IBM Institute for Business Value

Greater expectations

Consumers are asking for tomorrow, today

Overview

A historic convergence of technology trends is sparking a new retail era: the explosion of mobile technologies, the spread of social networks, a new generation of advanced analytics and the disruptive nature of "the cloud." The transformation to this new era is well underway, with consumers already using and expecting even more innovation from today's retailers.

IBM recently examined consumers' interest in shopping innovations. By studying trends from around the world, we identified key capabilities that shoppers expect retailers to deliver today – capabilities that consumers are using to choose where they shop.

The latest IBM Institute for Business Value Global Consumer Study investigates shoppers' omnichannel expectations to find out how imminent is the arrival of this new retailing era. We surveyed 30,554 consumers in 16 countries to discover their attitudes about shopping, particularly as it pertains to adopting omnichannel capabilities.

To determine the level of omnichannel adoption, we asked consumers where they made their last purchase. We found that the store still rules but it is losing share precipitously. The percentage of respondents who made their last purchase in a physical store declined from 85 percent in 2012 to 72 percent in 2013. The real winner was the online channel, which saw its share nearly double to 27 percent of shoppers versus 14 percent last year. Another surprise in the data is that showrooming proved not to be the primary driver of growth in the online channel. While growing from 6 percent to 8 percent in one year, showrooming still accounts for only a relatively small percent of total shopping. Most online growth came from consumers going directly to the web for their purchases rather than first visiting a store.

In addition, we measured consumers' expectation levels – what they want the retailer to deliver in terms of omnichannel capabilities. Across the population, we found the five most important omnichannel capabilities to be:

- Price consistency across shopping channels
- Ability to ship items that are out of stock in the store directly to home
- Option to track the status of an order
- Consistent product assortment across channels
- Ability to return online purchases in the store.

It is becoming all the more critical for retailers to connect with consumers one-on-one. IBM investigated three contact methods: Social handle, Location and Mobile number (SoLoMo) and found that shoppers' SoLoMo adoption levels ultimately revealed four distinct consumer groups:

- ***Traditional*** *(19 percent of study population)* – Uses least amount of technology while shopping.
- ***Transitioning*** *(40 percent)* – Uses technology mostly to gather research and other information.
- ***Tech-intrigued*** *(29 percent)* – Uses SoLoMo from browsing to buying.
- ***Trailblazers*** *(12 percent)* – Uses SoLoMo extensively, including as a retailer evaluation tool.

In particular, the Trailblazers stood out based on their high expectations that retailers provide SoLoMo capabilities. Trailblazers are the ones leading the path to an era of "self-serve" retail. They want to control the entire process. They are comfortable using their own devices to check prices, find merchandise, read reviews and track their orders. Their interest in shopping via social networks greatly differentiates them from other groups. With their fluidity of shopping across channels, the Trailblazers must have consistency of services, pricing and assortment from their retailers. Trailblazers are also the most agile shoppers as they will switch retailers easily if these capabilities are not provided.

Of all four groups, we see Trailblazers as the future of shoppers. They are not a miniscule group of "bleeding-edge" first-adopters. This 12 percent is influential, affluent and optimistic and they are paving the path for others to follow. The Tech-intrigued and Transitioning groups, together representing 69 percent of our study population, are already comfortable with technology and interested in SoLoMo. It's only a matter of time before many have the same level of expectations as Trailblazers.

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Learning from the new middle

The largest group (40 percent of respondents) is Transitioning shoppers. This group is using technology primarily to conduct research and therefore is not yet clamoring for the latest shopping innovations. Transitioning shoppers do, however, like to see inventory information and the status of their orders. Although they are not heavy users of SoLoMo they are still omnichannel-savvy consumers. With their open-minded view toward innovation, we believe this group will evolve and embrace SoLoMo.

The Tech-intrigued shopper group (29 percent of respondents) may include early adopters of technology and is quite interested in SoLoMo usage. While slightly younger than the average shopper, the Tech-intrigued come from many walks of life. As Tech-intrigued shoppers gain wallet size and additional responsibilities, they may well follow the Trailblazers and look to avail themselves of all possible shopping benefits.

Serve Trailblazers to stay competitive

Switching costs are low and expectations are high. Consumers are beginning to become impatient with the retailers that don't offer important omnichannel benefits. In order to stay competitive in addressing the greater expectations of today's shoppers, retailers need to do two things quickly: deliver consumers' top five most important omnichannel capabilities; and assess current capabilities against the Trailblazers' needs, with great attention to the online must-haves and the in-store differentiators.

How can IBM help?

- **Business Consulting and Delivery Services** – IBM helps retailers formulate, implement and operationalize programs to respond to changing customer buying behaviors, align organizational structure and metrics, and transform customer-centric processes.
- **Retail Industry Solutions** – IBM offers a comprehensive portfolio of Retail solutions comprising merchandising and supply chain management, multi-channel retailing, retail performance analytics and TotalStore solutions to help retailers deliver the fastest time to value at the lowest risk.
- **Retail Center of Competency** – IBM helps retailers make the best use of technology to streamline costs, reduce inefficiencies, aid product development and speed go-to-market activities. It also helps retailers build new capabilities to better understand, track and respond to consumer preferences, drawing on its team of highly skilled experts from around the world.

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