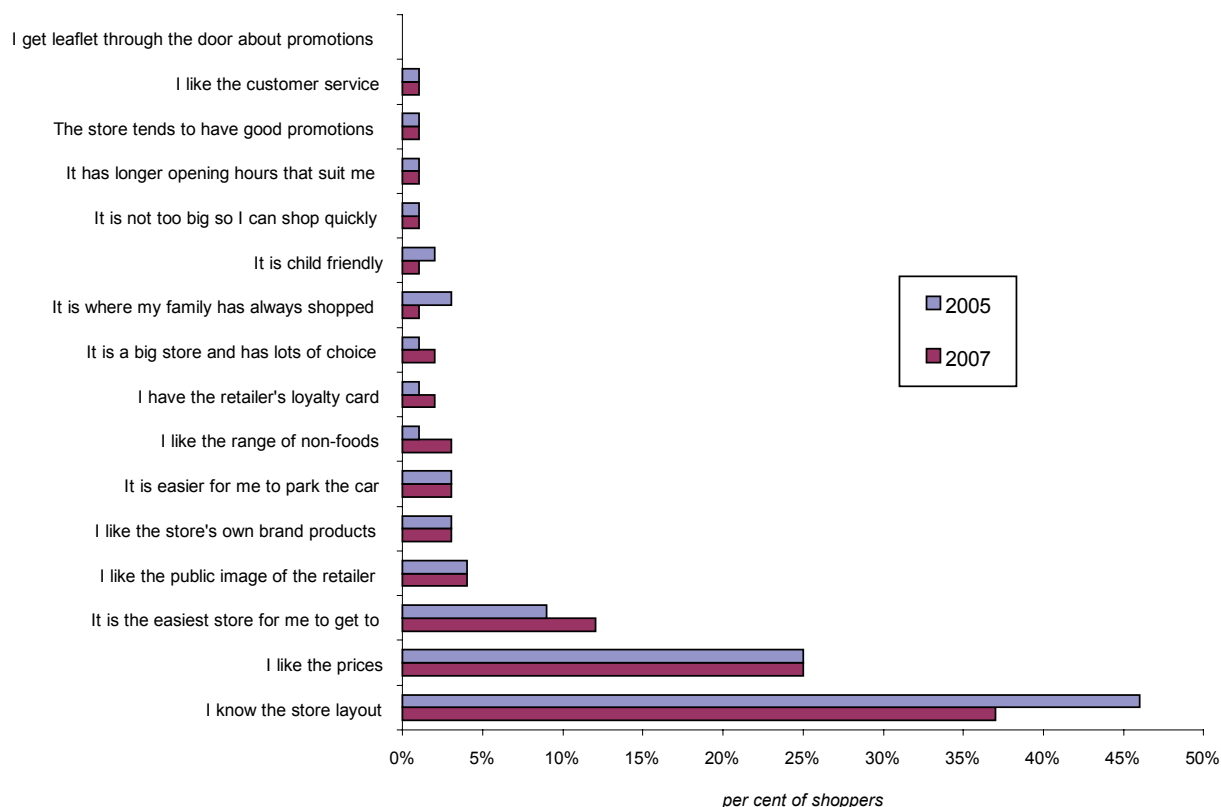
7. A key issue for this investigation is consumer behaviour in relation to their choice of grocery outlet and their propensity to switch between grocery outlets of different size, fascia and location. Our consideration of the relevant economic market(s) for the supply of groceries involves detailed analysis of the relevant data in this area. The following, however, provides an overview of some of the general factors influencing shoppers' choice of store, and in particular, the possible extent of switching costs.
8. Survey data indicates that familiarity with store layout is the single most important driver of store choice (see Figure 2). In 2007, 37 per cent of shoppers reported that 'knowing the store layout' was the main reason for their choice of store (compared with 46 per cent in 2005), while price was the second ranked factor with 25 per cent of shoppers reporting it as the main reason for their choice of store (unchanged since 2005). Transport issues are also important with 12 per cent of shoppers stating that the primary factor in their choice of store was its location, and a further 3 per cent reporting that ease of car parking was the critical factor behind their store choice.

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<sup>3</sup> [8]

FIGURE 2

**Main reason for shoppers' choice of store, 2005 and 2007**



Source: IGD *Shoppportunities*, 2005; IGD, *Shopper Trends in Product and Store Choice*, 2007.

