

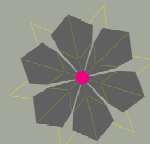
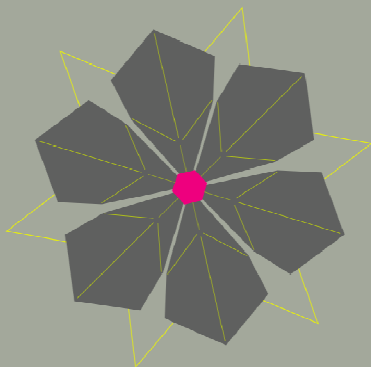
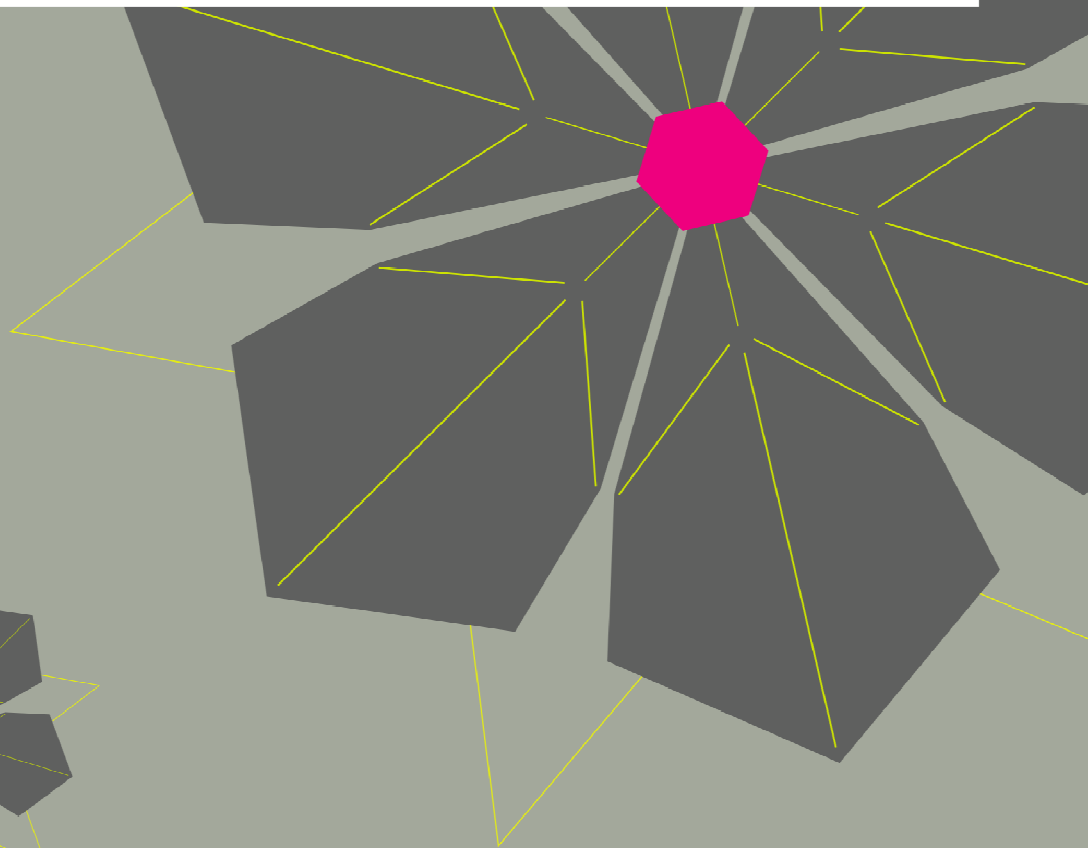
Leapfrog

Premium Shopper Survey

An insight into the behaviours of consumers purchasing premium products and services online

Researched and compiled by Leapfrog Digital Marketing

April 2012



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Foreword

For premium brands and retailers operating in today's challenging economic climate, the need has never been greater to deliver an outstanding experience at every stage of the buying journey. Combined with the ever-changing cross-channel habits, and therefore shifting expectations, of the consumer, it is no longer enough to rely on brand reputation and a loyal customer base to maintain market share.

Retailers must innovate and adapt to acquire and retain new customers at a time when disposable income is being squeezed. As a result, retailers are often under-pressure to lower prices, and therefore margins, in the fight for a share of a seemingly stagnant market.

The focal point of a successful marketing strategy must therefore begin and end with the customer. Understanding the needs, motivations and behaviours of the target audience will allow retailers to invest time and resource in channels which maximise the acquisition of on-profile customers, whilst preventing the waste of precious marketing budget on seemingly 'fashionable' tactics that do not always deliver expected returns.

As such, early in 2012, Leapfrog surveyed UK based 'premium shoppers', seeking to explore their online shopping habits as we entered another year of economic uncertainty.

Our aim was not only to discover the tactics that premium retailers should employ to acquire and retain customers but also to understand the definition of the UK "premium" consumer in 2012.

We found that the 'premium' consumer is not necessarily somebody with a more affluent lifestyle. Instead, the pool of those that buy from premium retailers and brands includes a significant demographic of people earning an average salary that, seemingly, prefer to save and purchase quality products after a more considered purchase period.

In fact, the average household income of our respondents was £23K per annum, despite all having bought food from premium supermarkets Waitrose or Marks & Spencer in the month preceding the survey.

Premium retailers in the UK must therefore consider this in their marketing communication, catering for those consumers on lower budgets looking for a less regular, but highly considered, purchase.

The main conclusion drawn from our study is that the majority of consumers, despite an ongoing squeeze in their disposable income, are NOT looking to reduce their expenditure on premium products and services in 2012 or significantly change their shopping habits, in comparison to 2011.

A longer evaluation phase was however a prevalent theme throughout with respondents using a variety of online methods to research and consider their purchase.

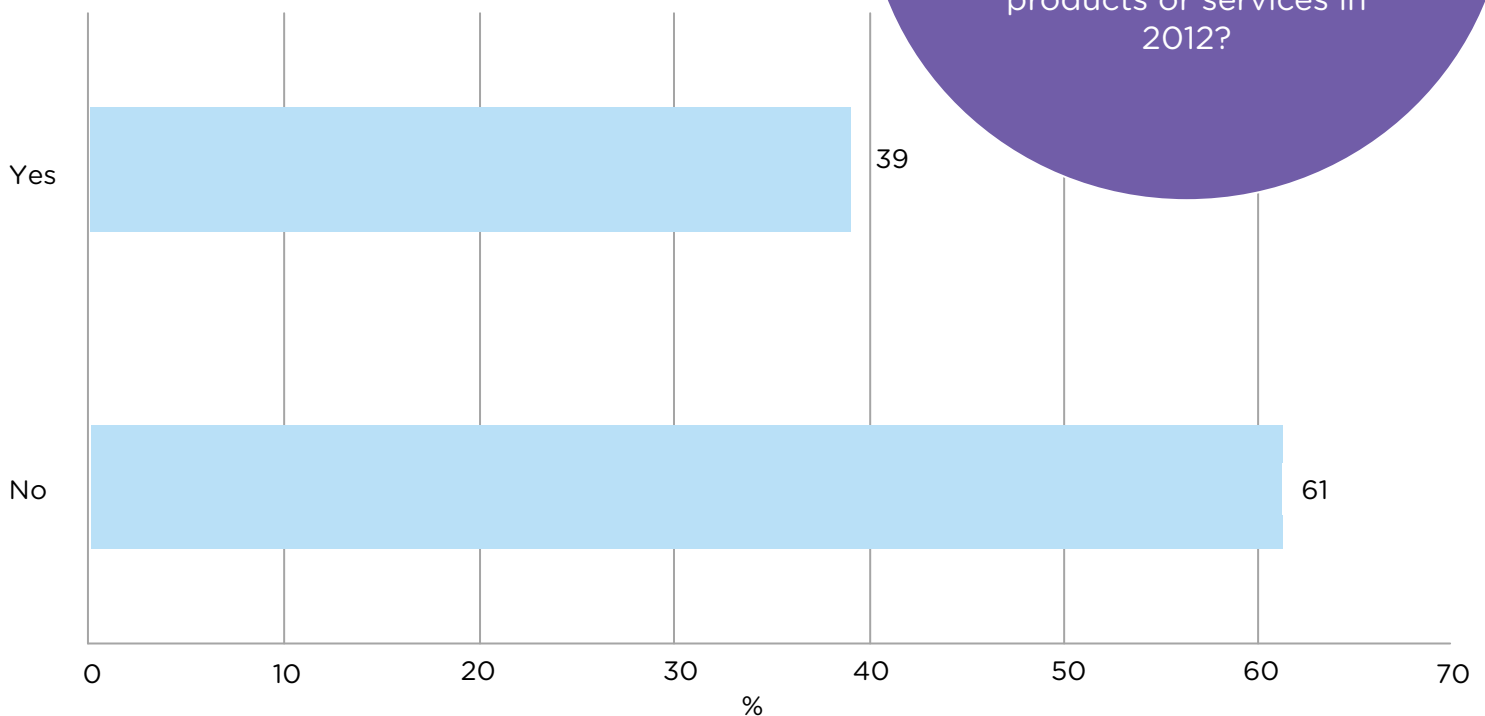
Although price is a significant consideration, the ability of a retailer to offer a premium shopping experience along the entire customer journey, from the quality of the product itself and how it is presented on the website all the way through to post-service communication and service, will be key factors in gaining and retaining new customers in 2012.



Despite the economic gloom, continuing good news for premium retailers is that just under two thirds of shoppers do NOT intend to change their online shopping habits in 2012

In February 2012, we carried out a survey of 1000 UK consumers purchasing premium products and services; the purpose to explore any changes in online shopping habits in the premium sector as we entered another year of economic uncertainty.

We found that 61% of respondents had no intention of reducing the amount they spend online in 2012, compared to 2011.



