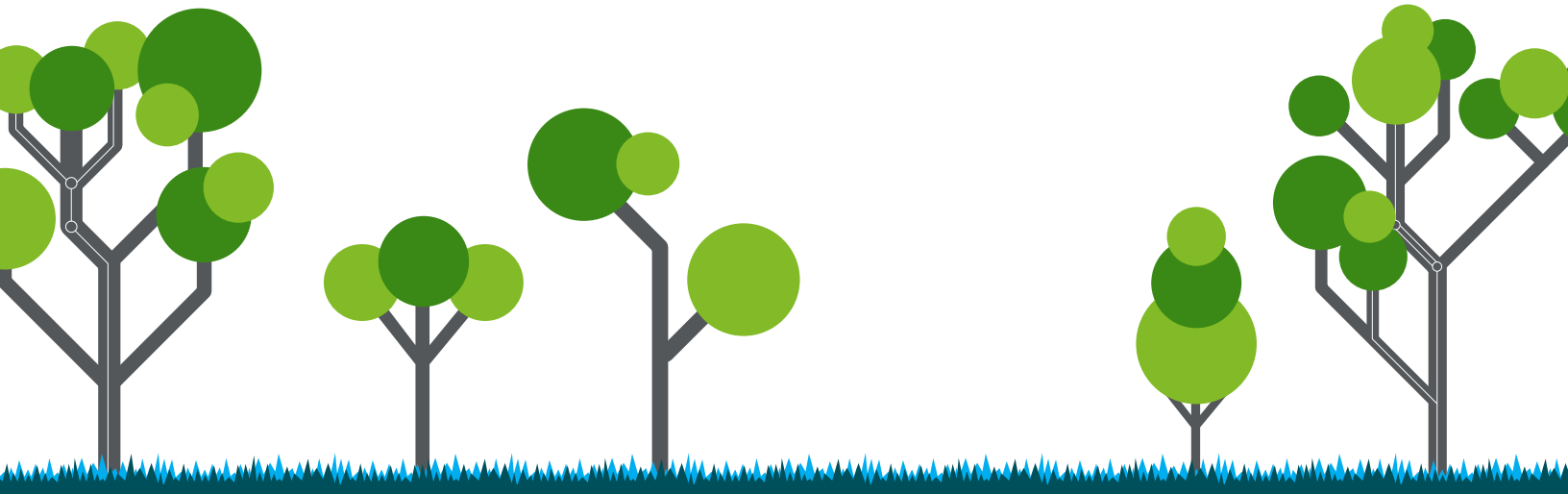
HOW DIGITAL DISRUPTED THE DECISION TREE

A DIFFERENT TYPE OF DECISION TREE

For as long as there has been shopper marketing, **both retailers and brands have been referencing decision trees**—tools that answer essential questions about how shoppers deselect, what attributes they prioritize, and what trade-offs they'll make when deciding where and what to buy. For example, when choosing a grocery store, is product selection or proximity most important? When choosing a breakfast cereal, how important is brand relative to size or price?

But in the age of digital commerce, a lot of marketers are finding that their **traditional decision trees are a bit outmoded.** Today's shoppers are ruled by a different set of priorities—and a different set of decision-making questions. "How I want to buy" is just as relevant and top-of-mind as "what I want to buy." When products can come from anywhere, from anyone, at any price, or at any time, it's challenging—but vitally important—to understand shoppers' true buying criteria.



A LOT OF "TREES" ARE MISSING THE "FOREST"

Despite all the talk about marketplace change, many marketers still take **too myopic a view of how shoppers really shop.** They're using models from the brick-and-mortar age—when shoppers' reactions were ruled primarily by a physical shelf full of products.

But as shoppers use digital for everything from research to commerce, **decisions are moving much further upstream.** Choices are happening long before a store, shelf, package, or price sticker comes into play. When marketers' thought processes and models fail to consider shoppers' new options, it's **easy to mistake what the real purchase drivers are or who the real competition is.**

The good news is that simply examining a few areas of shopper choice can provide a whole new perspective—a way for your brand to stand out among the forest of choices that make up the digital shopping landscape. And, many marketers note, **making a few simple changes to a model like a decision tree** can guide marketing in fresh, new directions.

DOES YOUR BRAND'S DECISION TREE SOUND LIKE THIS?

IF THAT'S ALL YOUR MODEL CONSIDERS, YOU MAY BE MISSING CRITICAL FACTORS THAT DRIVE CHOICES OF DIGITALLY MINDED SHOPPERS.