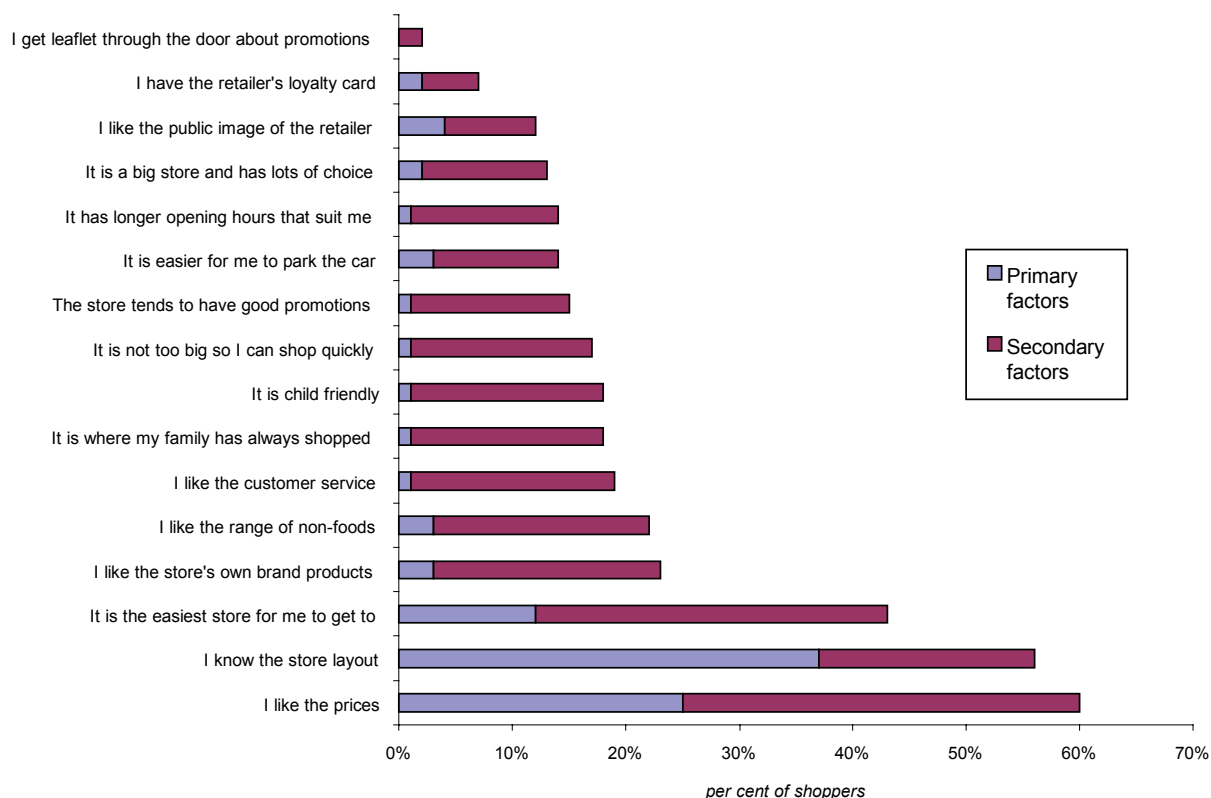
9. Figure 3 shows the influence of other secondary factors on the choice of store by grocery shoppers. It can be seen that once these secondary factors are taken into account, price is the most commonly cited factor influencing store choice. Familiarity with store layout is the second most commonly cited factor, and ease of access is the third most commonly cited factor. This is broadly consistent with research conducted for one of the UK grocery retailers, which cites convenience, range and price as the three most important factors in determining supermarket choice.<sup>4</sup>
  
10. The IGD, in reviewing these statistics, stated that ‘while price is an important factor at a total level, it actually only plays a secondary role in product choice, probably being used to refine a selection from the competitive set. This may suggest that shoppers

<sup>4</sup>[8]

are more concerned with basket or trolley price than product price.’<sup>5</sup> We consider product choice in paragraphs 22 to 25.

FIGURE 3

**Main and secondary reasons for shoppers’ choice of store**



Source: IGD, *Shopper Trends in Product and Store Choice*, 2007.

11. For convenience stores, research commissioned by a UK grocery retailer shows that location is the most important attribute followed by service, value and range.<sup>6</sup> Other research indicates that for convenience stores location is more important than brand and offering, and in particular, location drives the selection of store when the nearest store fulfils the shopper’s range and availability needs.<sup>7</sup> Other factors that retailer research indicates are important in the choice of convenience store—apart from location, range and availability—include price, freshness and quality, queues and overall look, store environment, staff attitude and reflecting local needs.

<sup>5</sup>IGD, *Shopper Trends in Product and Store Choice*, 2007, p3.

<sup>6</sup>[ ]

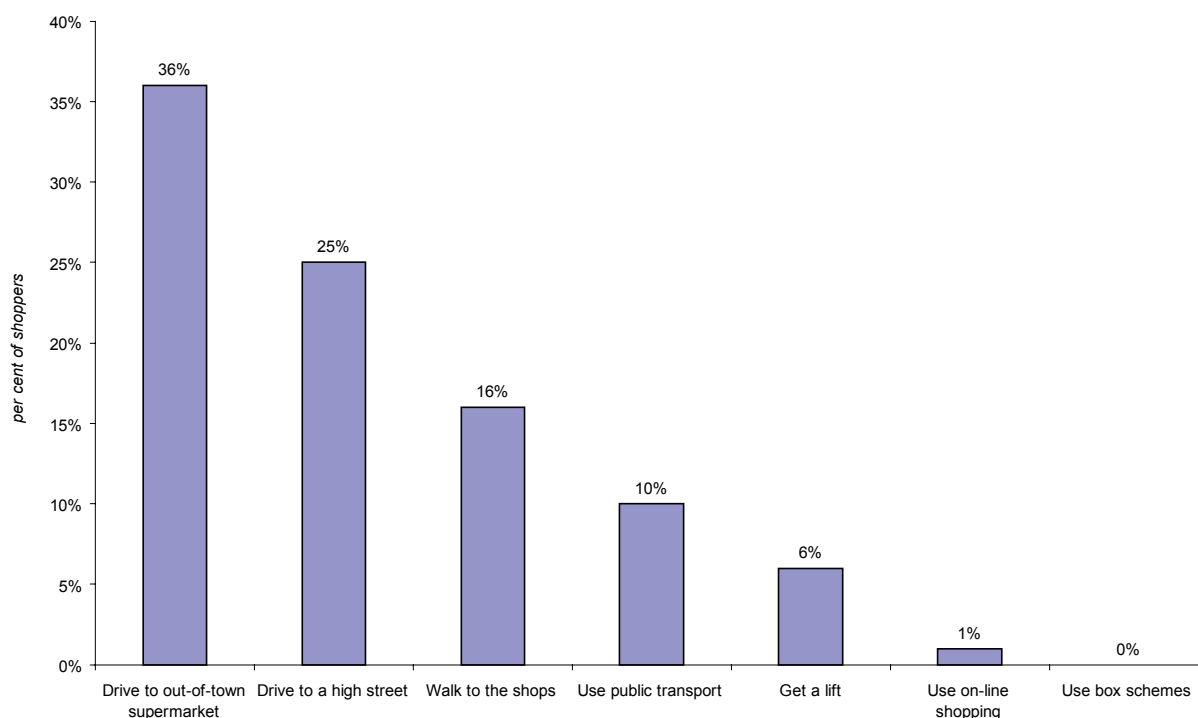
<sup>7</sup>[ ]

## Shopping travel distances and transport

12. Driving is the most common mode of transport for grocery shopping with 36 per cent of shoppers reporting that they drive to an out-of-town supermarket and a further 25 per cent reporting that they drive to a high street shop. A further 16 per cent state that they walk to the shops, and 10 per cent use public transport. Use of online shopping is a comparatively small 1 per cent of shoppers.