Likely changes in 2012

Q7. Are you thinking about changing your spending habits to spend less on premium or luxury products or services in 2012?

There have been numerous studies demonstrating the growth of the premium and luxury sectors in 2011. Despite difficult economic times, the premium and luxury sectors have seemingly defied the recession*. Our research would seem to reinforce this view.

As a precursor to asking respondents how their habits were likely to change in 2012, we asked them how 2011 had differed from 2010. Responses included: 22% researching purchases more thoroughly before buying; 16% being less impulsive but still buying the same items; and 12% waiting until sale periods to purchase premium products.



These changes in behaviour were mainly due to financial circumstances with 36% of respondents reporting they had less disposable income available and 15% buying 'on a budget'.

However, 30% of respondents said that they were more likely to increase spending online due to good service and increased confidence in using this channel.

Why is this good news for 2012?

With 61% of respondents stating that their spending on premium products and services would not decrease in 2012, it presents a huge opportunity for brands operating in this space to increase customer acquisition by investing in the right channels and tactics.

Of the 39% of respondents who stated their spending will decrease, the majority (54%) reported more caution when purchasing, namely less impulse buying (31%) and that they would conduct more research before making a purchase.

Expanding upon these themes, a key take away is that premium brands and retailers must ensure they provide prospects with useful and engaging product information to aid decision making during the longer consideration period. Providing detailed product information about the function and quality of your products, including strong imagery and video, for example, will give your customers the tools they need to make a purchase decision.



Information is key!

In addition to giving your customers useful product information, retailers should also look to existing customers to understand what motivated them to make a purchase.

If your customers bought from you because of a shared value with your brand or because of a particular marketing message or offer that appealed to them, repeat those messages or promotional tactics to acquire more customers who share the same values and behaviours.

Of those who cited their spending on premium products and services will reduce, 16% responded that they will 'research the products they want and then wait until sale to purchase'. Communication of special offers and promotions to price-sensitive customers is therefore another key tactic for retailers.

Social media, mobile and email are ripe channels for this level of customer engagement and communication. Entice potential customers to sign up to an email/SMS programme or follow your brand on relevant social networks for exclusive offers and sales information.

Key actions for retailers

Create useful and engaging product information and seed it across relevant online channels, such as blogs, forums and social media, to aid the longer consideration period of your prospects and customers.

Use customer surveys or on-site ratings & reviews to discover why your customers bought your product and match those values in your ongoing marketing communications.

Use email, SMS and social media to keep price conscious customers abreast of sales and promotional activity.



Online is the tool for multichannel shoppers in consideration phase

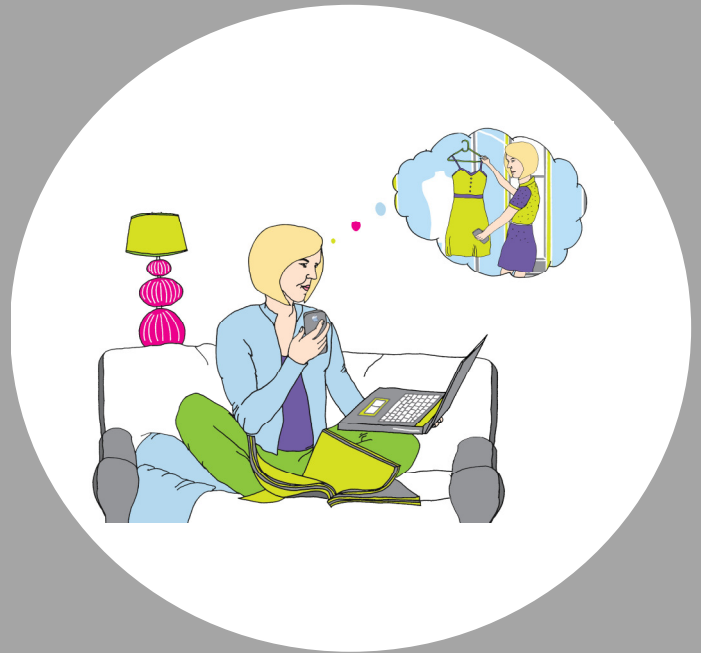
With the need to provide a consistent and seamless cross-channel experience now a necessity for retailers, Leapfrogg asked respondents to comment on the specific role that the Internet plays in their overall purchase journey.

36% of respondents said they use it as a tool to compare and check the prices of items, aligning with the general trend that respondents are conducting more research before making a purchase.

20% use the internet to research product types or gain inspiration for purchases, and 17% to research retailers selling a particular product they already know they want to purchase.

14% use the Internet to find offers and vouchers around a product, likely those that are more price-sensitive. The low percentage supports the recommendation for premium retailers to avoid continuous discounting tactics that can devalue the brand in the eyes of the consumer.

13% claimed that they either research online to then purchase in-store or prefer to use a store for researching and considering a purchase.



Key actions for retailers

Ensure you have a search engine marketing program in place to be present for searchers using non-brand terms, thereby increasing your ability to capture prospects in research phase who may not already know of your brand.

Create dynamic shopping feeds to maximise exposure on Google shopping search and relevant comparison sites.

Make sure you promote your store locations both on your website and through Google Places for those preferring the store experience. Seek to measure the role your website plays in driving visitors to your store via analytics and attribution technology.

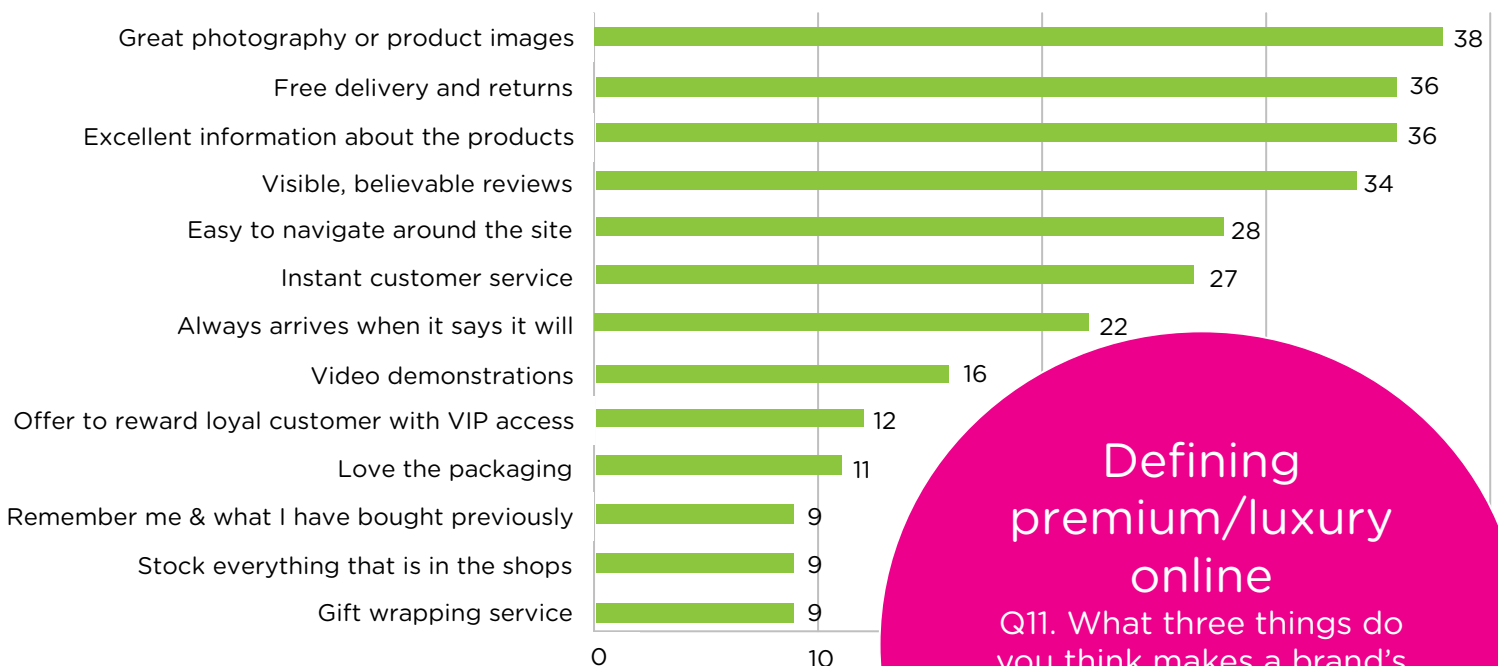
Ensure you are featured on relevant blogs, forums and social media by putting in place an online PR program that creates awareness for those prospects looking for ideas and inspiration.



What are your customers' online expectations of you as a premium brand in 2012?

With consumer expectations of brands continually changing*, the need to provide a seamless experience for your customers across all of your channels has never been so important.

We asked respondents what constitutes a premium shopping experience online to understand better what they expect from engaging with a high-end brand online.



Defining premium/luxury online

Q11. What three things do you think makes a brand's website offer 'premium' or 'luxury' products and services?
(n = all respondents)

With 38% of respondents citing 'great photography & product images', and 36% citing 'excellent product information', it is again demonstrated how important content is to prospects during their research and consideration phase.

The importance of ratings and reviews was high with 34% citing this as a major indicator of a premium experience. This highlights the need for even the most luxury of brands to include user generated content to build trust from a third party voice i.e. other customers and therefore increase conversion rates.





Delivery is high on respondents' lists with 36% stating free delivery and returns as a premium indicator. That coupled with 22% citing 'always arrives when it says it will' shows how important it is for retailers to work on delivery and logistics.

A major barrier to online conversion rates can be delivery costs, delayed delivery or options requiring people to wait at home for delivery slots that span a number of hours.

Those retailers that can offer multiple collection and delivery options at low prices (or better still, free) will increase conversion rates and deliver the post-purchase experience premium shoppers now expect.

