

GET IN THE GAME OR LOSE

Why retailers must track the entire customer sales pipeline

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CONSUMERS' OPTIONS for where and how to shop these days are seemingly limitless. In an effort to evaluate choices quickly and easily, they are taking the lead in defining competitive spaces based on their individual needs and preferences. What does that mean for retailers? It means that reaching the consumer requires getting in the game—in other words, being in the consideration set.

Through a process of awareness, trial and acceptance or rejection, consumers establish the mix of options that are right for their needs. They evaluate the degree to which retailers deliver on what is most important to them. Retailers that meet their requirements are added to the consideration, or automatic-choice, set. Consumers use these sets to cut through the superabundance of options available to them.

In this environment, retailers can't skip right to what drives a purchase. They have to fill the customer pipeline to ensure plenty of sales now and for the foreseeable future. To do so, retailers need to generate awareness, build familiarity and secure consideration in order to drive purchasing. Consideration is the most critical element of that pipeline.

So what does it take to get into the customer's consideration set? It depends. While there are some universal requirements, most depend on the consumer profile and/or the particular product category.

DIFFERENT FACTORS

NPD surveyed a nationally representative sample of more than 32,000 U.S. consumers to understand what drives consideration and how consumers perceive 80-plus retailers against their requirements. One interesting finding was how their consideration requirements differed across the primary categories. In apparel and accessories, for example, consideration is driven almost entirely by content and offering (for example, having desired brand names, the latest trends, a broad selection and a high-quality product). While pricing, convenience and service are important in driving purchase, they are not the factors that will get a retailer into the game. "Do they have what I want?" is the most important question that will be asked. "Pre-emptive store location" is of little value unless the consumer knows the offering to be equal to the retail option that location is pre-empting.

Retailers find their way into the

Key drivers of consideration

Ranking what consumers look for in retailers

RETAILER ATTRIBUTES	APPAREL & ACCESSORIES	FOOTWEAR	HOME	CONSUMER TECHNOLOGY
Has the latest trend	1	1	9	5
Has high-quality products	2	5	8	2
Has brand names you want	3	4	2	1
Has a broad selection	4	6	1	4
Has a full range of services	5	3	5	6
Has knowledgeable salespeople	6	11	12	7
Has salespeople who can recommend	7	10	11	3
Offers good value for the money	8	7	3	8
Is easy to shop	9	2	7	10
Has a lot of sales or special deals	10	9	4	11
Is growing in popularity	11	8	6	9
Has high prices	12	14	14	14
Is affordable	13	12	10	12
Is conveniently located	14	13	13	13

Source: NPD Group/Retail Landscape study. Numbers represent rank importance of factors in consideration set for each industry. Results are based on a survey of 32,000 consumers.

consideration set through various combinations of these factors. For example, JCPenney, Kohl's and Target are strongest at having a broad assortment. Consumers consider these stores primarily because they are likely to find products that meet a wide range of needs in brands they trust—and on sale. In contrast, the primary reasons for considering Macy's and Dillard's is that they offer desired brand names, high-quality products and trendier items.

Meanwhile, consideration in home and home improvement requires that a retailer demonstrate a broad selection, brand names, good value for the money, and sales or deals. Whether they're for redecorating or renovating, home purchases tend to be viewed as investments of time and money. In general, consumers want to maximize the likelihood they are making smart investments. Bed Bath & Beyond is a retailer that delivers a broad selection and brand names but provides good value for the money and plenty of sales. Lowe's is an example of a retailer that delivers broad selection, brand names, quality and good value for the money.

At the same time, different customer profiles have different requirements. For example, having desired apparel brand names is more important for younger adult consumers (18 to 34), while having a full range of services is less important. Hispanic consumers' requirements are similar to those of the U.S. consumers overall, that with the exception of a higher importance placed on a retailer having desired brand names. Having affordable products is more important and having high quality is less

important in home purchases among consumers with young children. In most cases, the retailers most considered by Hispanic consumers are the same as those considered by the total U.S. consumer. Hispanic consumers are significantly more likely to consider some stores, such as Costco and Mervyn's, even when controlling for geographic market and store location.

What does all of this mean? It means it's imperative that retailers track the entire customer-sales pipeline, with a special focus on consideration. You need to understand the customers' requirements, or what they are evaluating in the decision to consider a given retailer for a particular category. In most cases, what gets you into the game will be different from what matters in a purchase decision. Most important, you should have an objective view of consumer perceptions about your delivery against these requirements. Inviting awareness and familiarity before you are clear on this point can be detrimental to your business. Understanding requirements and performance provides an action plan for securing greater consideration and, therefore, greater opportunity for growth.

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