FIGURE 4

### Shopping destination and transport



Source: IGD, *Shopper Trends in Product and Store Choice*, 2007.

13. An analysis of TNS survey data shows that as store size increases, the proportion of shoppers that travel further to shop at that store increases. For example, for the four weeks ended 5 November 2006, 71 per cent of shoppers at stores smaller than 280 sq metres lived within a 0- to 5-minute drive-time of that store, while only 26 per cent of shoppers at stores larger than 4,000 sq metres lived within a 0- to 5-minute drive-time of that store. Similarly, while only 6 per cent of shoppers at a store of less than 280 sq metres lived more than 15 minutes' drive-time from that store, 19 per

cent of shoppers at stores larger than 4,000 sq metres lived more than 15 minutes' drive-time from that store.

TABLE 1 Distance travelled by shoppers to grocery retail outlets, by store size, cumulative frequency

	0–5 mins	5–10 mins	10–15 mins	15–20 mins	20–25 mins	25–30 mins	>30 mins
<280 sq m	71	88	94	97	98	99	100
280–1,400 sq m	59	81	90	95	97	98	100
1,400–2,500 sq m	45	74	87	93	96	98	100
2,500–4,000 sq m	33	68	84	92	96	97	100
>4,000 sq m	26	63	81	90	94	96	100
All stores	38	70	85	92	95	97	100

Source: CC analysis of TNS data for the four weeks ending 5 November 2006.

Note: Distances are expressed in terms of minutes of drive-time and measure the distance between the shopping location and the home of the shopper.

### **Shopping frequency**

14. The most common shopping frequency is once a week, which was reported by 59 per cent of shoppers in 2007 (see Figure 5). This compares to 24 per cent of shoppers stating that they shop more than once a week, including 3 per cent that shop daily, and 16 per cent of shoppers that shop less than once a week.
  
15. The IGD stated that 'shopping frequencies have changed little over recent years as shoppers are aided by almost universal levels of durables ownership, such as fridges and freezers, and this particular frequency is driven by the need to re-visit the store to replenish perishable items'.<sup>8</sup>
  
16. However, compared with the CC's consumer survey in 2000, there appears to have been some shift from weekly shopping, which was reported at 70 per cent in 2000, to more frequent shopping, which was reported at 16 per cent in 2000 (compared with 24 per cent now). A market research study commissioned by a UK grocery retailer

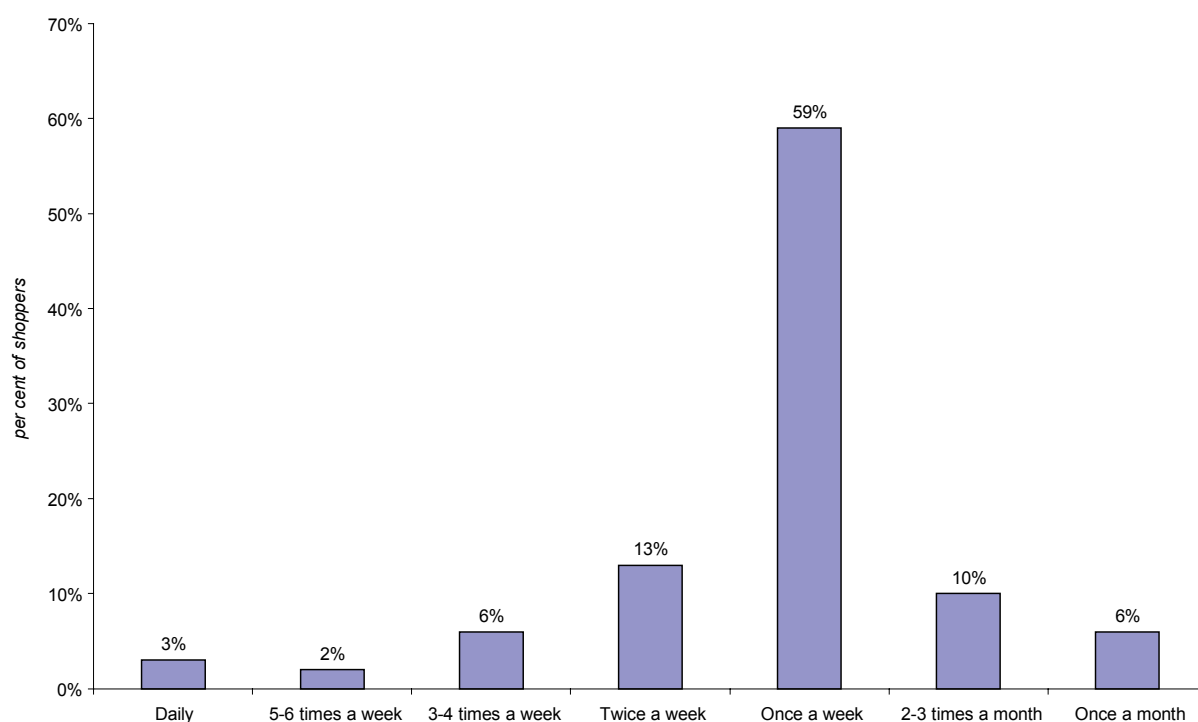
<sup>8</sup>IGD, *Shopper Trends in Product and Store Choice*, 2007, p7.

also found that customers now visit supermarkets several times a week and some are using them as a 'corner shop'.<sup>9</sup>

17. Another consumer study in 2005 notes that consumers are using an increasing number of shopping trips. In a comparison of shopping missions in 2003 and 2004, the study notes that the number of shopping trips for top-up purposes increased by 3.6 per cent for general groceries and 6.2 per cent for fresh food. Further, the number of single need shopping trips increased by 8.2 per cent for general groceries and 10.6 per cent for fresh food. By way of comparison, the number of 'stock-up' shopping trips increased by only 1 per cent.<sup>10</sup>

FIGURE 5

### Shopping frequency



Source: IGD *Shopper Trends in Product and Store Choice*, 2007.