Key actions for retailers

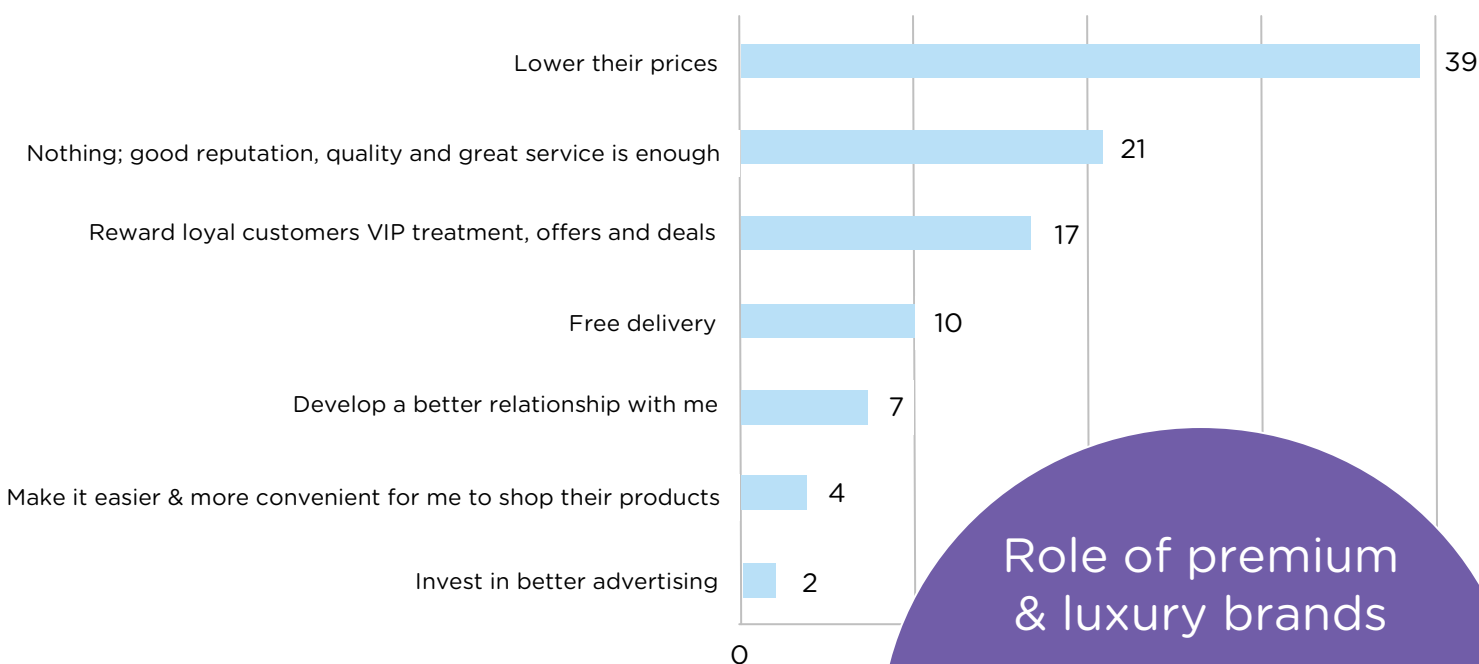
Again, the production of useful, informative and engaging product content on your site is a necessity for prospects to make an informed decision.

An important part of your content strategy is to include customer ratings and reviews on product pages. A more considered purchase is often swung by the recommendation of others. Retailers should be building this into the site content mix.

The premium customer demands multiple delivery options and expects delivery on time at a reasonable price. Retailers need to examine logistical capabilities to match customer lifestyles.

How can premium brands and retailers encourage their customers to spend with them and not their competitors in 2012?

With disposable income unlikely to increase in 2012, the main task for premium retailers is to ensure those consumers spending online are spending it with them and not their competitors. Leapfrogg asked respondents what retailers should do to make that happen.



Role of premium & luxury brands

Q10. How could premium and luxury brands encourage you to spend on their non-food items in 2012?
(n = all respondents)

Perhaps unsurprisingly, 39% of respondents cited lowering prices as the main tactic to get them to spend with a premium brand or retailer in 2012.

This point of view matches the longer product research and price comparison phase that consumers are taking along with the 12% of respondents acknowledging they research the product they want then wait for a sale period to purchase. However, as mentioned earlier, this does not mean retailers should offer vouchers and hard discount with only 12% of respondents using the internet to find such offers.

Despite this focus on pricing, 21% stated that premium brands need do nothing more than work on great reputation, quality and great service. This has always been a differentiator for premium retailers and should therefore be the main focus for marketing and logistical efforts.

The fact that in today's economic climate quality and service remains more importance to many than price shows that there are still a large percentage of premium consumers that, despite a longer period of consideration, will remain loyal to a brand that delivers on its promises.



Therefore, a key action for retailers is to ensure that the consumer can appreciate the quality of their products. As well as detailed product information, we also suggest telling the story behind the brand or product i.e. where materials are sourced from, the manufacturing process and so on. Along with positive reviews and customer feedback, the story behind the brand may make all the difference in turning an interested visitor to your site into a new and valuable customer.

Reputation is everything



Another significant factor in creating a good reputation is the use of social media to engage with customers.

With statistics showing half of consumers use a combination of search and social media when considering a purchase*, and 30% of affluent consumers heading to social media to flaunt their purchase**, an active social media program has never been so important in communicating the personality of a premium brand and building reputation through socially-driven customer service initiatives.

24% of respondents cited 'the creation of a better relationship with a brand' and the 'rewarding of loyal customers' as key reasons they would spend with a premium brand or retailer in 2012.

Again, this is where social media comes to the forefront, alongside eCRM, to maintain a dialogue with customers post-purchase, making them feel valued. A well-timed eCRM campaign using personalised messaging and exclusive offers can dramatically increase customer retention. In an age where it is so much harder to bring customers over the line in the first place, a retention strategy is paramount to growth by increasing the lifetime value of newly acquired customers.

Key actions for retailers

Utilise social media to create open lines of communication with prospects and customers pre- and post-sale, aiding engagement all the way along the customer buying journey.

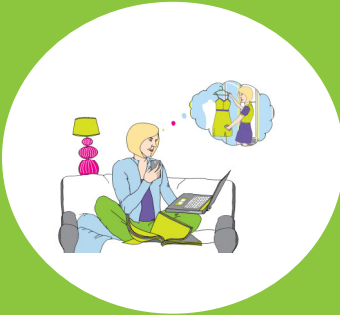
Retailers should have full customer retention and loyalty programmes in place across social media and email to provide ongoing dialogue with customers; the aim to develop loyal brand advocates with a much higher lifetime value.

Conclusion

With the level of spending on premium products and services set to remain the same for the majority of respondents during 2012, we see another year of great opportunity for retailers to grow market share by providing the shopping experience customers want and expect.

With disposable income stagnant, the main theme of 2012 is a far more considered purchase period. However, it is ultimately the retailers with great reputation, products and customer service that will be the ones to grow a loyal customer base.

Key actions for retailers



Survey your customers and utilise ratings and reviews to understand why they bought from you. Ensure your ongoing marketing communication reinforces those messages



Utilise search marketing to capture prospects in research phase and utilise online PR to both support your search campaign and raise brand awareness



Ensure great product content, both written and visual, is found both on-site and marketed across relevant online channels to engage prospects at each stage of their longer consideration phase



Integrate the online and offline experience. Use your website to drive prospects to their local store when they are looking for a more 'hands-on' experience



Provide as many delivery options as possible for customers' looking for ease and flexibility in receiving and returning goods



Enhance the reputation of your brand and products by utilising customer service initiatives via social media channels



Utilise social media and eCRM to create an ongoing dialogue with customers and entice them to make repeat purchases with personalised special offers and exclusive loyalty deals



Ultimately, have a great product, deliver on your promises and provide **VALUE FOR MONEY**, especially for consumers making less regular, but highly considered purchases of premium items

What next?

This is the second of a series of surveys exploring the behaviours and habits of consumers buying premium products and services. We plan to repeat this survey on an annual basis to monitor changes in behaviour and identify trends. If there are any specific areas or questions that you would like us to include in future surveys, please do let us know.

About Leapfrogg

Leapfrogg is a specialist digital marketing agency helping premium brands and retailers increase customer acquisition, revenue and market share.

As a premium retail specialist, we understand the discerning customer and their evolving shopping habits, enabling us to deliver integrated search engine marketing, online PR and social media campaigns that fold beautifully into your wider multichannel strategy.

Our joined-up thinking consistently delivers more customers, higher average order values and increased revenue.

A growing portfolio of high-end retail and travel brands, including the likes of Feather & Black, Filofax, Cox & Kings, Bastyan and Emma Bridgewater, rely on us for our strategic thinking, our creative approach to digital and our proven ability to deliver online retail marketing strategies that have a direct, measurable impact on our clients' bottom line.

If there are any aspects of this survey you would like to discuss further or if you are a retailer looking for further advice on any of the key actions recommended in this report, please get in touch.

Call 01273 322830

Email enquiries@leapfrogg.co.uk

Visit www.leapfrogg.co.uk

Follow us on Twitter [@leapfrogg](https://twitter.com/leapfrogg)

Methodology

In order to participate in the survey all respondents had to have made a purchase in premium supermarkets Waitrose and Marks & Spencer Food in the month preceding the survey.

Respondents were asked a series of questions to explore their behaviours and habits.

The full results can be found below.



