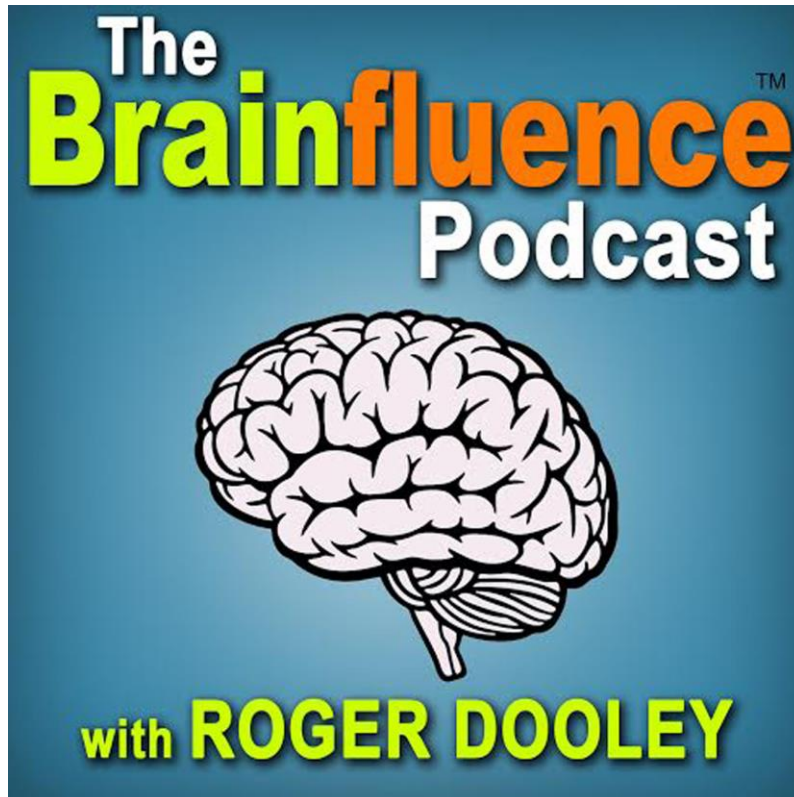


Ep #91: Retail Marketing Strategy with
Constant Berkhout



Full Episode Transcript

With Your Host



Roger Dooley

[The Brainfluence Podcast](#) with Roger Dooley

Ep #91: Retail Marketing Strategy with Constant Berkhout

Welcome to the *Brainfluence Podcast* with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger Dooley: Welcome to the *Brainfluence Podcast*. I'm Roger Dooley. My guest this week is an expert in retail marketing and shopper experience. He got an early start in the field by hanging out in the supermarket owned by his aunt and uncle and helping serve customers. Today, he's the founder and owner of a consultant in the areas of retail marketing and shopping insights based in the Netherlands. He's held key roles at big brands like Kraft, Gillette/Procter & Gamble, and PepsiCo. His new book is *Retail Marketing Strategy: Delivering Shopper Delight*. Welcome to the show, Constant Berkhout.

Constant Berkhout: Thank you very much, pleased to be on your show.

Roger Dooley: Well, thanks. You know, one thing you mention in your book that actually I think might have been on your website that stood out in your memory of your aunt and uncle's supermarket. What was that thing that stood out and why do you think it was that that happens to be your memory of that place?

Constant Berkhout: Well, I was a little a boy so what really stood out is that I could stand behind the counter and serve people because it was a mom and pop store, so there was still over-the-counter sales and just the

Ep #91: Retail Marketing Strategy with Constant Berkhout

fact that people came to you and asked you for something and of course, that store, it was more like a convenience store where there was a lot of candy, chocolate, so I got my share. I was paid in candy and chocolate, so that was a good deal.

Roger Dooley: Right. Boy, if only it was that easy for stores these days. Just pay your help in candy.

Constant Berkhout: Yeah.

