

IBM Institute for Business Value

Greater expectations

Consumers are asking for tomorrow, today



Engage and understand customers to deliver personalized shopping experiences

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today's rapidly changing retail environment. Through our integrated approach to business design and execution, we help turn strategies into action. With a comprehensive portfolio of Retail solutions comprising merchandising, supply chain management, omnichannel retailing and advanced analytics, IBM helps deliver to retailers the fastest time to value at lower risk. And with global capabilities that span 170 countries, we can help retailers anticipate change and profit from new opportunities.

By Kali Klena and Jill Puleri

The “future” era of retailing has arrived, marked by dramatic signs of change. The newest IBM Global Consumer Study reveals that in a single year Internet commerce jumped nearly 100 percent, with 27 percent of retail purchases made online in 2013 versus 14 percent in 2012. Along with this remarkable channel-shifting, a historic convergence of technologies is changing how retail business is done. To thrive, retailers must commit to change rapidly and substantially. From the explosion of mobile technologies to the spread of social networks, retailers need to navigate the speedy, endless and evolving trail of communications. With the disruptive nature of “the cloud” and a new generation of advanced analytics, retailers can not only gain small efficiency points, but leap-frog competitors by delivering more new and expected benefits to customers. This study, by examining consumers’ interest in shopping innovations and trends from around the world, identifies key capabilities that shoppers expect retailers to deliver today—capabilities that consumers are weighing to choose where they shop.

72% of shoppers surveyed in 2013 **made their last purchase in-store** versus 84% in 2012

43% of those surveyed in 2013 **post socially about retailers** they shopped and 30% post about purchased items

36% of respondents in 2013 **are willing to share current location** (GPS) versus just 19% in 2011

Unquestionably, consumers are enjoying all kinds of technologies in new ways to enhance daily life. To better understand the implications for retailers in this new retail era, the IBM Institute for Business Value investigated shoppers’ omnichannel expectations. We surveyed 30,554 consumers in 16 countries to discover their attitudes about shopping, particularly as they pertain 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 84 percent in 2012 to 72 percent in 2013.² 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 previewing in the store—“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.

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. Each uses technology differently, if at all, as they shop. Our analysis and

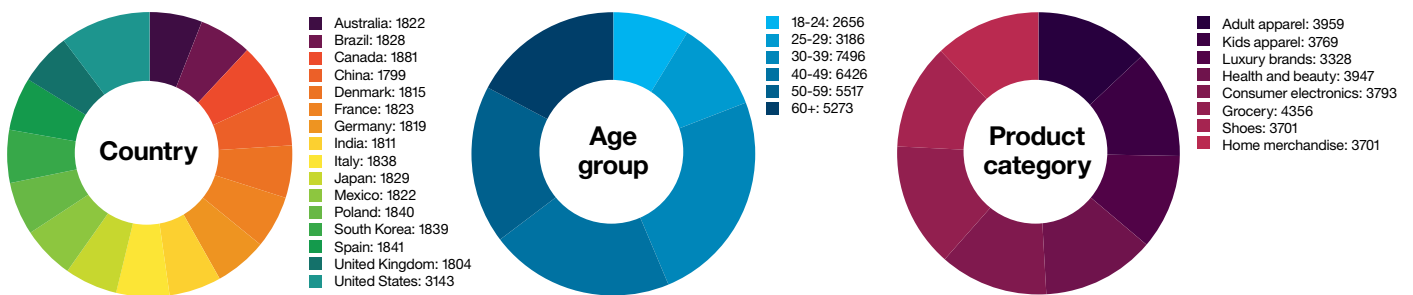
comparison of these shopper groups offers important lessons to help today’s retailers refine strategies to stay competitive.

Our 2013 study confirms that switching costs are low and expectations are high. Consumers are beginning to become impatient with the retailers that don’t offer important omnichannel benefits. To stay competitive in addressing the greater expectations of today’s shoppers, retailers need to do three things quickly: enhance the store’s appeal using SoLoMo capabilities; enable shoppers’ desires for self-service retailing (“self-retailing”); and assess current retail capabilities against the needs of the most technology-savvy and influential shopper group, whose numbers promise to grow markedly and rapidly.

Survey methodology

In the 2013 IBM Global Consumer Study, the IBM Institute for Business Value surveyed 30,554 consumers in 16 countries. Our respondents represented roughly equal groups of shopper income levels: lower (27 percent of sample), lower-middle (23 percent), upper-middle (25 percent) and upper (25 percent).

Shoppers spanned ages 18 to 60+ with substantial representation of every age group in between. In addition to grocery, shopper responses focused on seven other product categories: adult apparel, kids’ apparel, luxury brands, health and beauty, consumer electronics, shoes and home merchandise.



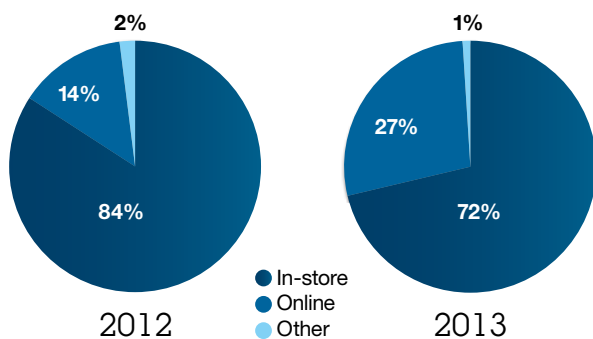
Note: n = 30,554.

