

## Shopper advocacy

*Building consumer trust in the new economy*

*The IBM Institute for Business Value conducted a survey of 30,000 U.S. consumers in September and November of 2008. The goal was to understand what is driving consumer spending across several product categories: Grocery, Apparel, Home Merchandise, and Pharmacy, Health & Beauty Care. The survey revealed that consumers anxious due to economic conditions rely on retailers they trust – leading to two valuable segments: Advocates of existing retailers and Shifters seeking new relationships. We believe that retailers that execute on the requisite strategies to attract and retain these attractive shoppers will be positioned to emerge as winners.*

### Consumers have fundamentally changed shopping behavior

Market conditions have forced consumers to make tradeoffs and alter spending habits. In our November survey, more than half of consumers stated they have less discretionary spend than last year, causing them to react by buying fewer items or delaying purchases, buying more promoted items or changing to lower-priced products. Our survey also revealed that on average, consumers will change allegiances to a particular retailer after an average of 3.1 negative experiences.

### Advocates have radically grown in number

Advocacy is the positive attitude customers have toward their primary retailer, which in turn promotes healthy

relationships, trust, loyalty and referrals.

Today's consumers rely on retailers they trust – nearly doubling advocacy year-over-year.

Advocates have a dramatically positive impact, because consumers are more connected than ever, able to share thoughts and experiences in realtime.

Advocates are more valuable than Apathetics – shoppers who are neutral or indifferent toward their primary retailer.

Advocates also create far more value than Antagonists – those with a negative attitude toward their primary retailer. Advocates spend 10 percent more on average per month, six percent more during each shopping trip, and 15 percent more of their dollars at their primary retailer than Antagonists.

### Valuable Shifters are motivated to seek new relationships

Shifters – shoppers who move their purchases to new retailers – are another attractive segment. Nearly one-third of consumers are either buying more from alternative retailers or abandoning their current retailers. Our research showed that these consumers scrutinize every purchase, are willing to make tradeoffs to acquire non-essential merchandise, and will travel to more stores to find bargains and trusted retailers.

Although Shifters state that they are prompted mostly due to price, they ultimately spend more once they become loyal shoppers – per month and per shopping trip. And, of the 11 percent of consumers who abandoned their primary retailer, four out of 10 quickly became an Advocate for their new retailer.

### Eight pillars for building trust

Our research found key attributes that consumers value in the trust equation. Retailer success requires building competencies in these eight operational “pillars” – prioritized based on product category, financial health, market outlook, customer expectations and business strategy.



Shoppers indicated that these pillars were important operational attributes, regardless of shopping style or consumer segment. The top attributes that appeal to Advocates are Quality, Store Experience and Convenience. Shifters are primarily motivated by Price/Promotion and Convenience. The four other foundational capabilities required to maintain shopper trust are Product Availability, Assortment, Customer Service and Multi-Channel (see Figure 1).

While focusing on these areas independently is certainly a step forward, effectively executing the desired operations in a holistic fashion across all eight pillars can help ensure that retailers accurately and rapidly sense and fulfill consumer expectations at each point of interaction.

To obtain a full version of this paper, please e-mail [iibv@us.ibm.com](mailto:iibv@us.ibm.com)

**FIGURE 1.**  
**Competencies that build trust with Advocates differ from competencies that motivate consumers to shift.**



Source: IBM Institute for Business Value NRF Study, December 2008.

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## How can IBM help?

- **Business Consulting and Delivery Services** – IBM helps retailers formulate, implement and operationalize programs to respond to changing customer buying behaviors, align organizational structure and metrics, and transform customer-centric processes.
- **Retail Industry Solutions** – IBM offers a comprehensive portfolio of Retail solutions comprising merchandising and supply chain management, multi-channel retailing, retail performance analytics and TotalStore solutions to help retailers deliver the fastest time to value at the lowest risk.
- **Research** – IBM's eight research labs are applying the latest science to retailers' most challenging business problems.

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