Roger Dooley: Then I think probably too there's sort of a sensory element to that as well. I can just almost visualize big jars of candy and obviously you've got the visual sense, you've got taste, if you got to actually consume some of it. And probably sort of a theme for the shopper delight in that that was probably how you as a child defined delight would be really big jars of candy [laughs].

Constant Berkhout: Yeah, yeah.

Roger Dooley: So one basic question comes to mind when I think about retail that is, is there going to be a need for retail or traditional retail going forward? It is declining, at least for the foreseeable future? I don't think that anybody really expects to see stores going away anytime soon any more than they expect them to stop printing any paper books. But it seems like all these alternate delivery mechanisms are involving and making the non-retail experience more accessible than ever.

I know that Amazon Prime has really changed my shopping behavior because I can get items for free

Ep #91: Retail Marketing Strategy with Constant Berkhout

reliably in two days with no shipping charge and to me, that really altered the equation of, do I drive to go to the store and park and deal with parking problems and so on. Or just click that one-click button and I know that it's going to be on my doorstep in a couple of days. So what do you think? Does retail have a future?

Constant Berkhout:

Let's say, if you talk about of course retail has a future and if you talk about physical stores, I think they have a role to play as well. Part of me also wants to believe this because I, like you said, more or less I grew up in grocery stores and want to believe that story. But, of course, I mean, part of the sales will shift to other channels. There is not one answer.

I mean, if I look at Cozum, one of my clients is working in Cozum Electronics. This category is moving within one generation from mom and pop stores to completely 100 percent online sales. I think in Europe we have a player named Media Markt, part of the Metro group. Perhaps they will survive, but many others won't. So within this category, I think it will move completely.

I was fortunate to this year to work a couple of times in China. Just like a country like Germany that after the Second World War could rebuild its industry and start from scratch and really build something, work with the newest technology. They had a jumpstart versus the other nations with older traditional industries. The same is happening now in China. So

Ep #91: Retail Marketing Strategy with Constant Berkhout

I mean in China six hundred million people have a smartphone and they use it.

So we have, WhatsApp, but they use WeChat and with WeChat, and you can use click and order. So they have virtual money and it's so easy. So I think a lot will depend on the category, let's say on the country, the phase of development, but I also notice if I work with retailers on the omni-channel projects, often the technology is one step ahead of what shoppers want in Western Europe.

So actually, we should not forget that shoppers are creatures of habit. So many shoppers, I'm a shopper as well, I'm used to go to the grocery store and I tend to go on Friday and Saturday when it's really busy. Why I do so, I don't know. I should have gone on Monday and Tuesday when it's not busy but still I go on the most busiest days I go to the supermarket. And of course, I could have ordered online but still I don't or only part of my groceries. So this is this part of habit.

This does not exist in China, this modern trade and they immediately go to the next phase. In doing my research for the book, I realized that there is not one channel a retailer should be active in. So in the past, retailers had the luxury to operate only in one channel. They can't have this luxury anymore. In order to survive, to be ready for the future, you need to operate in several channels at the same time.

I'll close the little bit the topic but one of the, this is the main challenge of the second largest retailer in

Ep #91: Retail Marketing Strategy with Constant Berkhout

the world, Carrefour. They have invested a lot in the hypermarket channel, that's what you call the mass-merchant channel in the U.S. Let's say most of their sales come from the hypermarket channel that is at the end of its lifecycle and they are really big in the most saturated markets of Europe. So there's like really no growth anymore and I use this as an example in my book because they have opened up too late for new channels.

Roger Dooley:

So what do you think about what you call hypermarket? I know in the states, I guess someone pioneered the concept with stores like Meijer and Walmart that created really large shopping environments where you could buy anything from bananas to garden tools. I think that has been quite successful and we still see new examples of those opening up but do you think that the shifting environment is going to make these stores harder to be profitable and really for them to be viable?