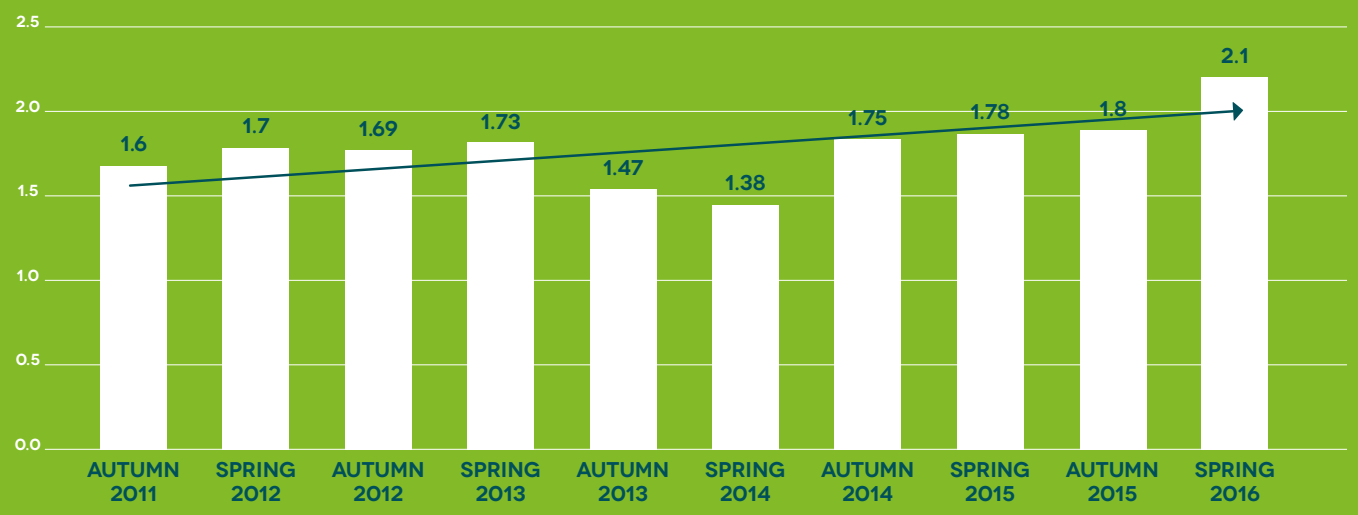
THE DIGITAL GROCERY DISRUPTION

With grocery e-commerce now a widespread phenomenon, both retailers and brands need to understand the **new criteria that drive shopper trips.** Fully one-quarter of American households buy some of their groceries online according to a recent FMI-Nielsen report. And when e-comm is an option, shoppers are asking questions that your current marketing models may not account for, things like the following:

- **Do I want it now (with the trip) or a little later (without the hassle of the store)?**
- **Do I trust someone to do it for me, or do I need to make my own selections (see-and-touch products like produce)?**
- **Are speed and function priorities, or am I in the mood to discover and experience?**
- **Do I prefer to control how and when I restock, or am I OK placing certain items on subscription for auto-refill?**

OVER 2 MILLION PEOPLE A WEEK BUY GROCERIES ONLINE

Number of people living in households that shopped at any online grocery store within the last 7 days in the United States from autumn 2011 to spring 2016 (in millions)



With major retailers like Walmart, Kroger, Albertsons, and CVS scaling up to expand pickup and/or delivery service, growth will likely rise at even faster rates. Experts predict over 70% of US households will engage with online food shopping within 10 years, spending over $100 billion.

Source: Neilsen Scarborough © Statista 2017 & FMI-Nielson Report: Digitally Engaged Food Shopper 2017 Findings

When taking this view, lots of marketers realize they face a series of crucial, urgent questions: **When my shoppers take an e-comm route, am I even sold where they're buying?** Am I even seen? And, if I am seen, how am I represented or differentiated? One of the most obvious examples is how quick trips, focused on utility and speed, have reduced some of the experiential factors that used to be important to retailer choice. Or, how the rise of the $2.2 billion meal kits business—in which shoppers' decide to let someone "do it for me"—has preempted the store trip altogether.

And it's just the beginning. Alexa and Siri have made voice search and conversational commerce a reality for at-home and on-the-go planners. Subscriptions, smart vending solutions, and personal bots are poised to take convenience to the next level. Incorporating what shoppers think about (and what drives their retail choice) into your marketing models can help **ensure you're present—and winning—where shopping now takes place.** Or, if you're a retailer, that you've got a relevant offering to meet shopper needs, regardless of brick or click.

SHOPPERS INCREASINGLY WILL EMPHASIZE VALUE OVER PRICE. NEARLY SIX IN TEN SHOPPERS NOW RANK 'HAVING A STRESS-FREE EXPERIENCE' AMONG THEIR FOUR MOST IMPORTANT FACTORS WHEN SHOPPING.

—DIANA SHEEHAN, DIRECTOR OF RETAIL INSIGHTS FOR KANTAR RETAIL

MORE SHOPPER CHOICES MEAN MORE RETAIL OPPORTUNITIES

Whether your shoppers buy via e-comm or brick-and-mortar, chances are that **digital has made product choices—and decision-making input—grow exponentially.** In fact, a recent Deloitte report found that digital now influences a majority of brick-and-mortar purchases.

