

Key Points

- Mindlab provided evidence to inform retailer pricing strategy on everyday items.
- These insights helped the client to support their customers with tangible solutions in the face of competition.
- Offering the cheapest prices is not necessary.

Background

A supermarket chain was interested in exploring what exactly consumers look for when choosing a retailer, and how that may impact sales on key fast moving consumer products.

The study was conducted in a Scandinavian country, that had not previously been subjected to price-wars, but in current economic times was seemingly more susceptible. The objective was to uncover the magnitude of consumers' awareness sensitivity to price.

Methodology

- Explicit Exploration**
To gather the considered opinions of shoppers around price and convenience.
- Retailer Associations**
To see how major retailers are currently perceived on key factors.
- Price tipping point**
To quantify what price point might be a tipping point for prompting shoppers to go elsewhere for a better deal.

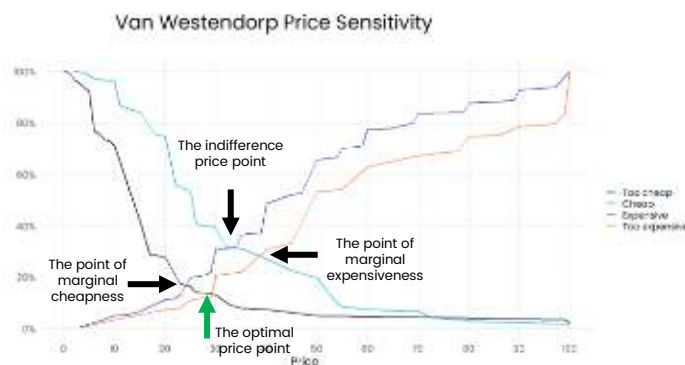


- Price Awareness & Sensitivity**
To explore four major retail categories using the Van Westendorp Price Sensitivity Meter.
- Attribute Importance**
To determine which factors matter the most to shoppers when choosing a retailer.
- Willingness to shop around**
To see what products are most likely to prompt shoppers to look around for better deals.

Findings

We discovered that consumers care far more about other factors than they care about getting the lowest prices on everyday items.

Shoppers were more accurate in their price awareness than predicted and were often expecting to pay prices even higher than the recommended retail price.



Insights for the client

Price-matching to the lowest common denominator is not necessary or expected.

Grocery shoppers are looking for more from their retailer than the lowest prices.



Larger volume packs, are assumed to be already good value and are unlikely to prompt shoppers to visit multiple stores for a better deal.



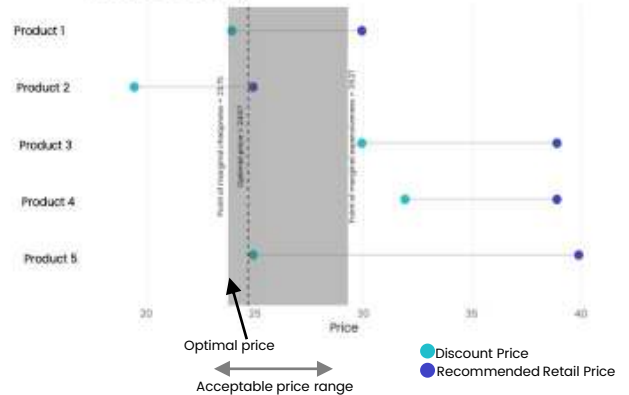
Higher cost items, and items with a big price difference between regular and discount retailers are more likely to prompt shopping around for better deals.



Items do not need to be the cheapest price, but they do need to communicate a sense of providing value for money.

Most people really want to feel they're getting a good deal. However, they are often willing to pay more than retailers might assume.

Comparing RRP & Discount Prices with Van Westerdorp for Specific Product Category



Discussion

Shoppers may explore new retailers but are more driven by other factors than having the cheapest prices.

The Van Westerdorp Price Sensitivity Meter data provided the client with an optimal price point. It also provided an acceptable price range which outlined the upper and lower limits. Products priced below the lower limit will be assumed to be of poorer quality due to the cheapness. Products priced above the upper limit is where consumers will refuse to buy on the basis that the price is too expensive for that type of product. These data were then compared with the implicit tipping point for a range of prices.

The mixed methods of exploring price in this category allowed us to provide an evidence-base to the client for formulating their pricing strategy on some key products.