Constant Berkhout:

Yes. I think for the U.S. I think it will be hard to make them viable. Carrefour in Europe is doing everything it can to find new ways to grow. Same is happening in the U.S., we have too many big players to do so. It's not that the hypermarket is at the end of its lifecycle in every country.

So dark countries, I mean for example in Eastern Europe, hypermarkets are growing, it's a growing channel, really big, very important. They're still building new ones and it's growing fast. But when more saturated markets, like the U.S. and Europe, I think if you look at shoppers, they of course they

Ep #91: Retail Marketing Strategy with Constant Berkhout

prefer online, the convenience of online but also with big cities, people are used to being served in a convenient way, immediately, don't want to walk to the end of the hypermarket to find some tomatoes and then to the other part of the hypermarket to find something else.

So people are more critical, don't have so much time. So yeah, that will be very difficult for them. So they need to revitalize and they can for example for companies in South America, it's not just the hypermarket, going shopping, going to a mall, means that you spend the whole day and it's like an outing for the family. So that's a way to actually rebrand and tap into a new occasion for the hypermarkets.

Roger Dooley:

So to really add one or more dimensions to the experience that makes it fun to go, not just a utility type of shopping expedition.

I think one company that I've talked about, in fact just a couple weeks ago we had Denise Lee Yohn on here who has written about retail and branding and one of our common areas of interest is a company called HEB that is based only in Texas. It's primarily a supermarket but they've expanded into these plus stores that have more variety merchandise too. They certainly seem to be thriving here and one thing they do is I believe what you're talking about, they add to the shopper experience by having lots of sampling stations, by making it just a more exciting place to visit.

Ep #91: Retail Marketing Strategy with Constant Berkhout

I know you talked about going to the store on those busy times when really it would be logical to go in a less busy time but one thing I think that could be a driver, I don't know if that's affecting the experience that you have but I know that if I go at the prime shopping times, it's going to be a more fun experience because they will have four different places where they're offering wine samples, their demonstration kitchen will be operating and the chef there will be giving little tastes of whatever his or her latest creation is and so on.

That creates a more exciting shopping experience, even if it's not the most efficient shopping experience. If I wanted efficient, I could go at midnight when there's nobody in the store and I could just breeze right through, but that would be pretty boring.

Constant Berkhout: Yeah, I see experiments, like pilots like that as well but also for example, Carrefour in Brussels invented a so-called easy break, a concept where they have some kind of convenience store at the front of the hypermarket. So actually for the quick shopping trip and for some salads or for some soft drinks, you can just pop in and out.

So another thing they did to make it more convenient is to have two entrances. Typically, they only had one so you can work in both ways. You can add entertainment or make the shopping trip more enjoyable. On the other hand, you can just make sure that you make the shopping trip more convenient and more efficient.

Ep #91: Retail Marketing Strategy with Constant Berkhout

So there are different ways and then Auchan in Russia for example, has different four modes of hypermarkets where they have a very targeted approach to the city both in terms of assortment and size. So it is I mean, I don't want to say that there is no future at all but it will be very difficult in the saturated markets.

Roger Dooley:

Right, well it seems that one thing that faces physical retailers is that in most cases, they have relatively lean operating margins. I mean barring some sort of luxury outlets and whatnot. It doesn't necessarily take a big change in sales to swing them from being profitable to being unprofitable. So that even if you say, well, okay, online is not going to take all the business away, which of course it won't. Even if online takes ten or fifteen percent of the business away, that could have rather serious consequences and really sort of require a rethinking of that retail environment.

Constant Berkhout:

Yeah, I absolute agree. Yeah, there's no one answer. I see many things happening in that area. I mean, apart from let's say efficiency measures that are let's say perhaps an obvious thing to do, I also see many pilots into food service. So to expand the offering from a food service also opportunity to differentiate yourself more, to add margin, reach products rather than competing on fast moving consumer good products that are similar or equal at the competitor.