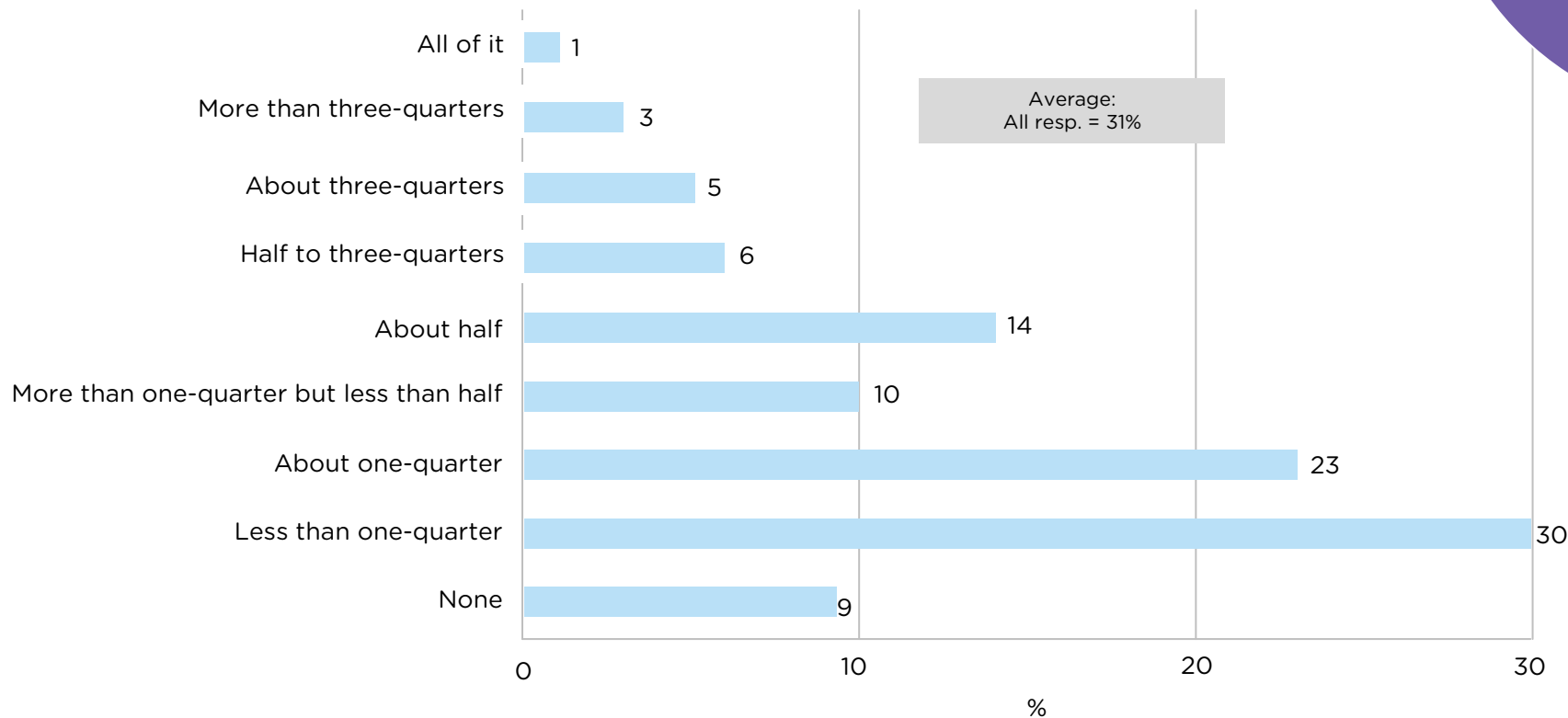
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Full Results

Online Shopping

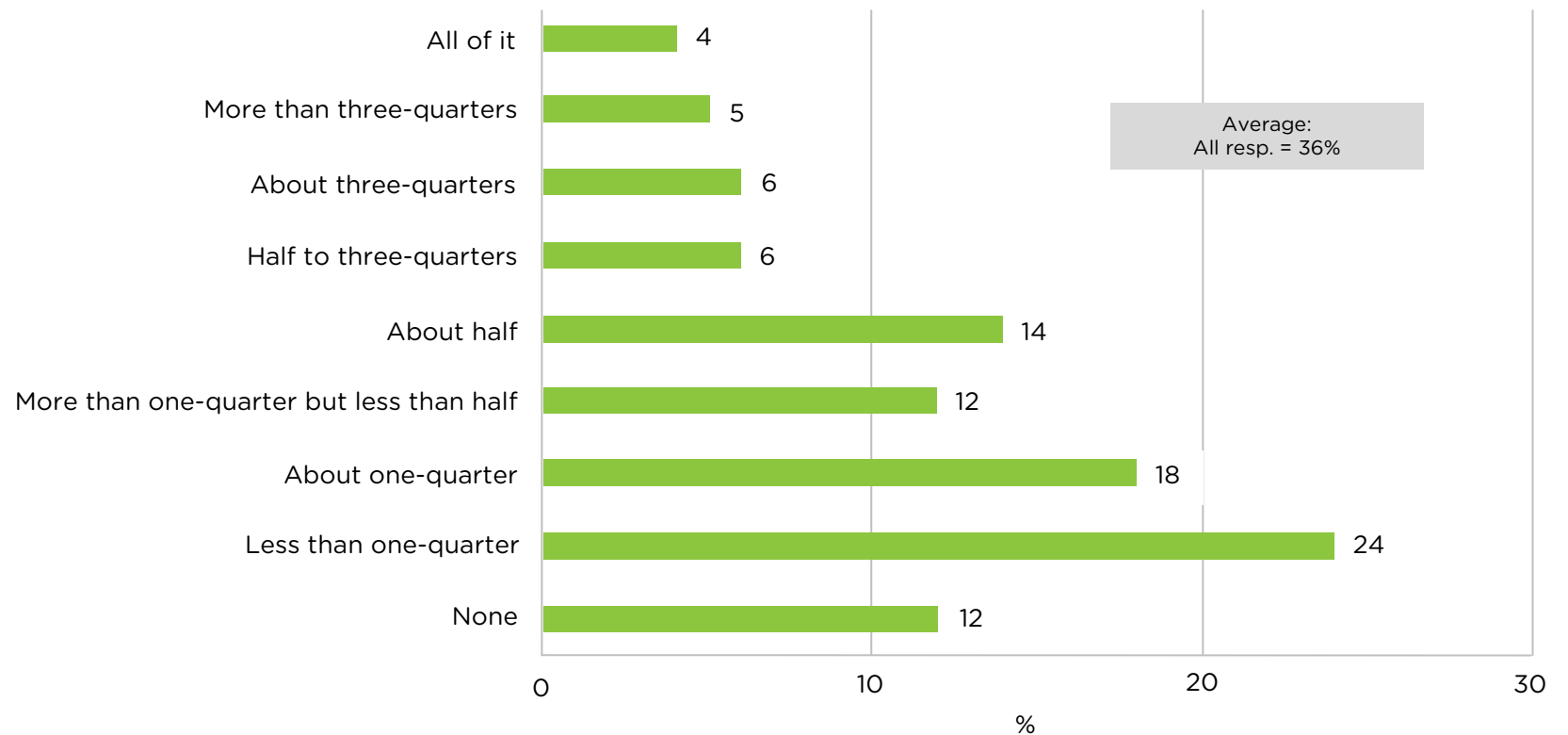
Q1. Approximately what percentage of all your shopping do you now do online?

(n = all respondents)



Online luxury and premium goods and services

Q2. Out of this online shopping, how much of this is for non-food, luxury or premium items, products and services?
(n = all respondents)



Online Shopping

Q3. How do you mostly use the internet to help you shop for premium or luxury items?

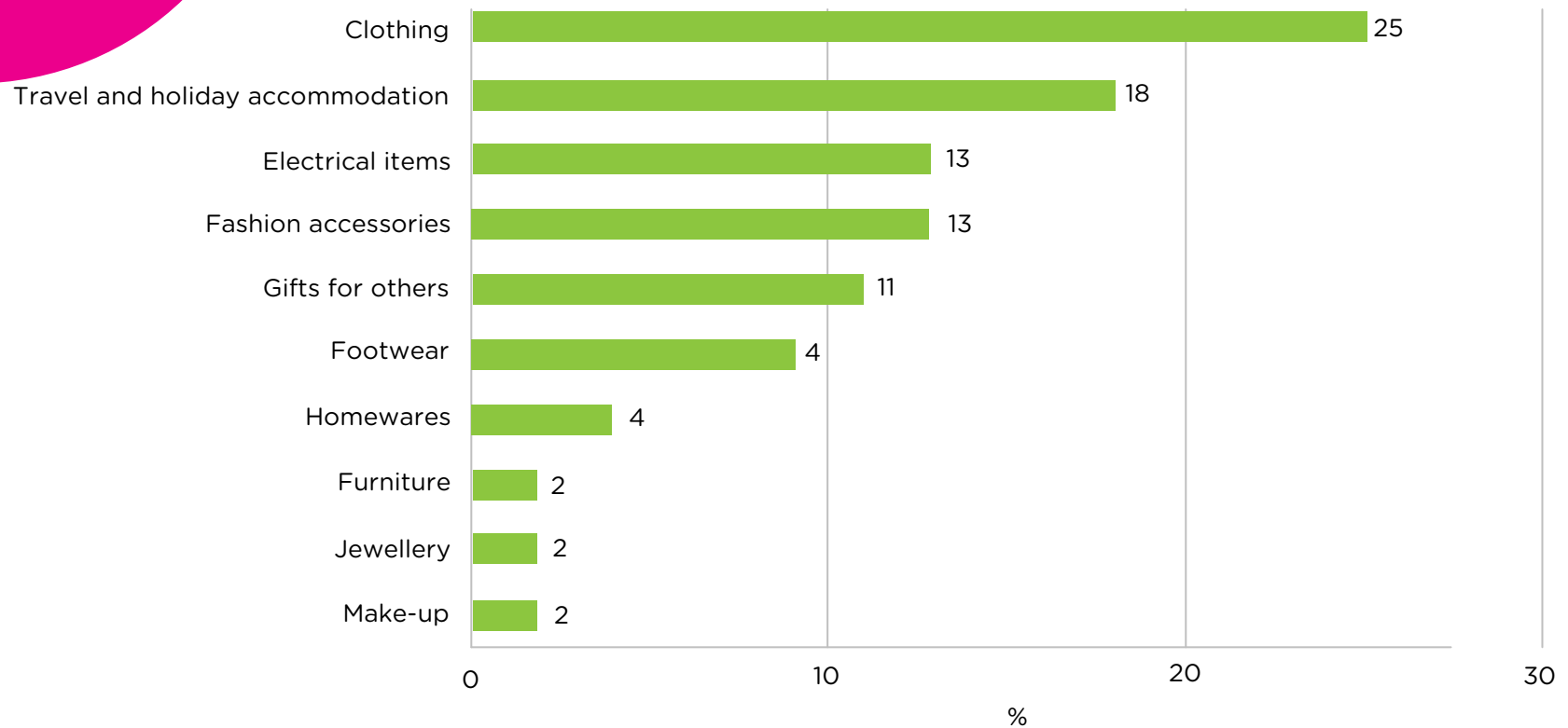
(n = all respondents)



Non-food Purchases

Q4. What non-food premium or luxury products or services do you buy most online?