State of the consumer: The approach to shopping

Changing channels

Each year, our Global Consumer Study uses longitudinal questions to identify trends and the findings often reveal unexpected retail industry changes as well. In 2013, we again asked consumers whether their *last purchase in each of seven categories* happened in-store or online (see Figure 1). While the majority of purchases (72 percent) still occurred in-store, this is a substantial drop since 2012 when 84 percent of all purchases were in-store.³ What's more, during that same yearlong period, online purchases jumped nearly 100 percent, up from 14 percent in 2012 to 27 percent in 2013.⁴

Percent of last purchases reported by channel



Source: 2012 and 2013 IBM Global Consumer Studies.

Notes: n = 26,198; Year-to-year comparisons include 13 of 16 surveyed countries; "Other" includes purchases through catalog, television and direct sales.

Figure 1: While the store still rules, it is losing share rapidly.

Notably, the practice of consumer showrooming seems to be levelling off. So, it may not be as significant to the future shopping experience as may have been expected. Our liberal definition of showrooming is that the shopper visited a store before purchasing online. Our 2012 study found that a large percentage of online shopping stemmed from showrooming and 6 percent of those surveyed said that their *last purchases* were showroomed.⁵ But in 2013, this figure rose to just 8 percent.

What is interesting is that the online channel grew much faster than the showrooming rate. This indicates that consumers skipped stores much more than in the past; they are going directly to the Web to make purchases in those seven categories. 2013 Black Friday holiday shopping in the U.S. is an example of this trend—store traffic dropped 22 percent versus Black Friday in 2012.⁶

Another reason showrooming is not as important as previously thought is that very few people actually showroom compared to other activities. For example, while only 8 percent of respondents showroomed, 13 percent of those shoppers who bought online first compared prices online and 14 percent looked online for new items.

Shopping under the influence: The impact of social

Our study also examined the importance of social activity trends in retail. Social networking is showing growth, with 53 percent of respondents reporting that they visit social sites multiple times a day, up from 45 percent in 2012.⁷ Thirty percent of respondents said they post socially *about purchased items*, compared to 23 percent in 2012.⁸ And even more prevalent than the mention of what they bought is where they bought it. Forty-three percent of surveyed consumers said they posted socially *about a retailer they had shopped*.

With an increase in posting about purchased items, it is important to understand how influential posts are in determining purchase choices. Two years ago, the IBM study on trust and retail decision-making showed that *the opinions of friends and family* were most important in influencing peoples' choices. Again in 2013, both *friends' posts or pins about items purchased* (cited by 59 percent of respondents) and *about retailers shopped* (cited by 57 percent) were the top influencers globally (see Figure 2).

Influencers of purchase behavior



Notes: n = 30,554; Year-to-year comparisons include 13 of 16 surveyed countries; "Other" includes purchases through catalog, television and direct sales.

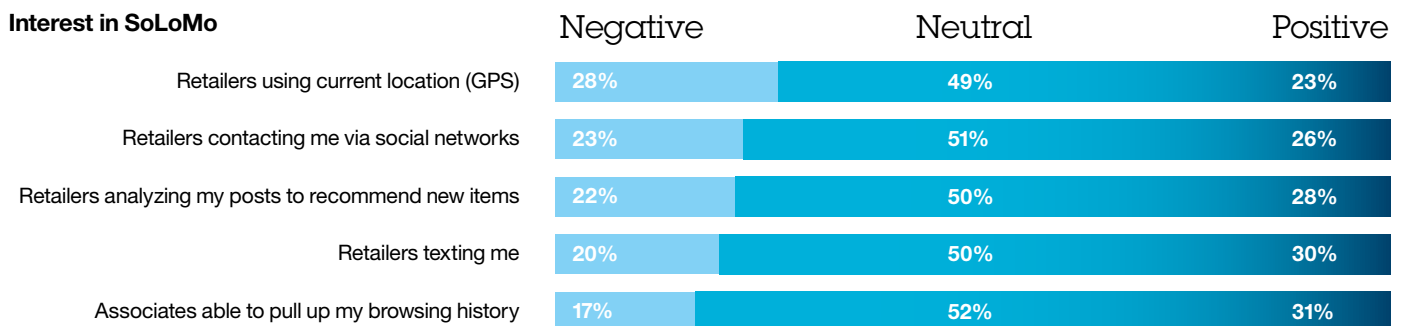
Figure 2: Friends' social posts are the strongest influence in purchasing choices, including direct retailer communications.

Also influential, but to a lesser extent, were some retailer activities such as emailed sales announcements or sales announcements via social networks. Recommendations by retailers on their own websites or social sites had the least influence on purchase behavior.

Social handle, Location and Mobile number = SoLoMo

Three pillars of communication with consumers are important to retailers. SoLoMo—an acronym representing three pieces of consumer information: Social handle, current GPS location and mobile number for texting. Interactions made through SoLoMo depend on the willingness of consumers to share that information. When asked if they would share their current location via GPS, our study respondents' willingness nearly doubled from 19 percent in 2011 to 36 percent in 2013. Nearly one-third stated that they were willing to share a social handle and 38 percent a mobile number.