Roger Dooley:

Yeah, Constant, a lot of our listeners are interested in neuromarketing and you devote some space to

Ep #91: Retail Marketing Strategy with Constant Berkhout

employing tools of neuroscience and psychology in your book. How do you see this as playing out in the shopping environment?

Constant Berkhout: Oh yeah, this is, I like the topic. I had the privilege to work in this field and to speak with a lot of neuroscientists when I worked in PepsiCo. So PepsiCo actually quite close to, this was in Texas, they had a smart lab. The smart lab could be turned into any large hypermarket, any large or convenience store and next to that there was also booths for brain research. I learned a lot.

PepsiCo conducted many hundreds and hundreds of tests with shoppers. They were very granular in finding which material, which elements in the merchandising, in terms of protruding elements or size of the merchandising would really work well, playing with that. The beauty of neuroscience is that it will give you an idea of what the shopper thinks and feels and before the shopper can actually admit or show this feeling. I've learned to trust less and less on surveys, on the traditional questionnaires.

Neuroresearch was one of the technologies which I relied to find out what the shopper really wanted. Something else in PepsiCo, at the time, we also invested a lot in big data research. We took a lot of the scanning data, loyalty card data, which was another way to learn more about the desires, the deeper motives of shoppers that they could not express.

Ep #91: Retail Marketing Strategy with Constant Berkhout

The way to implement it for example what we learned is that round condylar ends work much better than square ones or the ones which were like squared ones. Because people have the feeling, the unconscious feeling they can hurt themselves and we found out that people will enter an aisle with a round condylar more often than other condylars, condylats.

Roger Dooley: That's interesting. It makes a huge amount of sense once you describe it although it's not the sort of thing you would necessarily think about if you were in the design process. Think it's exactly that kind of finding that you know, I won't say it defies logic but it certainly would be a little bit unexpected.

People would think, well there's no reason to actual fear a square corner but it has that subconscious effect on making it a little bit less approachable. I would guess that might even apply to various kinds of displays where if you want somebody to get close to it, not having square corners might be a good thing.

Constant Berkhout: Yeah.

Roger Dooley: Yeah, I recall some other research, I forget if it was in Martin Lindstrom's book or someplace else but showing that people reacted to sale-like signs, in other words, those like sort of typically yellow or orange and black print signs showing 20 percent off. That people reacted to those even if they weren't necessarily an actual discount.

Ep #91: Retail Marketing Strategy with Constant Berkhout

That their brain reaction was more or less the same whether it was 20 percent off or simply something nebulous like “Save Big.” People had become so conditioned to that type of little yellow card or something sticking out from the counter that that meant an opportunity to save money that they reacted to it regardless of the actual content.

Constant Berkhout: Yeah. We have some examples when we talk about pricing, we have some examples here in Europe where they printed smileys on the price tag on the shelf in the supermarket. And actually people unconsciously became, let's say happier and were more relaxed about the price. So they felt better about the product.

So let's say just using a smiley can actually avoid perhaps price wars like we have experienced here in France and Holland in the past. So it's difficult to explain but that's also a caveat of neuroresearch. You need to do many tests. I mean, it's not that simple. It's not a yes/no. You need to do a lot of control checks. So it's a new area but also very sophisticated, very complex area.

Roger Dooley: Right. I think it really enables you to get some scientific backup because I think if a creative person came in with the idea, “Well, hey, let's put smileys next to our prices because I think shoppers will like that better.” That creative person might be ridiculed or at least some other person would make a decision and say, “Nah, we don't want to do that.” Or maybe they would okay it, but this way you can try with a smiley face, without a smiley face. You

Ep #91: Retail Marketing Strategy with Constant Berkhout

can try it with different colors and so on and actually find out which works best.

Constant Berkhout: Yeah.

Roger Dooley: And it gives you the opportunity too because trying to do an A/B test or something in a real world shopping environment is quite difficult. And the data is going to be probably kind of messy but if you can leverage some of this neuromarketing data, it gives you hopefully a pretty clear direction to go with any additional in-store testing.