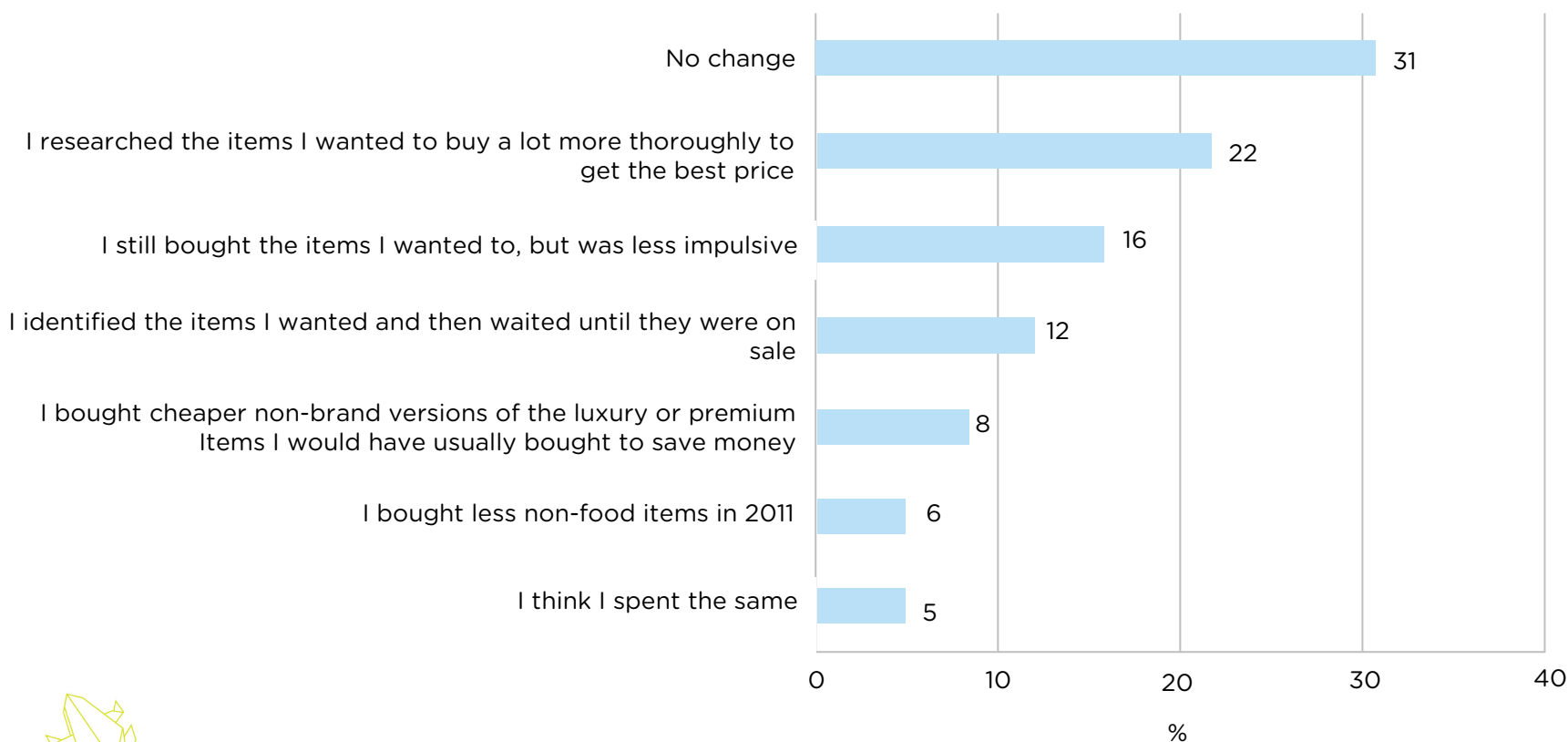
(n = all respondents)



Online shopping habits 2011

Q5. Which best describes your online non-food shopping habits in 2011 (compared to 2010)?

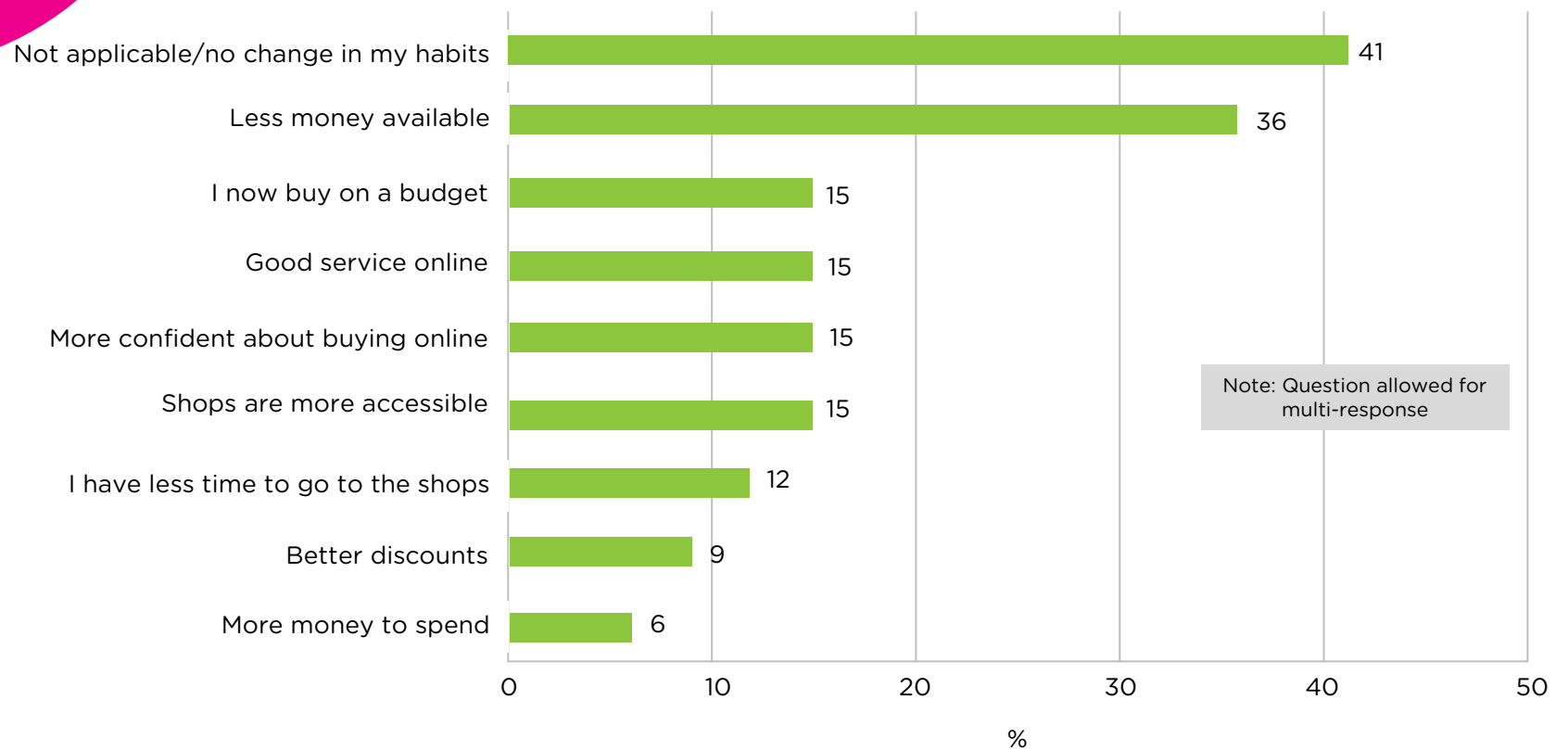
(n = all respondents)



