What Behavioral Economics Can Teach Us about Shoppers

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Anyone know what this is?

- Some brands are gorillas!
The shopper insights mindset is different

**Shopper**
- Brand team, retailers
- Category growth
- Get more in the cart
- Ephemeral actions

**Consumer**
- Brand team
- Brand growth
- Win market share
- Preferences at leisure
Consumers are about needs, desires, brands & fulfillment
Shopper marketing has to influence this
Behavioral economics key concept

- **Bounded rationality** (first offered by Herbert Simon) is the idea that when individuals make decisions, their rationality is limited by the available information, the tractability of the decision problem, the cognitive limitations of their minds, and the time available to make the decision. Decision-makers in this view act as *satisficers*, seeking a satisfactory solution rather than an optimal one.

- Sounds a lot like shopping!
Behavioral economics is intrigued by a new problem

- Cass Sunstein, co-author of Nudge wrote a paper about “second-order decision making”…the way that we decide
- Shoppers use all kinds of simplifying heuristics when they shop…
Research I have designed into how shoppers decide

- **NPD:**
  - 1993: category equity
  - 1998: Shopping styles

- **Synovate:**
  - 2007: shopping styles revisited
  - 2008: path to purchase

- **AOL (consulting)**
  - 2013: How the always on consumer shops
Shopper micro-styles

- Shoppers did not have the same shopping style in each category
- Degree to which purchases decided on at the point of purchase or purchase was on deal was heavily influenced by shopping style
- Categories profiled out differently on shopping styles, e.g. carbonated soft drinks heavily driven by “preference planners” while canned vegetables was heavily driven by “functional planners”
Shopper truths via Behavioral Economics

- It’s not about habits as much as it’s about fast and frugal heuristics (Gigerenzer)
  - Yes, “The brain is a lazy piece of meat!” (Iconoclast”)
  - But, System one and System two DO co-exist (“Kahneman”)
    - Think about a Google search
- …subject to a satisficing strategy
- Think of the shopper brain as a prediction engine (Jonah Lehrer, “How we Decide”)
- Brands can be built and purchases can be hijacked at point of purchase (Catalina, and my own research)
- People were upset that Tropicana changed the package BECAUSE it disrupted their recognition cues(IMHO)
Why shopper marketing matters

- The store is a top source of awareness for new products
- Over half of purchases down to the brand level are made at the point of purchase
- Half of loyal buyers are not loyal to the same brands one year later (Catalina, and my own research)
- Upstarts need to find ways to be disruptive to shopper habits, while leaders need to find shopper marketing approaches that make it as easy as possible for shoppers to find what they are looking for
- Optimal shopper strategies will vary depending on the predominant shopping style for the category
Why behavioral economics matters to shopper insights…

- Brands can be built and purchases can be won at the point of purchase, but this is heavily intermediated by the heuristics that shoppers use.

- To fully influence outcomes, you need to understand **HOW** shoppers heuristics affect navigation, information processing, and deciding

- **Affect the outcome by:**
  - Working the process/shopping style
  - Understand the cues that are embedded in shopper heuristics
  - Create promotions that are perceived in more valuable ways
  - Create research methods that reflect the process and emotional state or your insights might be misleading

- Don’t be the gorilla!
Thank you and feel free to contact me for an essential reading list!

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