The good news is that the majority of shoppers are neutral-to-positive about sharing this information with retailers (see Figure 3). This seems to indicate that retailers need to clearly communicate the benefits to shoppers of sharing their SoLoMo contact information. However, with 17 to 28 percent of respondents deeming such sharing as negative, retailers will need to be very well-targeted when communicating about these activities.



Notes: n= 30,554; *SoLoMo = Social Location Mobile

Figure 3: Half of consumers are neutral about SoLoMo* initiatives and are still waiting for a reason to engage with retailers.

What are the omnichannel expectations of shoppers?

Pinpointing what the consumer desires most

It isn't likely that consumers would describe their shopping requirements as having "omnichannel expectations." However, our analysis shows that this phrase describes the gist of what consumers want from retailers, especially when it comes to their technology-specific demands. We asked consumers about 39 specific omnichannel concepts that represent a mix of current and future capabilities for many of today's retailers, ranging from in-store to online activities, pre-purchase through purchasing activities, and even including fulfillment benefits (see Figure 4).

The scale we used to determine consumers' expectations is as important as the 39 capabilities themselves. The top of the scale identifies capabilities that are important in consumers' selection of a retailer, versus simply measuring interest in them conceptually. So the goal of the research was to identify the capabilities whose absence or presence would make a difference in how shoppers choose their retailers.

Across *most* countries and consumer groups, the same set of five omnichannel capabilities were often ranked the highest (see Figure 5). It is interesting to note that the top five emerged but the order slightly varied across the different groups.

Sample capabilities

- Pricing is consistent between online and in-store
- Assortment is consistent between online and in-store
- The retailer tailors online pricing independently of in-store pricing
- Loyalty program benefits are available online and in-store
- Online coupons are redeemable in-store and in-store coupons are redeemable online
- I am able to track my customer service issues across channels (whether in-store or online)
- I am able to access my purchase history (whether items were bought in-store or online)
- I can track order/shipment/delivery status for my online purchases
- Has store associates with mobile devices able to access my purchase history
- Has store associates with mobile devices able to access inventory and find elsewhere an item that is out-of-stock in the store

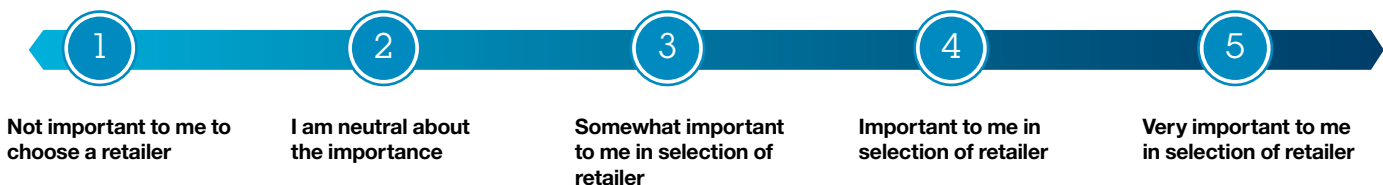


Figure 4: A subset of the 39 current and future capabilities presented to consumers, and the rating scale used.

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- 1 Price consistency across channels
 - 2 In-store, locate out-of-stock item and get it shipped home
 - 3 Track order status
 - 4 Consistent assortment across channels
 - 5 Return in store of online purchases
- Consistency feature
 - Self-service feature

Note: n = 26,198.

Figure 5: Five top omnichannel requirements emerged from consumer rankings: three about consistency and two about self-service.

Two of the top five address consumers' desire for consistency across channels. Price consistency was the number-one ask and assortment consistency ranked fourth. The remaining three spots in the top five all include self-service capabilities consumers want most: locate out-of-stock items and have them shipped home, track order status and return online purchases in-store.

Self-retailing consumers have much more visibility to price differences and many ways to fix an out-of-stock experience. Those two facts mean that inconsistencies, intentional or not, in price and distribution across channels can easily be noticed by today's shoppers.

Intentional inconsistencies, or "specialized" pricing and assortment variances are fine orientations for a retailer to take, but the consumer's perspective must be considered. When consumers find an inconsistency without rationalization, a "negative surprise" occurs. The decision to deliver channel-specific pricing or promotions needs to employ thoughtfulness. Knowing that a consumer will expect a retailer to honor prices and promotions across channels unless told otherwise, pointing out any intended differences must be done carefully to avoid negative surprises.

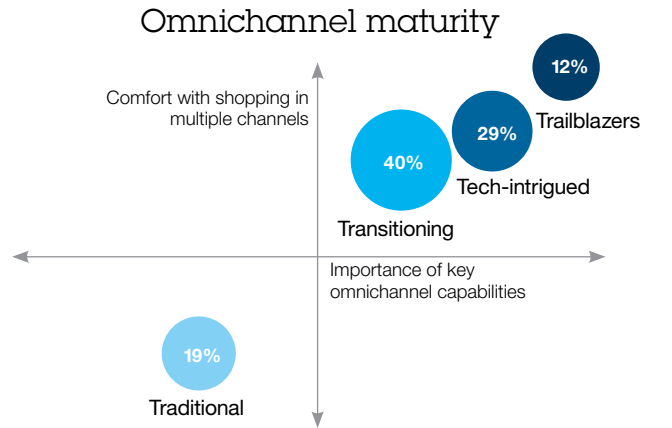
Self-service capabilities are also highly desirable. Consumers are already accustomed to tracking their own order status in other industries such as shipping and travel. They want as much information as possible about a product and how to get it to their homes quickly when it isn't in-store. Shoppers expect quick resolution when faced with an out-of-stock item—there are simply too many alternatives available in that instant that could cause the consumer to walk away from a purchase or switch to another retailer.