Constant Berkhout: Yeah. For me neuroresearch have been very helpful and it can be applied in many retail areas. I mean, I've learnings in communications, for example, showing promotional leaflets to shoppers and we were measuring what they thought about the leaflets because they all seem the same and it's also very a high-production of volume of leaflets. There is not much change, there is always more description about what should be the price and what is on the front, etc. But it's not much science in it.

Actually using this new technology, you could actually see people respond to specific areas and not to other areas. So for example, I remember an example that with meat, with raw meat, where people showed unconsciously some kind of disgust and they actually liked images better when the meat was being prepared. In a natural way on a plate and they liked it even better if people were around the table. It works even better if one of the, somebody

Ep #91: Retail Marketing Strategy with Constant Berkhout

serving the table would look into the camera because people tend to look at faces first.

That's something we do because of evolution, when we see somebody unknown, we try to assess, is this a, are we in danger, yes? No? Do we need to run? Do we need to fight? So we first look at the eyes to assess the situation. We still have this behavior also when looking at the leaflet of retailers.

So if you use that face or you can be sure that it will attract the attention. And also working with faces will work in store. So in the baby category, if you use the face of a baby, you can be sure that a lot of mothers, especially the mothers, will look into the aisle to the image and you may expect some additional traffic into the aisle.

Roger Dooley:

Well very interesting. So Constant, you devote a chapter to the unexplainable effect of music. Despite that name, the name of the chapter, I wonder if you can explain a little bit about—well first, maybe give some examples of the effects of music and then explain a little bit about what's happening there.

Constant Berkhout:

Yeah. Well I started this chapter or doing some research in this area because it seems to be really easy. You turn on the music and it creates some kind of ambience or experience. I mean, I don't like the word experience but typically when people think of creating an experience they talk about turning on the music or some tasting or some kind of sensory experience.

Ep #91: Retail Marketing Strategy with Constant Berkhout

When I looked into the effects of music, I was a little bit disappointed because the recent effects on for example on shopper behavior for example and actually the most clear effects are very simple to explain. So the volume and the rhythm and the tone of the music have a direct impact on the biological rhythm of shoppers. So when you play it louder, people will shop faster. So that's a very direct effect which is a more biological effect. But it doesn't really do much more.

So I know that there are many companies that show research about creating the right ambience and atmosphere for the store. Much is not really proven in a scientific way. So music has an effect but in a very direct way and it actually together with scent marketing, an area, an instrument of retail marketing where retailers should be very careful how to apply it in their store.

Roger Dooley: Well there have been some of the classic studies like the wine sales test where by playing French music, they sold more French wine and German music, more German wine and so on. Do you think that work is reliable?

Constant Berkhout: Yes.

Roger Dooley: Okay, so, I think the ...

Constant Berkhout: By the way, for the retailer, it was a switch in market share. So the overall, people didn't buy more wine. So in that study, people just switched from French to German wine. It was German Oom-Pah-Pah

Ep #91: Retail Marketing Strategy with Constant Berkhout

music and they went to the French wine when there were *chansons*.

Roger Dooley: Right. Well I guess it would be great if there was a particular kind of music that would increase overall sales but I think probably maybe the one takeaway is that the music needs to be appropriate for whatever it is that you're selling and that might help sales. So you know if you played Moroccan music in the wine store perhaps sales might have declined. Further since Morocco isn't particularly known for its wine.

Constant Berkhout: Roger, that is right on. The most important requirement is that what they call in science, it needs to be congruent, it needs to fit the environment and that is really difficult because if you have a grocery store and you have young people, older people, people from all kinds of backgrounds and nationalities coming into your store, how do you find that music that will fit everyone in that particular mood?

Roger Dooley: In a general store like that, it's got to be next to impossible to find the perfect music.

Constant Berkhout: So in that way, it will always be some kind of background music. It's hardly audible. So by nature, it will be extremely difficult. I mean, there are retail situations where it really works. So if you have a very specific target group, like Abercrombie & Fitch, so a very specific target group with a very specific taste, yes, it will work.