18. In terms of the frequency with which shoppers use different grocery outlets (see Figure 6), consumer research in 2004 indicated that 56 per cent of the shoppers that

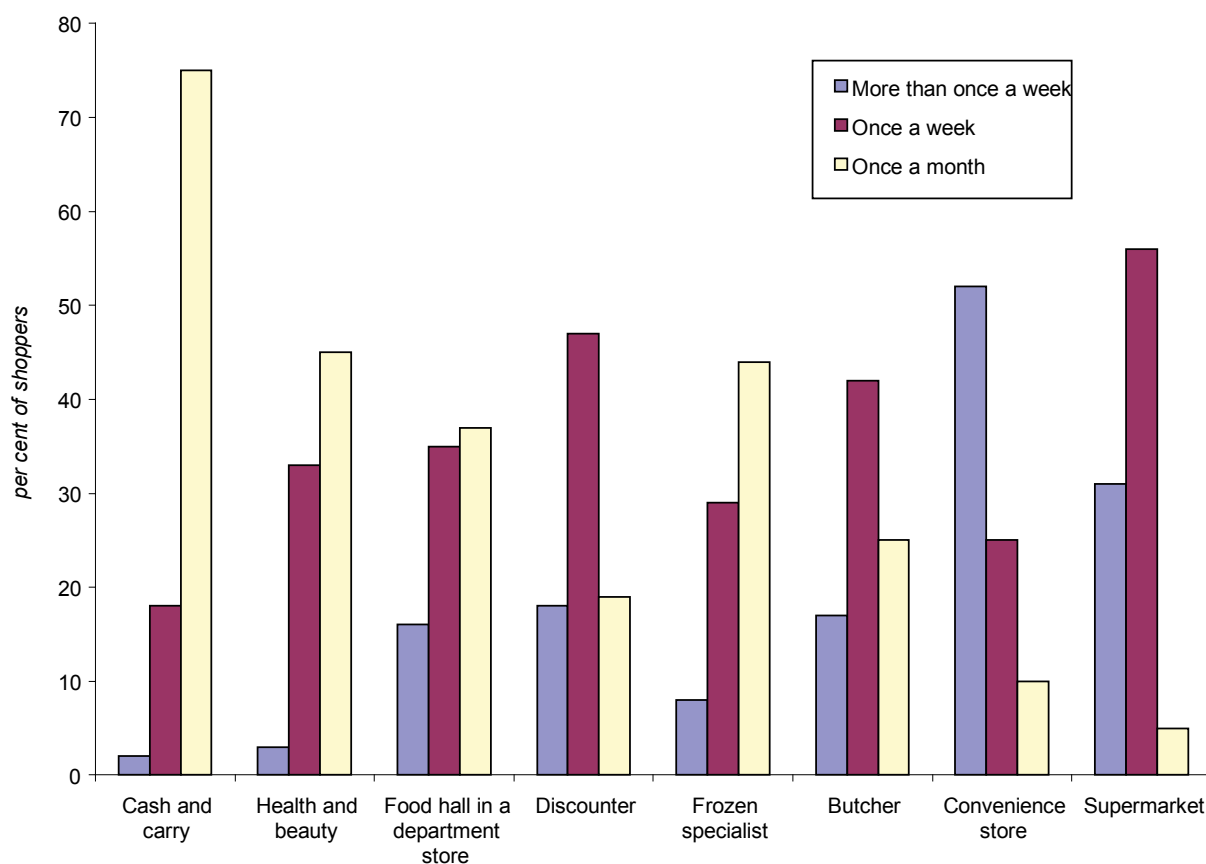
<sup>9</sup> [X]  
<sup>10</sup> [X]

use a supermarket visit one once a week, while 31 per cent visit more than once a week. In contrast, 52 per cent of shoppers visit a convenience store more than once a week, while only 25 per cent of shoppers report using a convenience store only one per week. Cash and carry, health and beauty outlets and frozen food specialists are most likely to be used relatively infrequently by shoppers.

19. In terms of shopping frequency by grocery retailer, the presence of significant numbers of convenience stores and high street outlets means that both Tesco and Sainsbury's report a larger proportion of customers shopping more frequently compared with Asda and Morrisons.<sup>11</sup>

FIGURE 6

**Shopping frequency by grocery outlet**



Source: IGD Shopper Insight, 2004.

<sup>11</sup>See IGD, *Shopper Trends in Product and Store Choice*, 2007, p11.