How four consumer groups shop differently

Classifying today's consumers

Because so many of the top five requests were present across both country and consumer groups, we needed to look deeper. There is variance in just how important these five capabilities are to different consumers. We used segmentation analysis to find which consumers are making retail decisions today based on these important factors. Four consumer classifications emerged, reflecting shoppers' attitudes and behaviors about omnichannel shopping. In part, their adoption of SoLoMo technologies is what distinguished the four groups (see Figure 6):

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



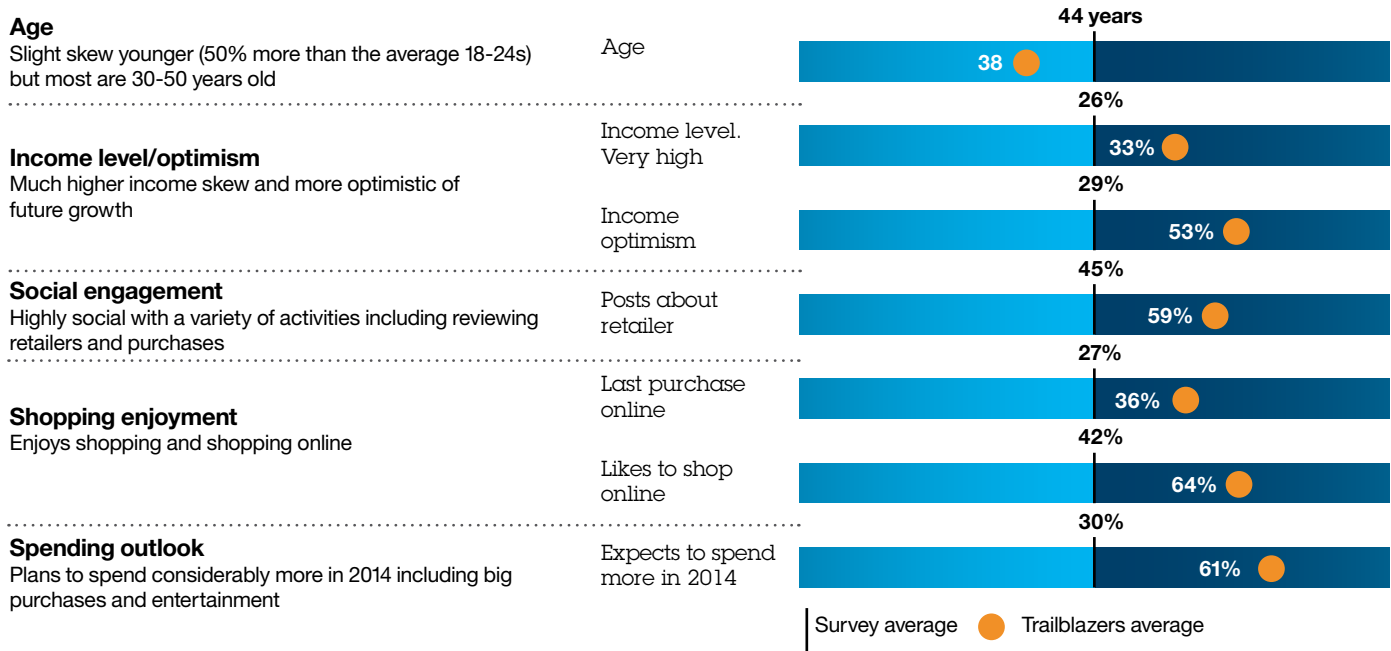
Note: n = 26,198.

Figure 6: Study data outlined four classes of consumers differentiated by their omnichannel maturity.

Trailblazer shoppers: Use SoLoMo most extensively for shopping and retailer evaluation

Globally, Trailblazers represent 12 percent of those we surveyed: a relatively small group—for now—but their demographics span a wider range than many would expect (see Figure 7). Only slightly younger than the average, most Trailblazers are 30 to 50 years old.

They have a higher income and are more optimistic about future income than many other shoppers. They enjoy shopping, online and otherwise, and expect to spend considerably more this year than last. Trailblazers are highly social, including revealing information about their purchases and activities with retailers. Important shoppers, they come with large wallets and some important requests. In particular, they stood out based on their high expectations that retailers provide SoLoMo capabilities.



Note: n = 2,781.

Figure 7: Trailblazers (12% of sample): Technology adoption trends and omnichannel attitudes suggest this group will grow in the future.

Unlike the other three shopping groups in our study, Trailblazers' list of must-haves for retailers could not be easily reduced to a top five; instead, their list had 17 requirements that were all deemed to be "important" (see Figure 8). These 17 requirements consisted of three types: self-serve retail; on-demand communications; and enhanced, consistent experiences across channels.

Self-serve retail

Trailblazers are leading the path to an era of "self-serve" retail. They report that they want to control the entire process and their extensive technology use grants them appreciable influence on the industry. This group is comfortable using its own devices to check prices, find merchandise, read reviews and track orders.