Changes in Habits

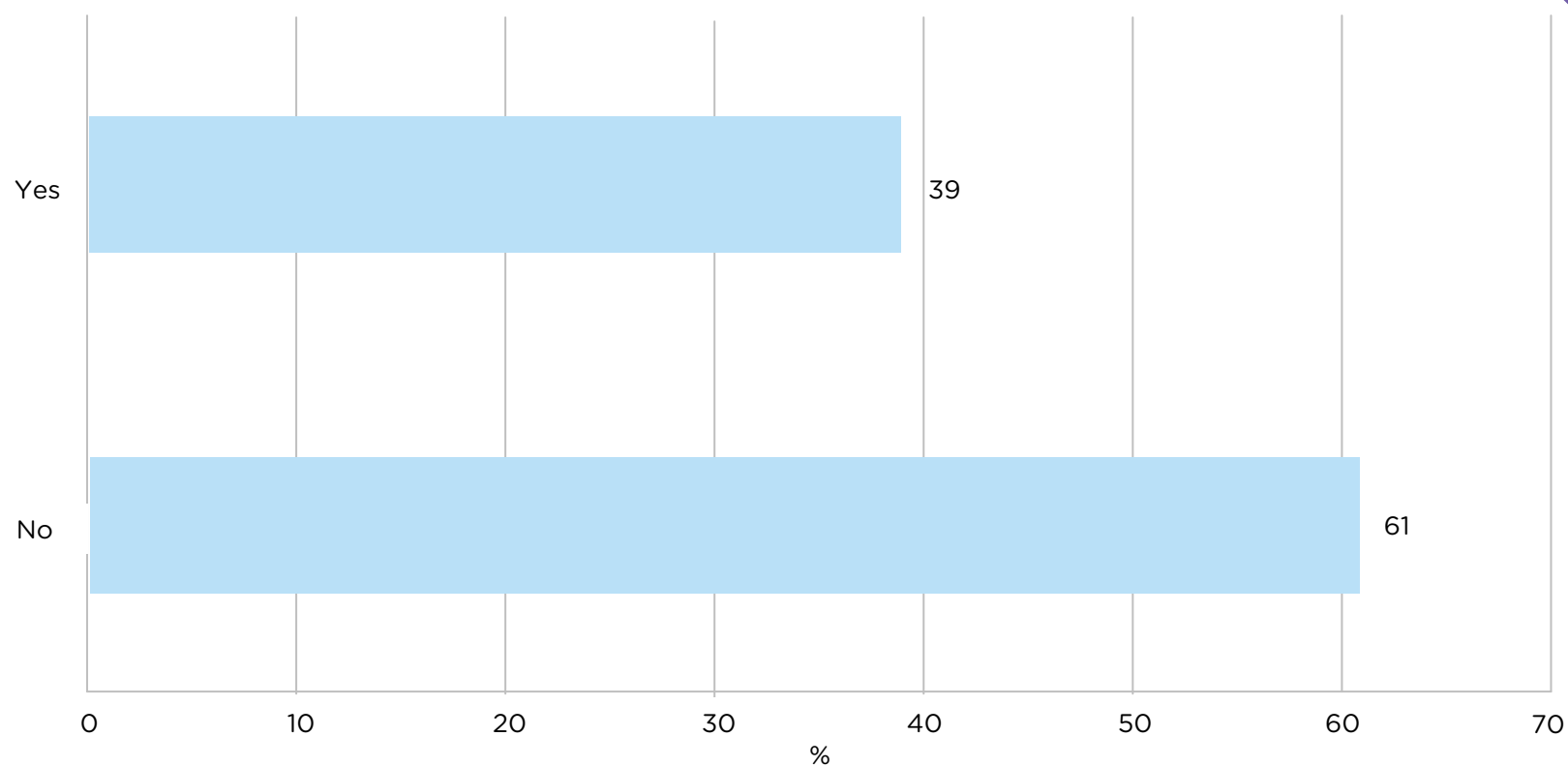
Q6. If your habits have changed why is that?

(n = all respondents)



Likely changes in 2012

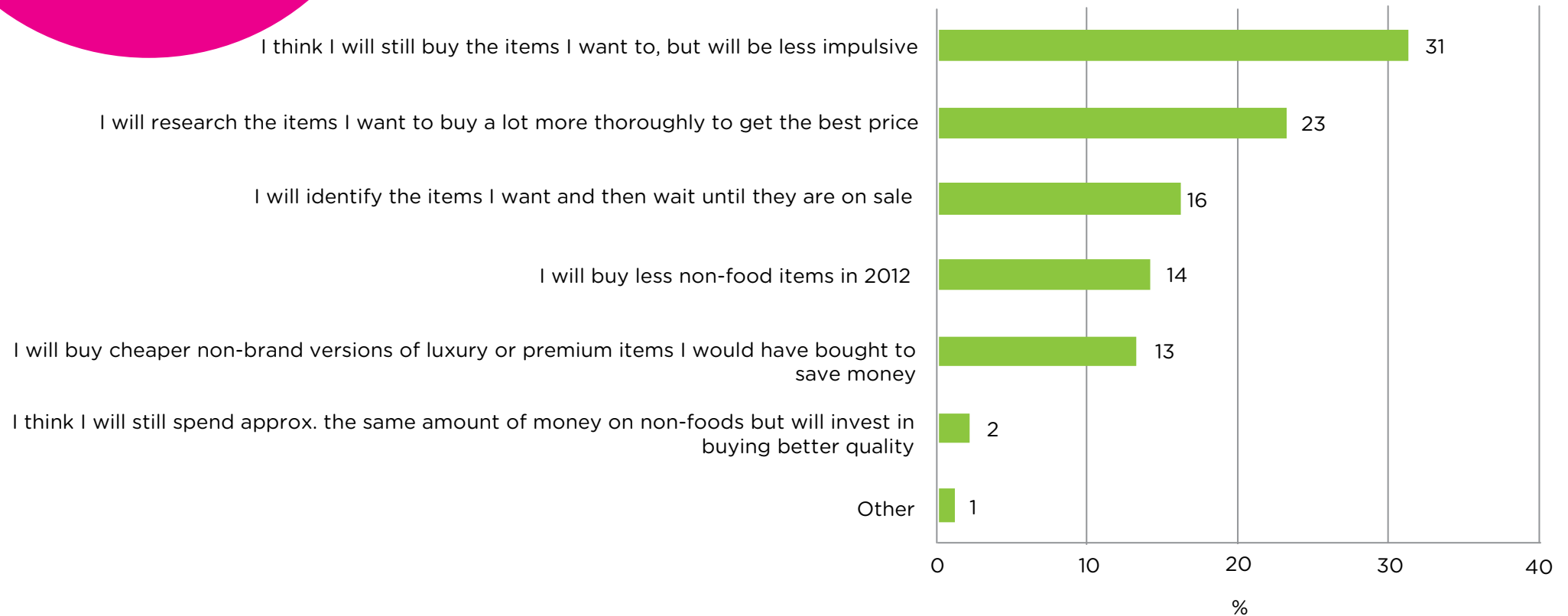
Q7. Are you thinking about changing your spending habits to spend less on premium or luxury products or services in 2012?



Projected changes in 2012

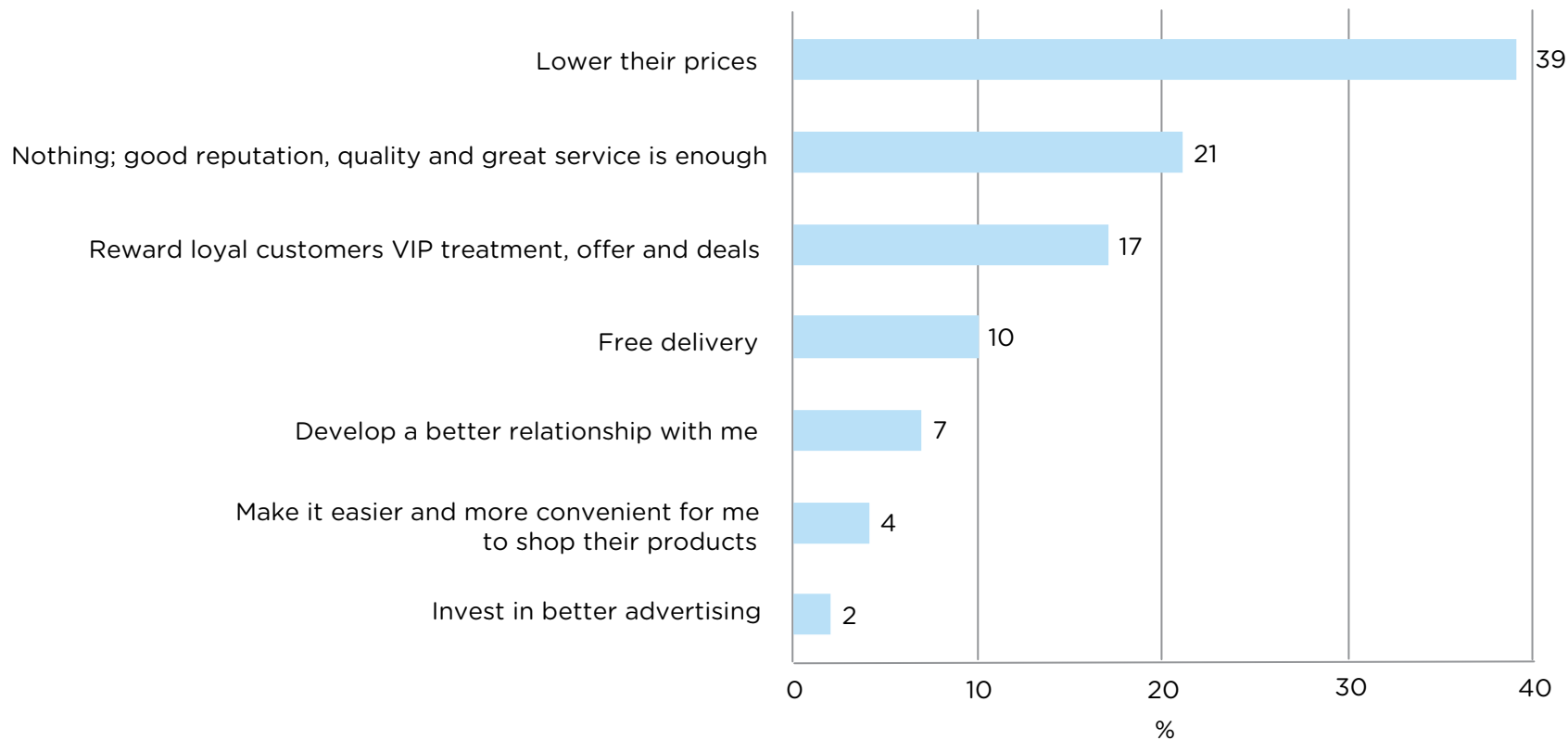
Q8. If you answered 'yes' in the previous question, how do you think your non-food shopping habits will change in 2012?