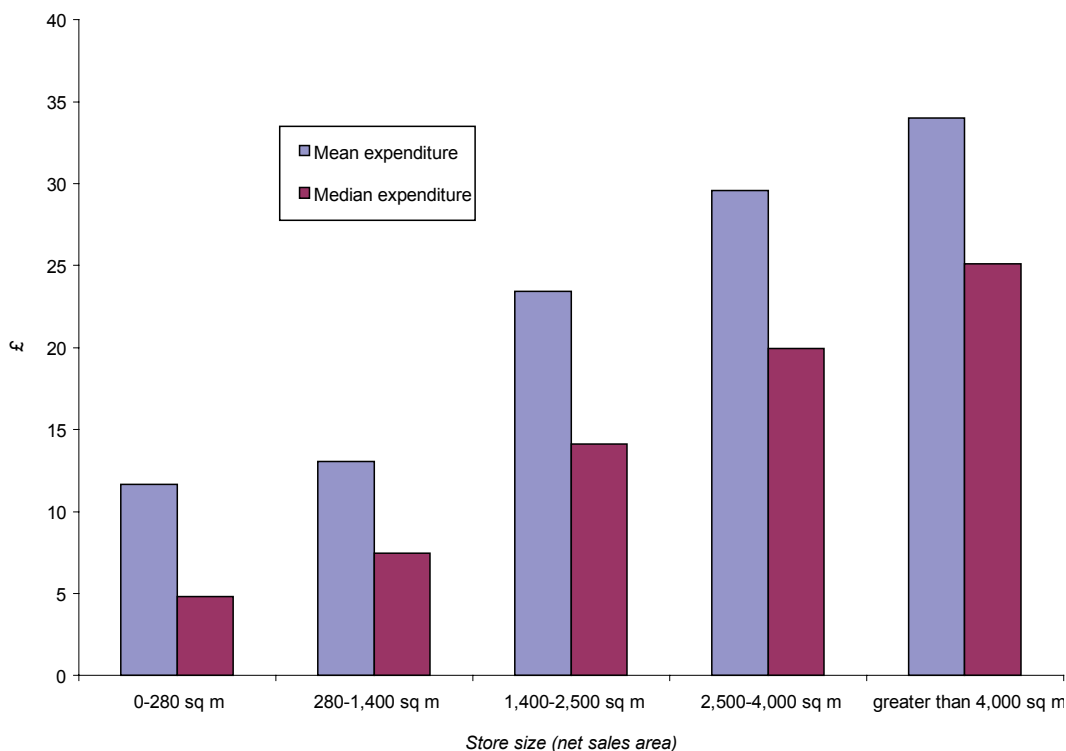
20. Within the week, the busiest shopping period is from Thursday afternoon to Saturday morning when 26 per cent of shoppers report visiting a grocery outlet. Only 3 per cent of customers report shopping on Sunday, and only 1 per cent state that they conduct their shopping at night.<sup>12</sup>

**Average expenditure per shopping trip**

21. Average expenditure per shopping trip increases with store size. Figure 7 shows that while the median shopper will spend approximately £4.80 in a store smaller than 280 sq metres, median expenditure increases to nearly £20.00 at a store that is 2,500 to 4,000 sq metres.

FIGURE 7

**Average expenditure per shopping trip**



Source: CC analysis of TNS data.

<sup>12</sup>See IGD, *Shopper Trends in Product and Store Choice*, 2007.

## ***Determinants of product choice***

22. Two elements of product choice are reviewed in the following paragraphs: first, the extent to which grocery shoppers plan their purchases prior to shopping; and second, the influences on product choice when a consumer is in a shop and choosing between products.
23. Consumer survey evidence published by the IGD suggests that the proportion of their total purchases that shoppers are planning is declining. That is, shoppers are becoming more spontaneous in their shopping. For example, the proportion of shoppers that plan 70 to 100 per cent of their purchases has declined from 48 per cent in 2003 to 40 per cent in 2007. At the same time, the proportion of shoppers that only plan 0 to 30 per cent of their purchases has increased from 17 per cent in 2003 to 31 per cent in 2007 (see Figure 8). These trends are consistent with the view that shoppers are visiting grocery retailers looking for 'meal solutions' rather than shopping for individual ingredients. The IGD considered that the level of impulse purchasing was likely to grow in the coming years.<sup>13</sup> This research is supported by that conducted for a UK grocery retailer which, for the 2004/05 period, identifies changing shopping habits with customers doing less main shopping and less planning.<sup>14</sup>

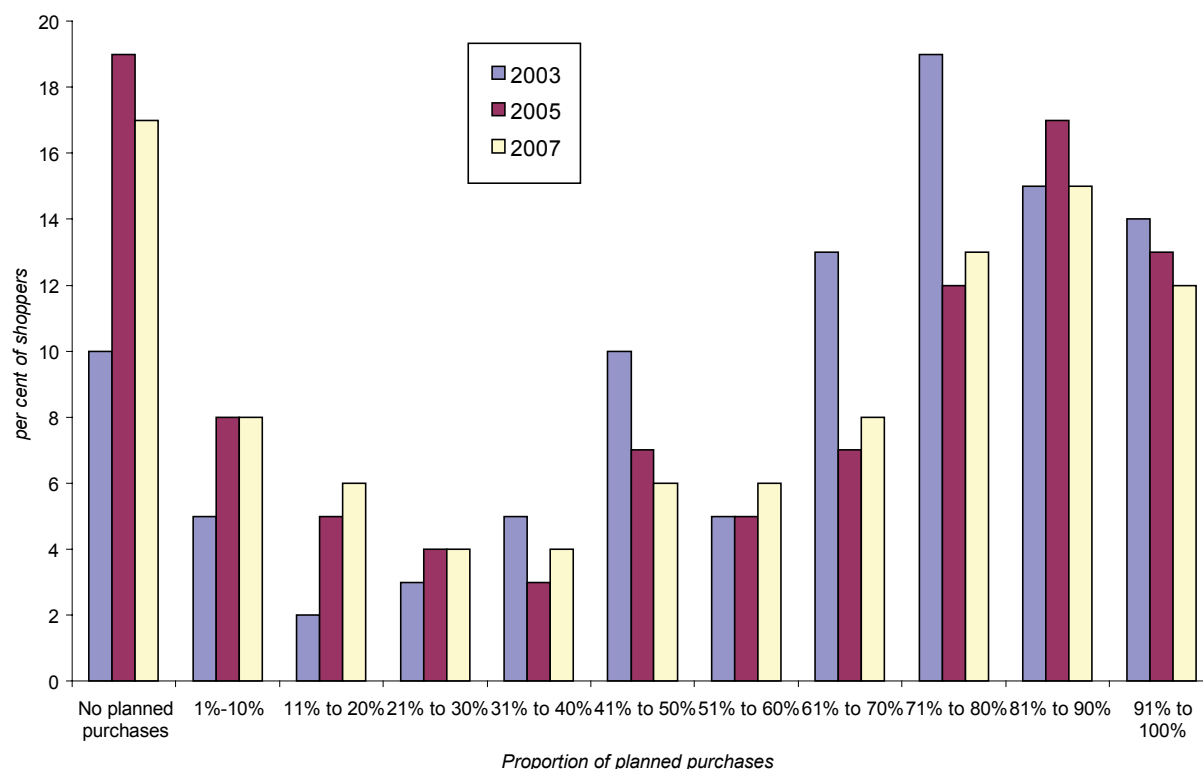
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<sup>13</sup>IGD, *Shopper Trends in Product and Store Choice*, 2007.