TODAY, 56¢ OF EVERY DOLLAR SPENT IN A STORE IS INFLUENCED BY DIGITAL.

Value, share, and growth of digitally influenced transactions

Source: Deloitte 2016 Digital Influence Survey

We've all been made aware of how often shoppers are using digital to shop. But the way they use digital is also evolving. In short, the days of settling for "close enough" or "what's available" are over. The wealth of information and options at our fingertips has fundamentally altered how we evaluate products, leading shoppers to new questions:

- **Do I buy what's here or explore elsewhere?**
- **Do I use the brand's information or go find my own (on things like social media)?**
- **Do I deselect based on the physical shelf or go online to sort by what matters most to me (like price, ratings, or best seller status)?**
- **Do I trust the price or check around for a better deal?**

Savvy digital shoppers do their homework by comparing specs, quality ratings, and prices online, both during pre-shop and while in the aisle. Even when physical product information (like a nutrition label) is available, many prefer to view information online where sorting, comparison, and a host of other tools make product assessments easier.

One of the biggest game changers in digitally driven decision trees is the rise of ratings. Ratings play a critical role in how shoppers make decisions. One study by Dimensional Research showed that 90% of people's buying decisions are influenced by online reviews. And a recent Pew study found that 82% of shoppers consult online ratings when buying for the first time, and nearly half (46%) say that reviews help them feel more confident about their purchases.

So when looking at how shoppers choose, **make sure your decision tree includes the wealth of input available** and is clear on when, where, and how influential they are when used. This is the critical first step to uncovering new methods and moments to connect.

Sources: Dimensional Research: The Impact of Customer Service - 2013; Pew Research: Online Shopping and eCommerce – Nov. 24 through Dec. 21 2015

SHOPPERS ARE DRIVEN BY LIFE-HACKING—USING A MIXTURE OF REVIEWS, SOCIAL MEDIA SOURCES AND STORE-TO-STORE PRICING TO WRING THE MOST VALUE FROM A PRODUCT.

—ADRIANNE PASQUELLI, AD AGE

NAVIGATING THE NEW FOREST

At Shoptology, we believe that the journey of shopping is just as important as the destination—purchase. We pay attention to all the decisions that happen along the way, because we've found that those interactions are the ones that **drive emotions, preference, and ultimately, lasting brand bonds.**

> **THE GROCERY BUSINESS TRULY IS AT A DIGITAL TIPPING POINT, WHERE EVERY ASPECT OF THE SHOPPER'S JOURNEY WILL SOON BE INFLUENCED BY DIGITAL, AND INCREASINGLY ENABLED BY DIGITAL PLATFORMS**
>
> **—CHRIS MORLEY, PRESIDENT OF U.S. BUY AT NIELSEN**

Models to understand shopper decision-making are valuable tools. However, these tools must reflect the realities of how shoppers really think, feel, and behave. Although digital has upended a lot of how we think as shopper marketers, and classic decision trees are no exception, it's easy to get digitally relevant. Here are a few pieces of advice that will help you unlock new opportunities with shoppers:

- **Understand new shopper attitudes and behaviors.** Go far enough upstream in the decision process that you understand how something like e-comm can change every decision downstream.
- **Recognize that decision-making is segmented and situational**—even for the same shopper, who might vary her approach for e-comm, physical shopping, trip type, etc.
- **Challenge your current decision hierarchy.** You may find that, in the new digital environment, factors like brand or price radically change (up or down) in their importance.
- **Create frameworks that are more flexible,** and be ready to imagine and incorporate the next big thing that will change how shoppers make decisions (e.g., AI or voice shopping).

Empowered shoppers with more choices are the new normal, so reevaluate how decisions get made across your entire shopping ecosystem. We're certain you'll uncover more opportunities to connect with shoppers at moments that matter most—when they are deciding.

7 BRANCHES TO ADD TO YOUR DECISION TREE

Here are a few areas that can make your model digitally relevant and more actionable for today's marketplace.

1. **Urgency.** How will "now or later" needs change your competitive set?
2. **Do it yourself vs. do it for me.** Does the shopper even want to make a decision about your brand? Are they happy to delegate the choice?
3. **Competitive set.** Given where people shop, what alternatives do they see? Is it an endless aisle of competitors? Or just a couple of options on their "favorites" list?
4. **Role of brand.** Where does this fall in the new digital hierarchy? Is "how I get it" now more important than "what I get"?
5. **Ratings and reviews.** When do shoppers go beyond your brand-supplied information? What do they find? How does it impact choice?
6. **Extended attributes.** With an internet full of data at their fingertips, are there now more or different factors in the decision?
7. **Price-value.** Are shoppers calculating the cost of shopping (or the value of convenience) into your pricing equation?

THANK YOU