Ep #91: Retail Marketing Strategy with Constant Berkhout

They also have one category because sometimes with music, it will perhaps fit one part of the store but not the other part of the store. So I now see experiments where the music is actually, you can actually manage it at distance so you have different music in each store. Some stores have other music during the weekend than during weekdays because they see they have another audience, another target group. It's not just turning on the music in the morning and you're done for the day. You need to work hard on it to make it work for yourself.

Another let's say movement that I see is that retailers choose not to have the music turned on because they feel that the shoppers already have too much stress and they are too much in a hurry and by adding another instrument actually it becomes even more in an unconscious way confusing and stressful for the shopper. So there are some drug chains and also discount chains that have taken decision not to play music.

Roger Dooley:

Interesting. So what do you think about virtual reality? It seems like 2016 is the year when we'll start seeing some commercially viable VR type products although certainly still in their infancy. You think that's going to be a good thing or a bad thing for retail?

I mean I can envision an online retailer like Amazon creating a virtual store environment without actually owning any real estate. Or conversely, existing retailers could either duplicate their environments or actually create all new environments without

Ep #91: Retail Marketing Strategy with Constant Berkhout

additional investments, do you have any feel or in your experience, are retailers starting to look at this as a serious tool or are we still too far out?

Constant Berkhout: No, I know some retailers who looked into this. So then I talk about physical retailers with stores that want to use this tool to create more experience, more giving next new dimension to shopping in their store. But they will only use that in the big, rather big stores because it's still quite an investment and so, yes, I do see that. There are some experiments in that area.

I think also online it might work because what I observe in especially online grocery is that many retailers compete purely on price, on delivery slots, affects very rationale elements of the marketing mix, so its price, all the communication is very rational. This could actually add a new dimension to shopping where online grocers could compete in a completely other way and would in that way make shopping far more convenient and enjoyable.

Perhaps also see opportunities with the virtual reality to shop with other people and to be like to meet each other online during your shopping trip. I think there's much more possible to make enjoyable. Also the online shopping trip but we still need to find out if that really taps into the need of the shopper of that moment. I speak a lot of shoppers that actually go online for the shopping because it's fast, easy, convenient they don't want to speak with anybody and they just want to get it done.

Ep #91: Retail Marketing Strategy with Constant Berkhout

Roger Dooley: Yeah, that kind of describes my shopping behavior at times where I would go to a self-checkout before a clerk just because it's simple and I don't really have to think about interacting. I'm not sure what that says about me but I can sympathize occasionally with folks who would prefer just to do it without having to interact.

Although obviously there are other times when that interaction is a good thing. If you've got questions or sometimes you're just more in the mood for interaction so a nice smiling face taking care of you is more pleasant than dealing with a machine.

Constant Berkhout: Yeah.

Roger Dooley: So we're just about wrapped up here. Let me remind our listeners that our guest this week is Constant Berkhout, author of the new book *Retail Marketing Strategy: Delivering Shopper Delight*. Constant, how can our listeners connect with you and find your content online?

Constant Berkhout: I'm on Twitter. So it's @brkht and you can find me on my website, it's www.Constant-Berkhout.com. And yeah ...

Roger Dooley: Okay, we'll ... I'm sorry, were you finished?

Constant Berkhout: Yeah, no, no.

Roger Dooley: Okay, if you had something else you wanted, by all means, let us know. We will have links to those places as well as any other resources that we discussed in the course of the podcast on the show

Ep #91: Retail Marketing Strategy with Constant Berkhout

notes page along with a text version of our conversation. You can find that at RogerDooley.com/Podcast. Constant, thanks for being on the show.

Constant Berkhout: Thanks to you, Roger.

Thank you for joining me for this episode of the *Brainfluence Podcast*. To continue the discussion and to find your own path to brainy success, please visit us at RogerDooley.com.