On-demand communications

Another desire of Trailblazers is on-demand communications with the retailer. Instead of simply receiving communications from a retailer (such as emails or sales announcements), this group was particularly interested in the opportunity to self-serve communications from the retailer. For example, being in-store and scanning into a kiosk or a shelf to initiate personalized communications.

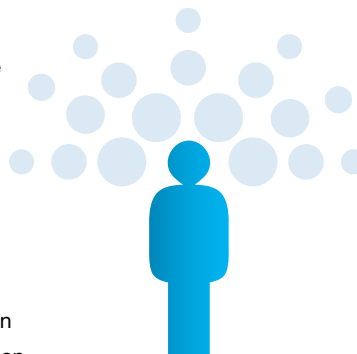
Enhanced, consistent experiences across channels

Along with self-service and on-demand communications comes the desire of Trailblazers to see their own orders, purchase history and the retailer's inventory. With their fluidity of shopping across channels, Trailblazers demand consistency of services, pricing and assortment from their retailers. When they serve themselves, they need access to the products they want, the best prices, and do not want to be troubled with the unexpected, such as promotions that only work in one channel. The most agile shoppers, Trailblazers can and will switch retailers easily if these capabilities are not provided.

Most important omnichannel capabilities

Do-it-myself

- In-store, locate out-of-stock item and get it shipped home
- In-store return of online purchase
- Online, on-demand personalized promotion
- In-store, on-demand personalized promotion
- In-store pickup of online purchase
- Alternate pickup locations for online purchase
- Use my own device to scan items
- Online, on-demand personalized product recommendation
- In-store, on-demand personalized product recommendation



Visibility

- Track order status
- Track service issues across channels
- Access purchase history
- Access inventory on mobile

Consistency

- Loyalty program both online and in-store
- Price consistency across channels
- Coupons redeemable online and in-store
- Consistent assortment across channels

Figure 8: Trailblazers want to do things themselves wherever and whenever they want, with visibility and consistency.

Tech-intrigued shoppers: Use SoLoMo for browsing through buying

The Tech-intrigued group is more likely to use SoLoMo technologies than all but the Trailblazers (see Figure 9). Tech-intrigued shoppers (29 percent of the study sample) may include early adopters of technology and are quite interested in using SoLoMo to make purchases. Like Trailblazers, they are slightly younger than the average shopper in our study. 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.

The Tech-intrigued group already looks very similar to Trailblazers in its use of technology. However, the importance of omnichannel benefits is lower for this group. Representing almost one-third of consumers globally in our study,

Tech-intrigued shoppers look very similar to the average other than their higher level of digital social activities. Their top asks of retailers:

- In-store, locate out-of-stock item and get it shipped home
- Price consistency across channels
- Track order status
- Return in store of online purchase
- Coupons redeemable online and in-store.

We believe that, in most cases, Tech-intrigued shoppers will follow a similar path as the Trailblazers. Today, the Tech-intrigued are not very demanding shoppers. But, as spending power increases for some members of this group and buying decisions become more important, we expect these shoppers to turn toward retailers who support their desire to use