<sup>14</sup>

FIGURE 8

**Impulse versus planned shopping habits**



Source: IGD, *Shoppportunities*, 2005; IGD, *Shopper Trends in Product and Store Choice*, 2007.

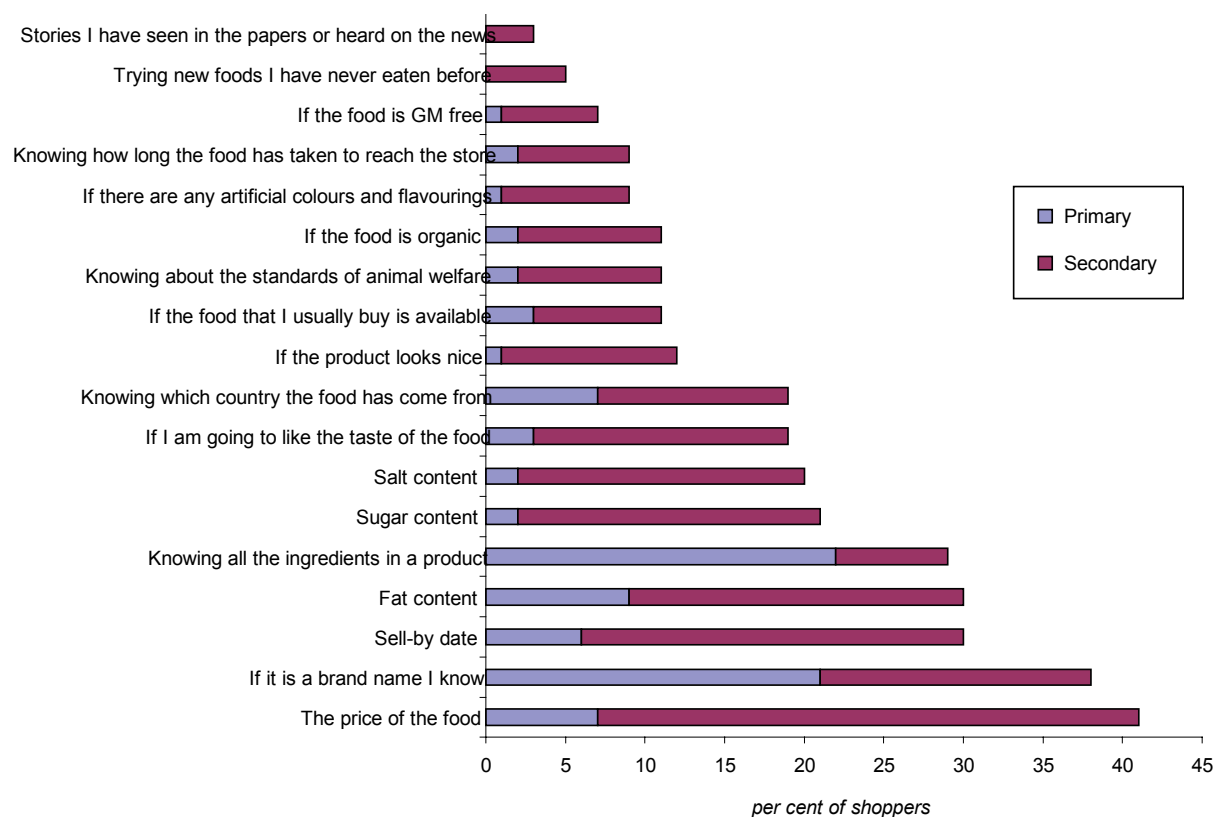
24. In terms of the influences on consumers when deciding on individual products within a category, consumer research indicates that a familiar brand name, knowing the product’s ingredients and country of origin are the most dominant drivers of choice (see Figure 9). The survey evidence indicates that while price is the most commonly mentioned factor in relation to product selection, it plays a more secondary role in product choice. The IGD suggests that it may be used to refine a selection from the competitive set of products rather than being the first consideration in the decision-making process.<sup>15</sup>

<sup>15</sup>IGD, *Shopper Trends in Product and Store Choice*, 2007.

25. In terms of trends, over the period 2004 to 2007, while price has remained the most commonly cited factor, brand name and food content have both increased in importance.

FIGURE 9

**Product choice: primary and secondary drivers**



Source: IGD, *Shopper Trends in Product and Store Choice*, 2007.