(n = all respondents)



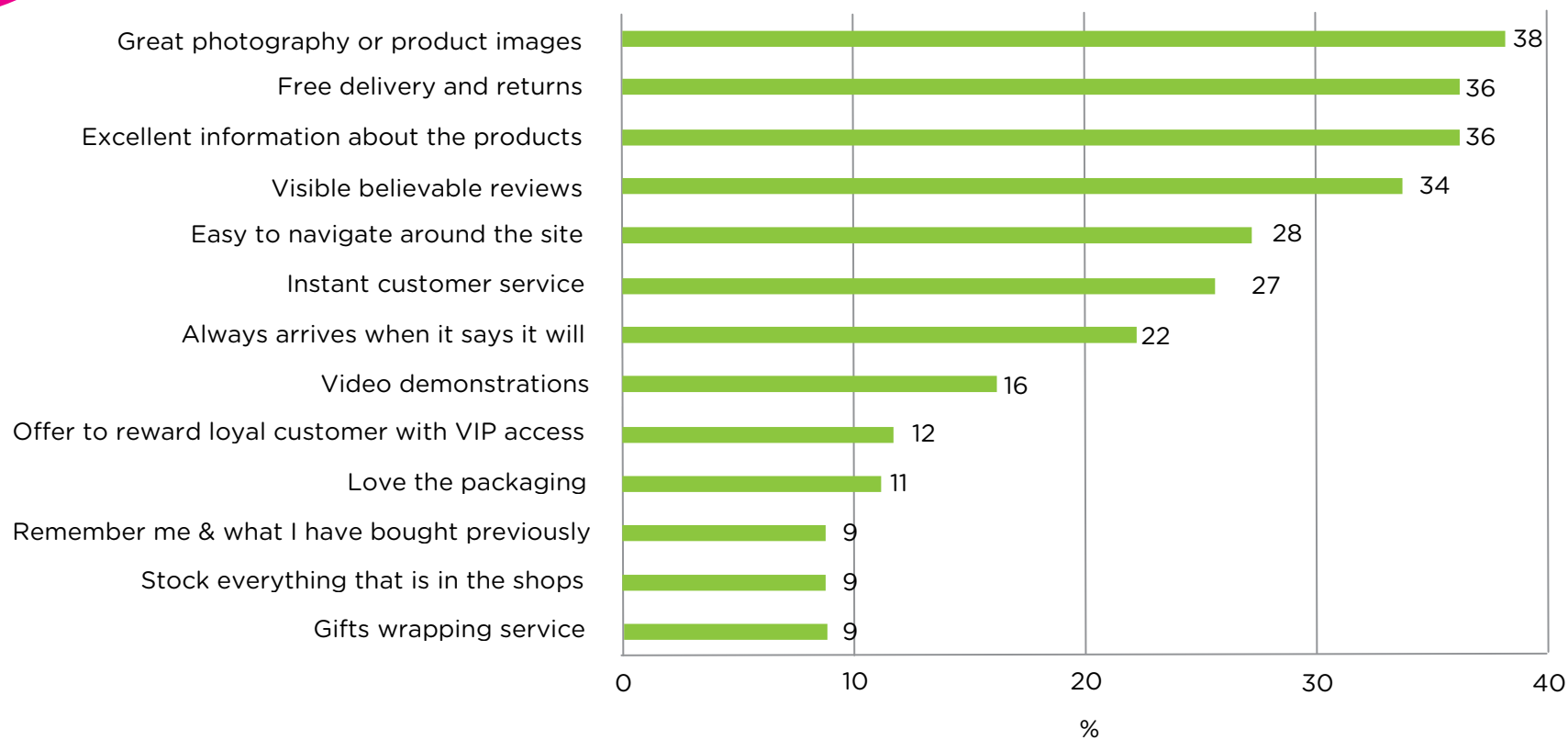
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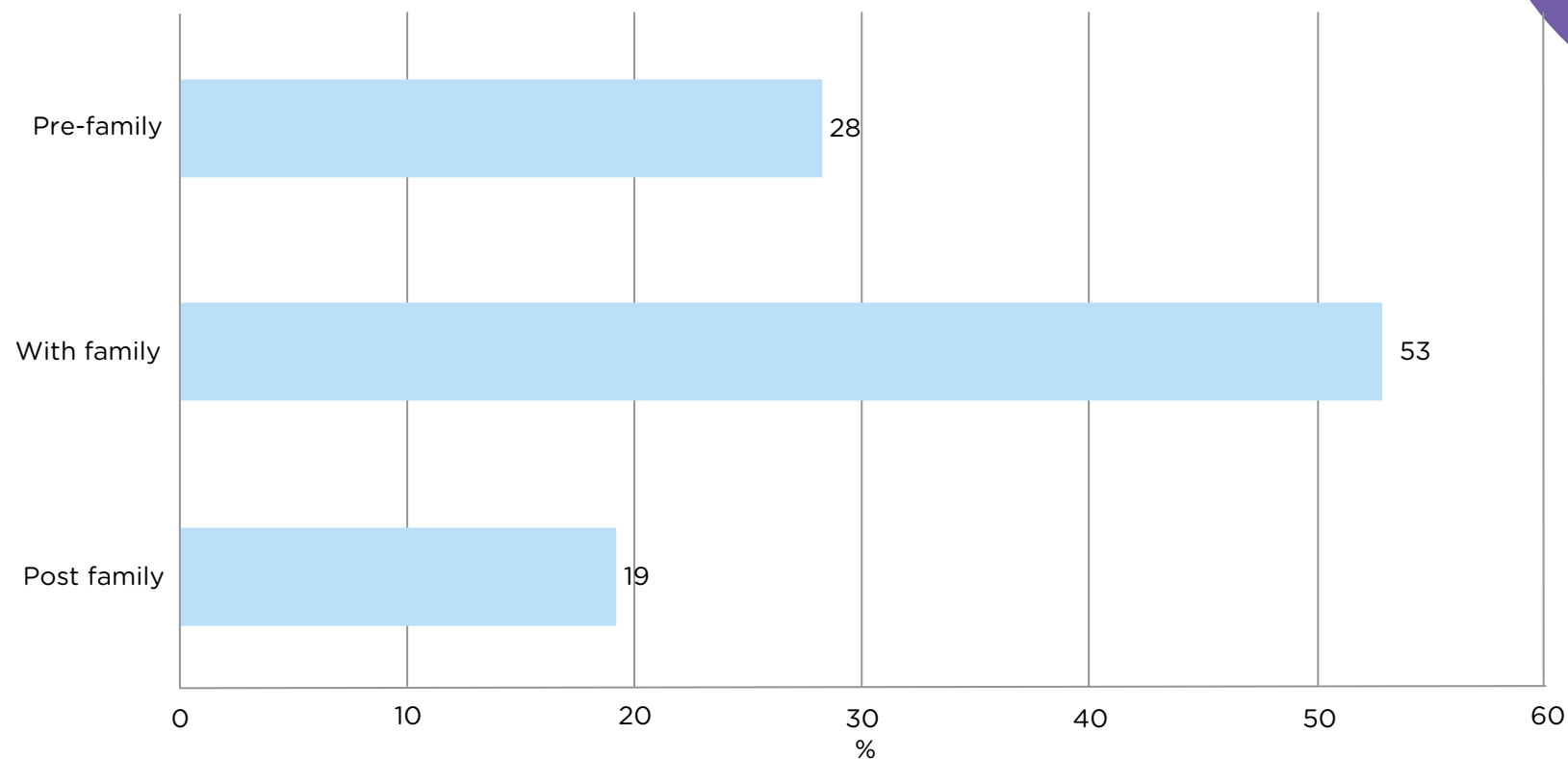
Q11. What three things do you think makes a brand's website offer 'premium' or 'luxury' products and services?
(n = all respondents)



Life-stage

Q12. Which of these best describes your current circumstances?

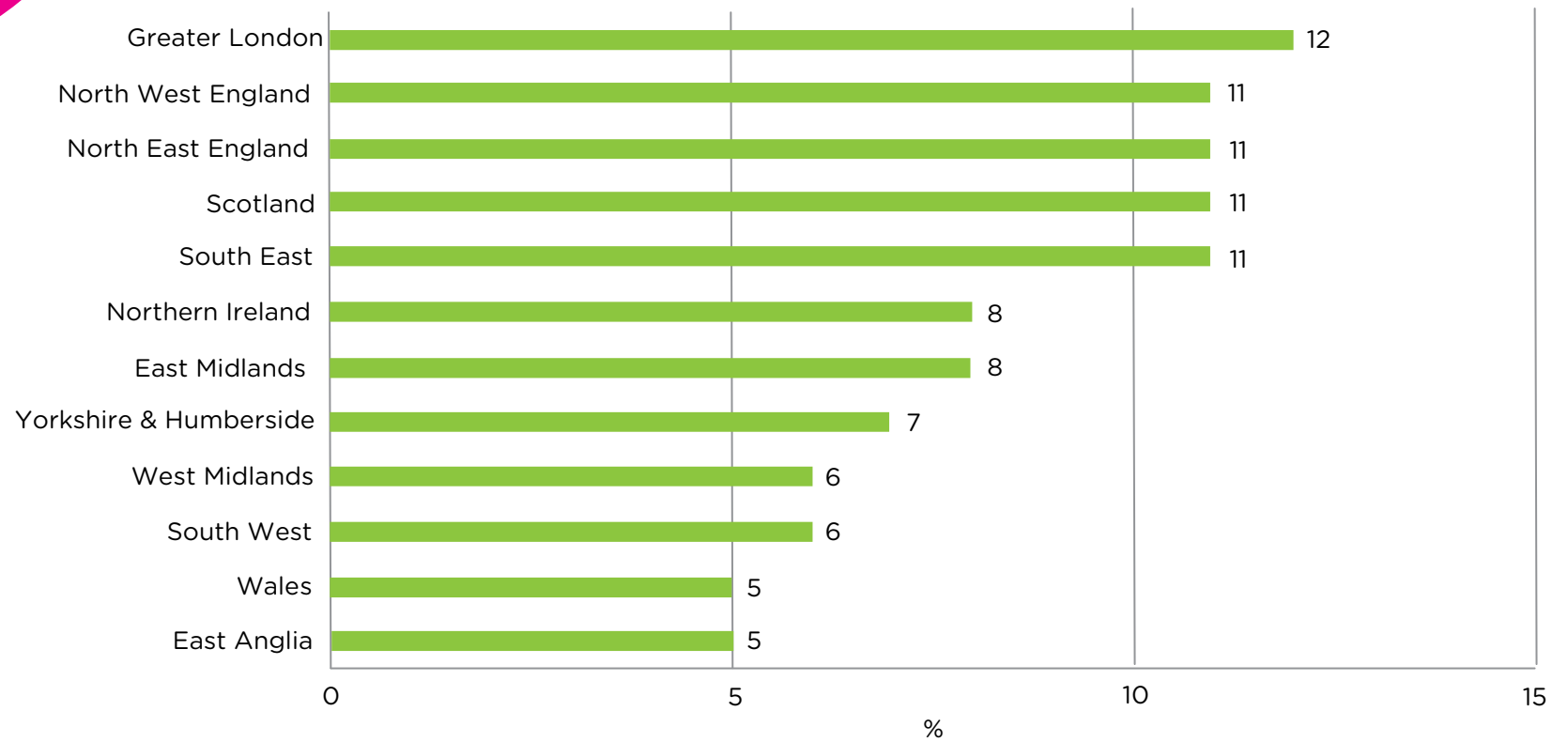
(n = all respondents)