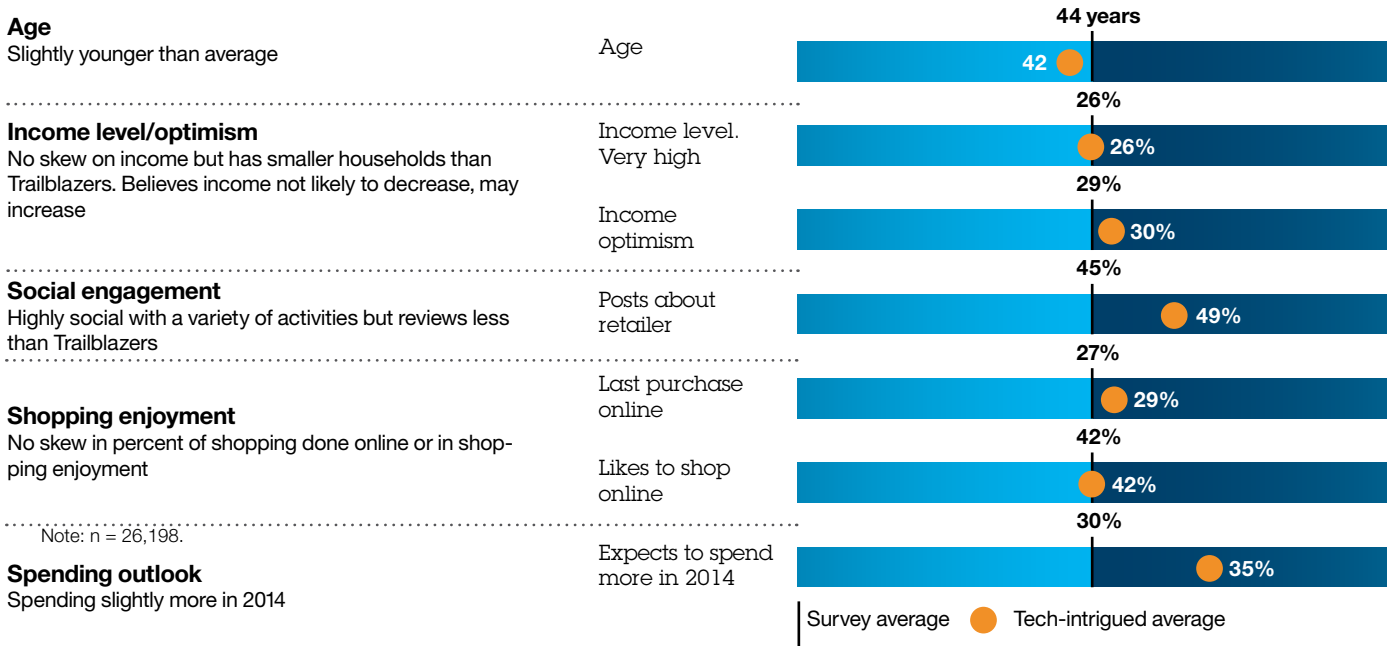


Figure 9: Tech-intrigued (29% of sample): Nearly one-third of shoppers, this group is using SoLoMo capabilities, but not yet demanding them from retailers.

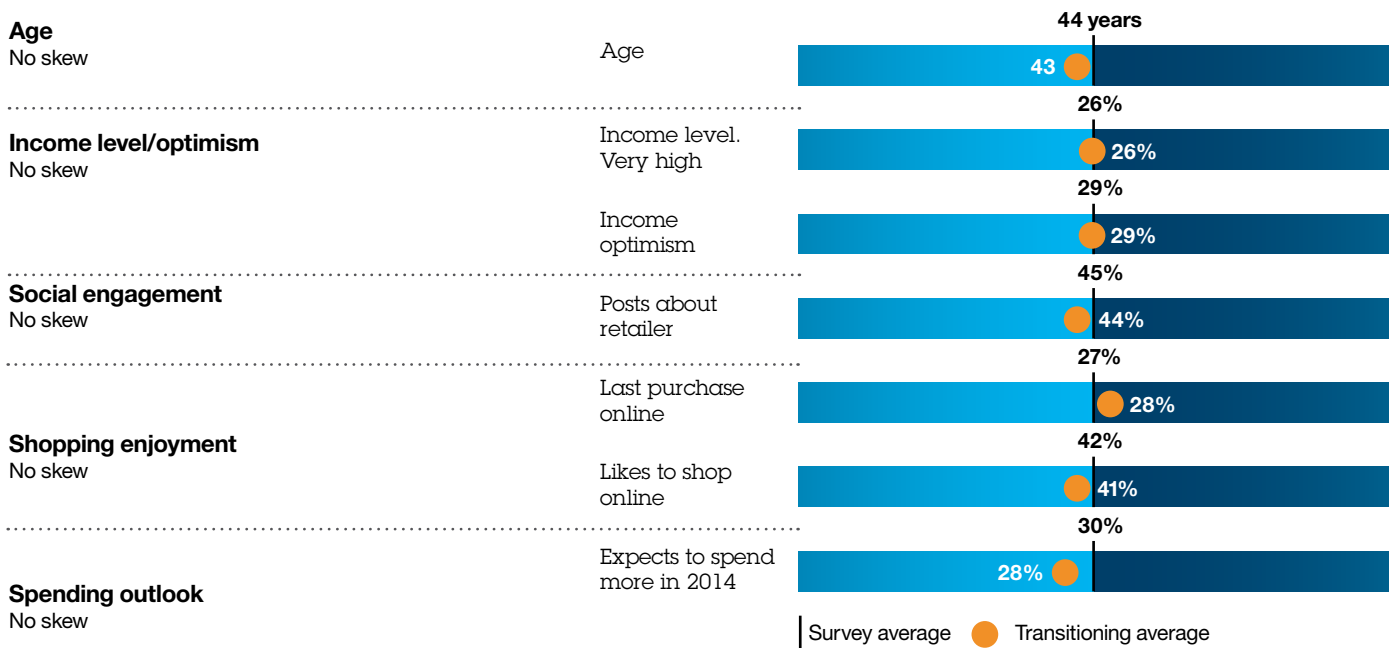
technology as an aid in shopping. The Tech-intrigued already have strong omnichannel requests which make it quite unlikely that those expectations will decrease in the future. What's more, disruptive innovation that appeals both to Trailblazers and the Tech-intrigued can be expected ahead. It will come not only from retail competitors, but from other industries that target the technically-inclined and early adopters among shoppers globally.

Transitioning shoppers: Use SoLoMo on a limited basis for research and information

The largest group (40 percent of respondents) consists of Transitioning shoppers. They are using technology primarily to conduct research and therefore are not yet clamoring for the latest shopping innovations (see Figure 10). Transitioning shoppers do, however, like visibility into inventory information and order status. 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 more deeply over time.

The majority of shoppers fall into the Transitioning shopper group and it skews to the average. While their adoption of SoLoMo technology is not high today, these Transitioning shoppers do not have particularly negative opinions about its use. Like a basic technology adoption curve, there are those who lag in starting to use a new technology or product, but they tend to join in after letting early adopters take the lead. So the demographics and attitudes of Transitioning shoppers make many of them likely to eventually adopt SoLoMo technologies as their usage becomes more prevalent in the market.



Note: n = 10,838.

Figure 10: Transitioning (40% of sample): Already comfortable with cross-channel shopping, this large group is likely to increase its usage of SoLoMo technology.