**Shopper typologies**

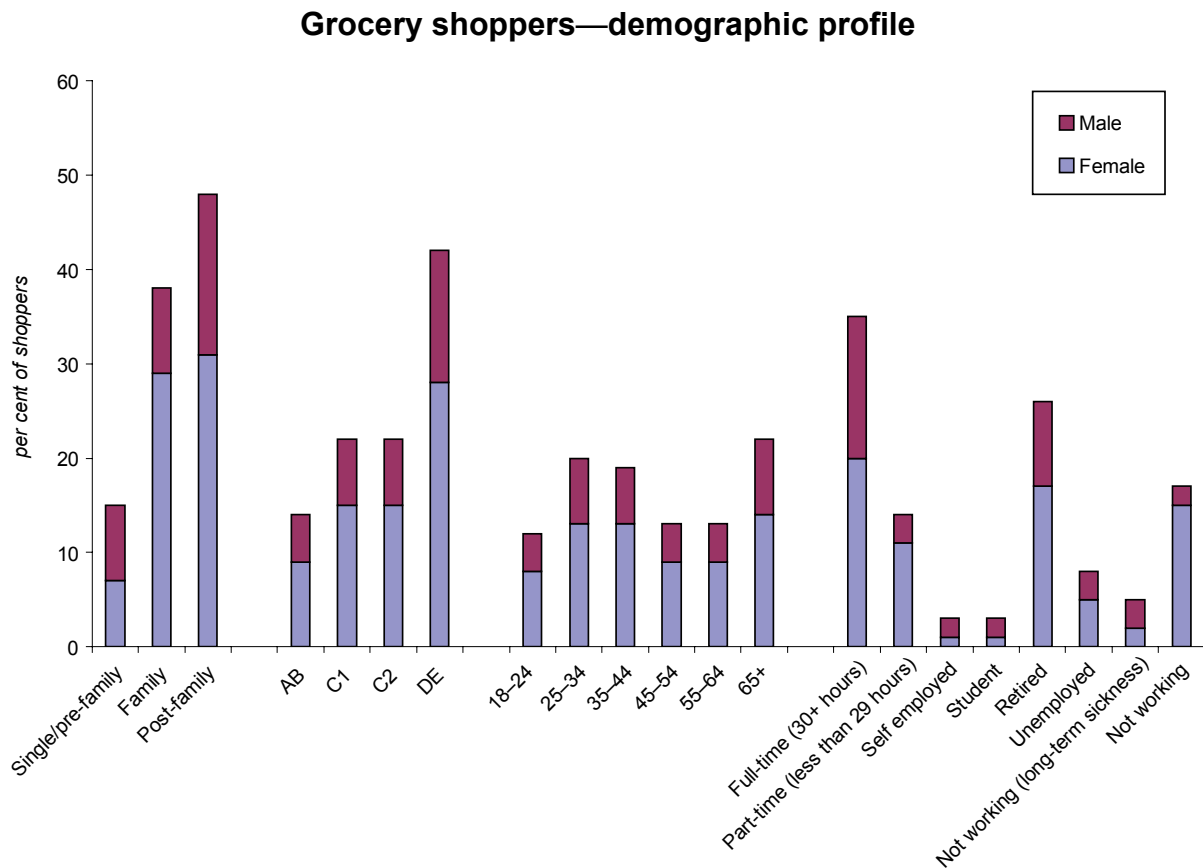
26. This section reviews recent research on shopper typologies. Recent research suggests that there are three basic groups of shopper typologies:

- *Demographics*: based upon standard objective metrics such as family size and disposable income.
- *Psychographics*: attitudinally based metrics using mindsets and value systems as key discriminators (see discussion of ‘foodies’ and ‘fuelies’ below).
- *Behavioural groups*: using observed patterns of shopper behaviour such as bulk, top-up, trophy and entertainment shopping (one-stop and top-up being the two

primary groups used in the 2000 investigation as the basis for defining the relevant markets).

27. In terms of demographics, the profile of grocery shoppers can be expressed in a number of ways, including family status, socio-economic group, employment status, sex and age (see Figure 10). In nearly every demographic category, women form a substantial majority of the main shoppers.

FIGURE 10

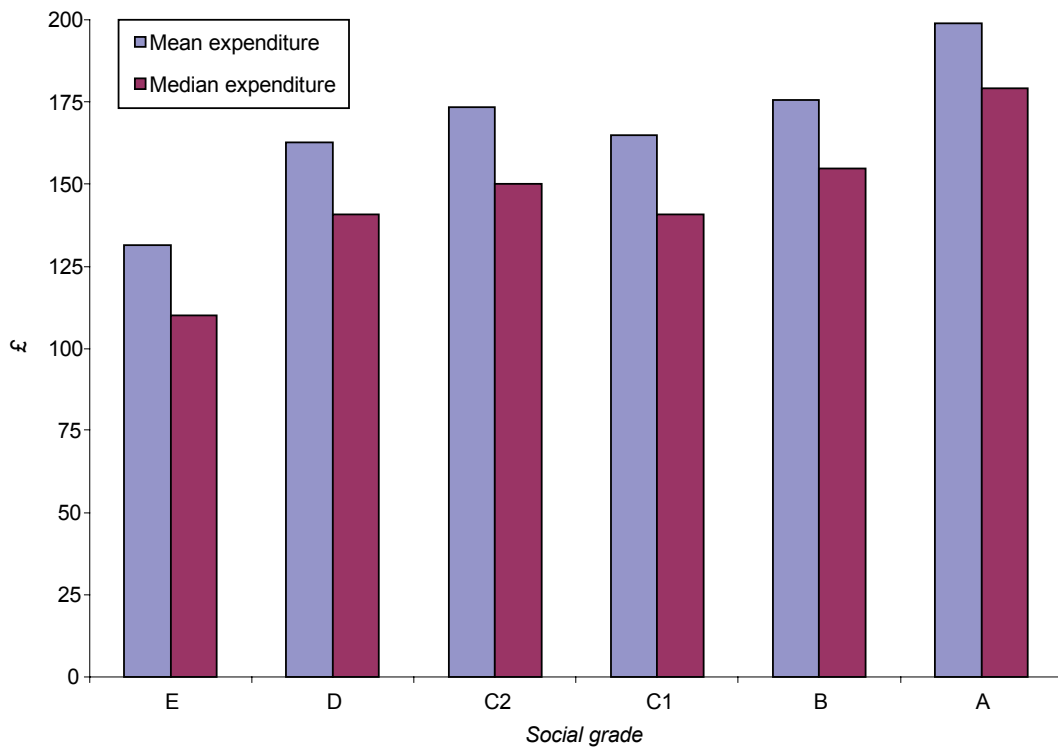


Source: IGD Shoppportunities, 2005.

28. Taking one of these categorizations, it is then possible to look at factors such as average expenditure. For example, Figure 11 shows, as might be expected, that mean and median shopping expenditure, in most part, increases with social grade.