Region

Q13. Where do you live in the UK?

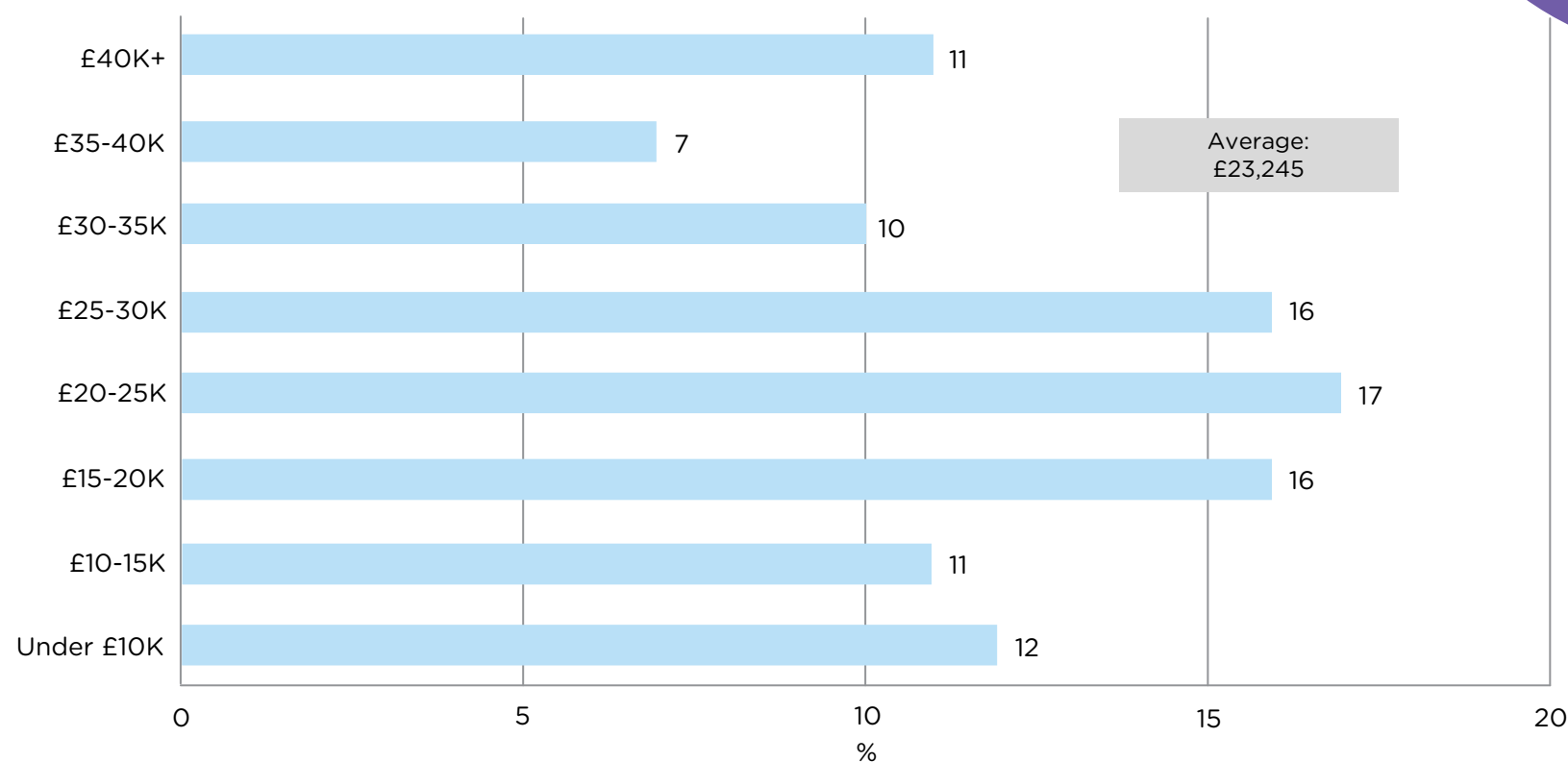
(n = all respondents)



Household income

Q14. Which band does your gross annual household income fall into?

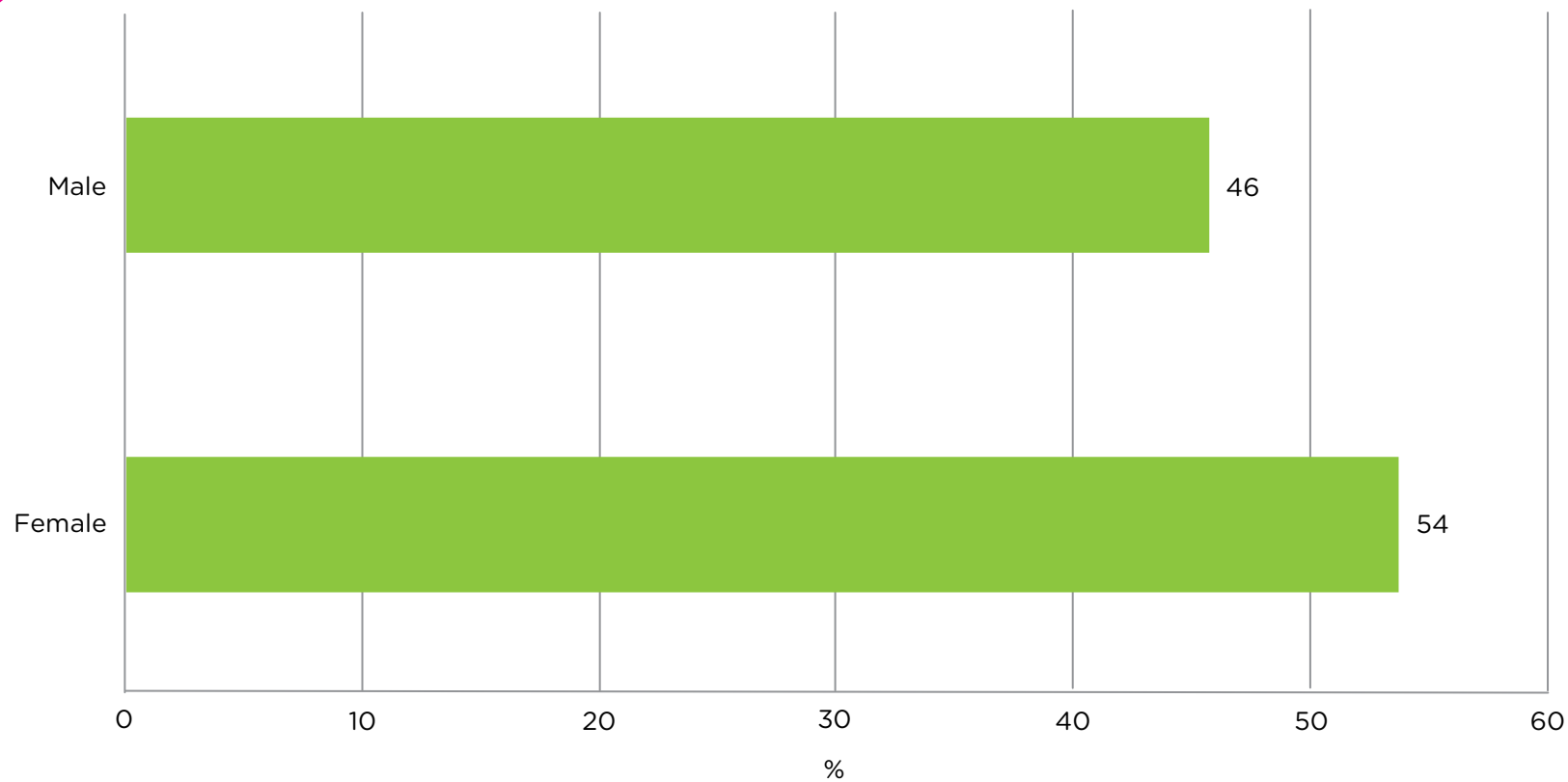
(n = all respondents)



Gender

Please confirm your gender

(n = all respondents)



Age Profile

Could you tell me your age?

(n = all respondents)