The Transitioning shoppers' top priorities for omnichannel capabilities:

- Track order status
- Price consistency across channels
- Store associate accesses inventory on mobile
- In-store, locate out-of-stock item and get it shipped home
- Return in store of online purchase.

Transitioning shoppers are also likely to advance toward Trailblazers due to their generally positive attitudes about shopping technology. Their overall technology adoption, while slower, is unlikely to diminish. Transitioning shoppers also have omnichannel requests similar to the top-five overall requests with a unique interest in obtaining inventory information.

Traditional shoppers: Use least amount of technology while shopping

Traditional shoppers represent one in five shoppers. They lag in technology adoption, which makes it unlikely they will move much from their current trajectory (see Figure 11). It is an older group for the most part; however, our study found that age is no determinant of which consumer group a person will be in. Whether they shop in-store or online, Traditional shoppers want experiences without any negative surprises.

Traditional shoppers skew to lower income, lower income optimism and less influence in the social arena. They may enjoy shopping online, but to a lesser extent than others.

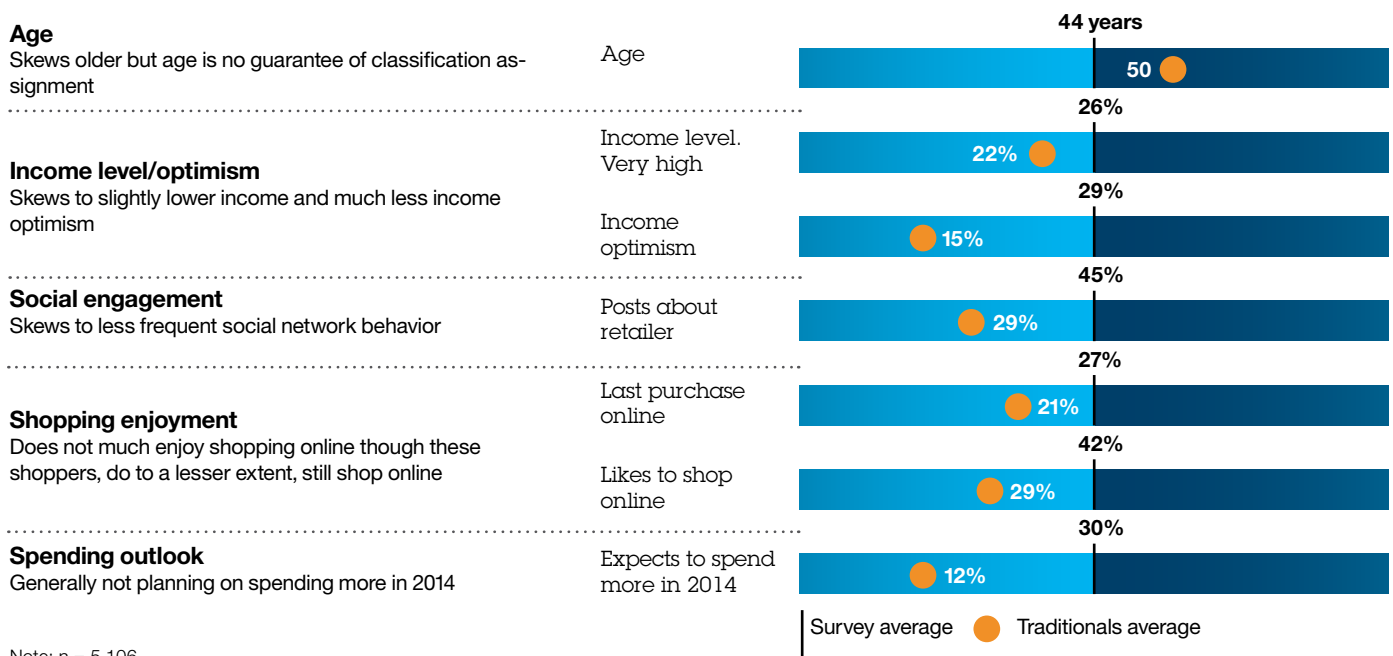


Figure 11: Traditional (19% of sample): While lagging in technology adoption for shopping, this group today represents one of every five consumers and should not be ignored.

And Traditional shoppers also have requests of retailers:

- Price consistency across channels
- In store, locate out-of-stock item and get it shipped home
- Consistent assortment across channels
- Track order status
- Loyalty program consistent between online and in-store.

Traditional shoppers remain an important group for retailers to support, especially as some countries experience a boom in aging populations. However, the Traditional group is not likely to grow—for example, younger shoppers under 18 are not likely to enter the marketplace resistant to technology for the most part. And even Traditional shoppers have omnichannel expectations similar to the top five of our study, with a primary focus on consistency.

The future of shoppers: Listen to Trailblazers

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. And 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 within this majority of shoppers have the same level of expectations as Trailblazers.

Recommendations: Delivering the must-haves to shoppers

Clearly, the expectations that connected shoppers have of retailers will continue to expand rapidly as technology innovations enable greater two-way visibility and make new forms of interaction possible. Retailers that figure out how to tap into technology benefits will be well-positioned to deliver the kinds of shopping experiences that a substantial number of today’s shoppers are already clamoring for. To meet the greater expectations of shoppers today and tomorrow, retailers will need to enhance their stores’ appeal with SoLoMo capabilities; enable shoppers’ desires for self-retailing; and audit themselves against both the technology-induced desires of Trailblazers and the innovations underway in other industries.