FIGURE 11

**Average shopping expenditure over a four-week period, by social grade**

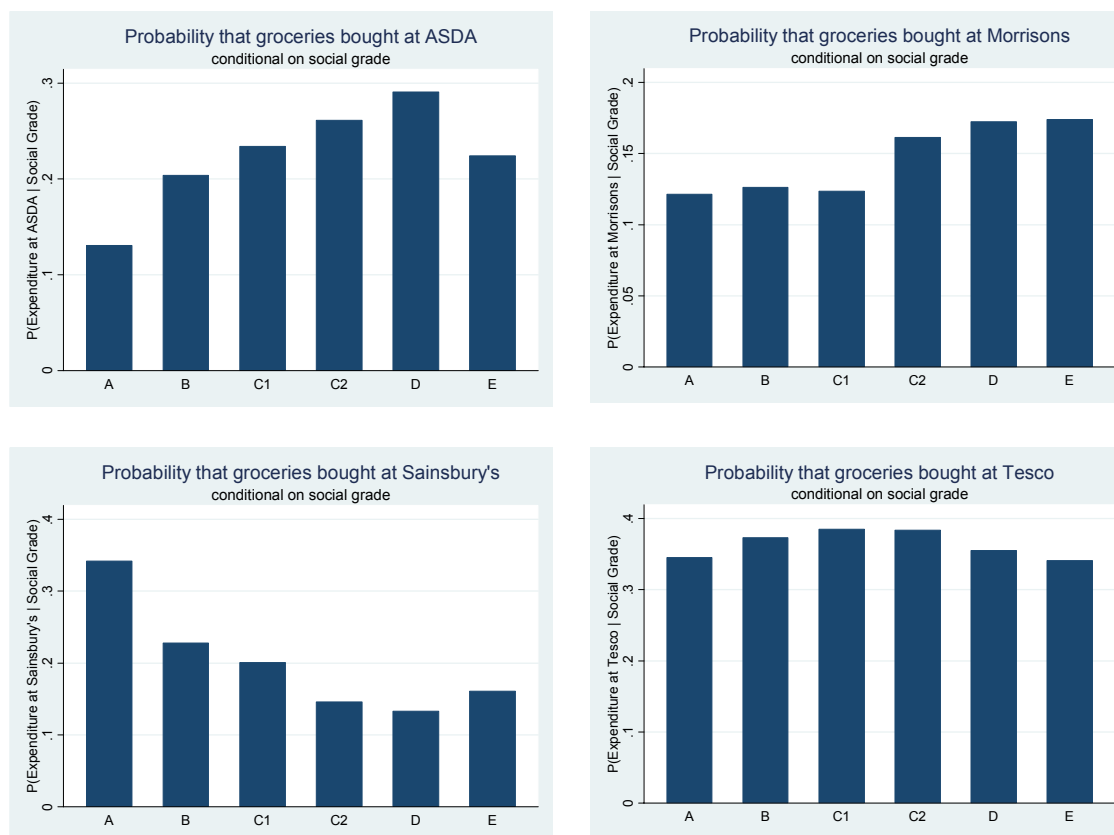


Source: CC analysis of TNS data.

29. Figure 12 shows the different profile of shoppers, according to social grade, at each of Asda, Morrisons, Sainsbury's and Tesco. It can be seen that Sainsbury's shoppers are most likely to fall into social grade A, while for the most part shoppers at Asda are more likely to be in social grades C and D.

FIGURE 12

**Probably of groceries being purchased at each major grocery retailer, by social grade**



Source: CC analysis of TNS data.

30. In terms of 'psychographics', the IGD reports<sup>16</sup> a system of shopper identification according to their attitude to food. These groups are:

- 'foodies'—shoppers that enjoy cooking and trying new things and are likely to cook from scratch (40 per cent of shoppers);
- 'fuelies'—not interested in food, eat because they have to (13 per cent of shoppers);
- 'traditionalists'—eat the same things and are not very adventurous with their food choices (29 per cent of shoppers); and

<sup>16</sup>IGD, *Shopper Trends in Product and Store Choice*, 2007.

- ‘economists’—shop on a budget and are interested in value (18 per cent of shoppers).
31. Foodies are more likely to shop at Tesco and Sainsbury’s and be younger people, women and AB shoppers. Fuelies are more likely to be men and lower socio-economic groups. Shoppers at Sainsbury’s are least likely to be ‘fuelies’. Traditionalists are more likely to be Asda shoppers, as well as older shoppers and shoppers in lower socio-economic groups. Finally, economists are spread across all major grocery retailers and most likely to come from lower income groups, those not working and those over 65 years.
32. In terms of behavioural groups, the IGD states that the idea of using shopper missions, the motivations behind the shopping trip, as a more effective way of predicting and influencing purchase decisions is becoming increasingly important to both retailers and suppliers. A retailer that identifies particular shopping missions is able to define category location, ranging, merchandising and in-store communications, matching them to shopper needs. In the case of top-up shopping, the priority will be for a quick and easy trip. However, the IGD notes that no real consensus has yet emerged on how best to construct shopper segmentations and deploy them systematically.<sup>17</sup>
33. As noted above, the CC in the 2000 investigation used the concept of one-stop and top-up shopping missions as the basis for its market definition. There is clearly still a large proportion of shoppers that engage in a weekly one-stop shop. However, as discussed above, this proportion appears to have declined, while the proportion of shoppers engaging in more frequent, unplanned shopping has increased.

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<sup>17</sup>IGD, *Category Management*, 2006.

34. A review of consumer research studies commissioned by various UK grocery retailers shows that consumers do many different types of shopping at stores of the same size and format. For example, one study that looked at the shopping patterns of residents close to a number of different convenience stores shows that 15 per cent of respondents undertook their main grocery shopping at a convenience store. This increased to 36 per cent in the London area.
35. A survey<sup>18</sup> conducted in 2005 found that 9 per cent of respondents use Asda most often for their convenience shopping and concluded that 'supermarkets are used nearly as much as convenience stores for convenience shopping'. Another study notes that 'convenience shoppers can exhibit greater flexibility re their choices of supermarkets—may use larger supermarkets near to where they happen to be; local grocers; popping in to Tesco Express or Co-op predominantly on the basis of convenience'.<sup>19</sup>

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<sup>18</sup> [X]  
<sup>19</sup> [X]