

## How to win frugal consumers and influence them to buy

Susan Berfield

*Consumer shopping habits are changing. But the right sign, well placed, can bring sales even in a recession, says retail guru Paco Underhill.*

American shoppers are complex: They're excitable, but often creatures of habit; sensitive to influence, but harder to manipulate than marketers like to acknowledge. And now, as Americans consume more sparingly, an already complicated retail pas de deux has become even more so.

To find out how stores are responding, I called Paco Underhill. He was one of the first to study how people shop, and over the past 20 years or so his consulting firm, Envirosell, has worked for the likes of Best Buy (BBY), Gap (GPS), and Wal-Mart (WMT). Underhill gathers information for clients by videotaping and tracking shoppers in stores, often for weeks at a time; he collects some 50,000 hours of video every year.

These days, Underhill's observations take on added poignancy, to use one of his favorite words. For a while, he has been telling merchants that there are no new customers, which is his way of saying that stores must get better at persuading existing customers to purchase more. He has also noticed that people more often make decisions about what to buy when they're out shopping, not before. This gives stores an opportunity: If they can compellingly present information about merchandise—following Underhill's rules, of course—they might exert greater influence on consumers. "It's all about in-store marketing," he says. "It's making things occur to the shopper."

### Recessionary behavior

Recently, Underhill and his trackers have seen some unusual behavior on the part of shoppers that illustrates how hard it has become to get them to buy. In better times, when people selected an item from the shelf, they usually purchased it. Now the average amount of time shoppers spend in the aisles is increasing, by around 20%, he estimates, as they read labels more carefully. That sounds like it might be a good thing for retailers. But Underhill says people are more frequently discarding items in other parts of the store, particularly near the cash register. "They are trading out or experiencing buyer's remorse," he says.

Then there is the matter of choice: Underhill says some shoppers can't deal with it, and if the item isn't a necessity, they'll just walk away. "Merchants have to take some control over the consumer's eye," he says. "Put up a sign that says 'Our Best Seller' or 'Our Best Student Computer.'"

With all of this in mind, Underhill and I go shopping at Manhattan's Time Warner Center. Our first stop is Whole Foods (WFMI), a retailer known for trying to entice shoppers with "good stories" about its products. A large sign over the red kale and rainbow chard is titled "Why Buy Organic." The explanation is probably too long for most people to read, he says, but that's O.K. It's meant to make shoppers feel they're buying something valuable, maybe doing something virtuous. We walk by a small sign stuck into a pile of Russian Banana fingerling potatoes that reads "How cute are these?" Underhill loves it. "These are more expensive than Idaho potatoes, so they're trying to find creative ways of getting you to trade up or try something new."

Then he notices a woman by the meat counter. "Sixty-one percent of the time she spends here is after she gives her order," he says. "While she's waiting, they want to give her...a lesson on what she might spend her money on next time." The subject of this particular lesson, written

on a blackboard, is dry-aged beef. And scrawled on the display case glass: "NY Strip Steaks, \$11.99 a pound." "Writing on the glass suggests it's new," Underhill says approvingly. "It might be there 24/7, but it looks like someone might have written it 10 minutes ago."

When Underhill talks to his clients about signs, he is concerned with what he calls the dropout rate, or the percentage of people who don't read through an important piece of information. When there's a problem, it's because the sign isn't in a place where people feel comfortable stopping, or it's facing the wrong way, or the text is not big, simple, or helpful enough. That this sounds as much like common sense as science doesn't trouble Underhill. "The obvious isn't always apparent," he likes to say.

Underhill's work for a spice maker is an excellent case in point. The company had designed a pricey display for supermarkets, and Envirosell was hired to see how shoppers responded. The prototype categorized the bottles as spices, extracts, essences, or flavorings, and had no noticeable effect on sales. As Underhill writes in his recently updated book, *Why We Buy: The Science of Shopping*, the distinctions the company was making were meaningless to shoppers. "Who cares what it is? What it does to food, how it tastes and smells, are all that counts."

We move on to Williams-Sonoma (WSM), a retailer Underhill says "gives good store." We stop at a display of Peugeot pepper mills with a sign about grinding fresh pepper. The company says such signs are intended to educate shoppers. Underhill says they also help justify the prices. This sign is a bit long. Underhill figures it should be a 15-second read, which means about 30 words. This one has 100. "They could do a better job of matching the opportunity with the message," he says.

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The Measure of success

In his final speech as CEO of Wal-Mart Stores (WMT), delivered on Jan. 12, H. Lee Scott Jr. had some advice for other retailers. Noting that Wal-Mart sales of flat-panel TVs jumped 25% during a single week in January, he said shoppers will spend, but only on a few specific items. "And when you are 1/32 of an inch off, you don't have any sales," he added.

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