Enhance your store’s appeal with SoLoMo capabilities

For most purchases, the store still rules. Yet in some categories, stores are being skipped over more than ever. Two goals of energizing the store are to generate more traffic and improve the in-store customer experience. Retailers that give consumers good reasons to provide SoLoMo information can, in turn, attract more foot traffic and connect more meaningfully with those in-store customers.

Social: Interact with consumers via social handle to attract them to the store

For many of your customers, social networks provide a highly enjoyable forum for sharing experiences and communications. How can a retailer connect with that data and sentiment rich environment? Start with two ways: (1) a consumer “likes” your page (sharing their social handle for future communications) and (2) a consumer “likes” something in your physical store. Both get a retailer into the stream of social networking with an individual shopper, which can provide tremendous data. “Liking” items in the store also adds more fun to the shopping experience.

To keep the connections vibrant, set a strategy and develop activities that match the goals and sentiment of shoppers’ social networking. Do not proceed without a well-thought out plan. In the case of “liking” your page, shoppers have befriended you and they need to be treated as friends. No venue for blasting sales announcements, your page needs to be engaging and reflect the personality of your banner.

When combining the social network with the physical store, take advantage of the fun and sharing that social networking offers. Can in-store shoppers scan signs or tags with their devices for a chance to win a specially-promoted new item they like? Can shoppers see how many people “liked” an item? Keep it fun while you generate buzz about merchandise and take in tremendous data about your in-store experience. Be sure you can build capabilities to analyze that data to improve the customer experience, as well as to improve your own operations, merchandising and the ROI of these social connections and promotions.

Location: Engage with shoppers based on their current location in or near your store

Location information volunteered by your in-store customers can provide rich data while enabling you to offer consumers unique, location-specific experiences. As a retailer, you get invaluable information about traffic paths, time spent, and what items were browsed but not bought. This information can contribute to store effectiveness from associate deployment to space allocation. Getting individuals to share that information requires a well-constructed in-store experience plan.

As they scan in at the entrance to start the process, consider what “near me” messaging or experiences can appear as the customer walks around the store. Reward scanning to “check-in” at the store entrance with a digital or physical “treat.” Push special digital signage about nearby merchandise to “connected customers” moving through the store. Consider a store map that moves with them, knowing which paths they already took and leading them back to whatever entrance they used. Combined with a social networking plan, the possibilities seem endless for the retailer and fun for the consumer.

Mobile: Communicate information about the store assortment and special pricing via the shopper’s mobile number

A well-conceived mobile/text strategy is essential to monitor and shape “brand equity” messages. Like the “social handle” of SoLoMo, the “mobile” aspect of texting connects consumers with their wishes to track and comment on things that are important to them. When a shopper decides your store is worth conversing with, it is a tremendous opportunity with clear responsibilities.

Responses to text messages come with special requirements: they need to be near-instant and “on-message.” Plan what you have to say to individuals that is important and personalized enough to make them listen. Connect with the customer’s online/loyalty account information and access purchase history to send personalized text messages to them in-store or near store. Share what you know about the events or brands shoppers have expressed interest in via texting, and respond with well-planned replies.

Monitoring and analyzing inbound messages with a response plan should already be in place. Getting to the next step of activating conversations needs a plan, but a few small steps can be carefully taken to begin. Enable the consumer to easily give you enough information in their text to let you respond meaningfully.

For example, if you invite someone to text “spring” to you on your website, on a social site or at an event, then your media plan should include enough information to engage this curious consumer with some specificity. As you build deeper personalization capabilities, look at existing messaging plans to see if you can work a precise chain of text *communiqués* into a campaign. Beware of generic messages, though, as they can be off-putting.

Each element of SoLoMo alone can offer benefits to a customer on a store visit. But being able to combine SoLoMo activities raises the personalization and experiential factors tremendously. If a shopper has elected to text you *and* be tracked around the store, *all while broadcasting to his or her social network*, the value of customized communications can expand many times over. At the same time, SoLoMo can provide you with powerful data as your shoppers engage in “just for me” experiences.

Enable shoppers’ desire for self-retailing by improving your infrastructure

As shoppers increasingly look for self-service ways to explore and make purchases, it becomes more critical to allow fluid movement and visibility across channels. They also want to choose the most convenient time, place and medium to research and buy items (even if they are out-of-stock), and make returns without hassles. This self-service orientation can be supported by an infrastructure that enables both out-of-stock fulfillment and returns across channels; and explains channel differences with regard to pricing, assortments or loyalty benefits.

Coordinate out-of-stock fulfillment and hassle-free returns across channels

Increase visibility during the purchase process. Online order tracking is a must-have for any retailer, as well as some inventory visibility. Warn online shoppers when inventory is getting low for an item under consideration, thus empowering them to more accurately assess the risk-reward of purchasing now versus later. Present satisfying responses in low or out-of-stock situations to save the sale in real time. For example, enable online inventory checking via mobile device with a “ship to home” option. Post-purchase, avoid poorly-executed, weakly-communicated (or worse, non-existent) return policies that disappoint shoppers seeking to return items through a channel other than where it was purchased.

Provide a rationale for intended channel inconsistencies to avoid negative surprises

Assess your product categories to identify where specialized pricing and assortment make sense—not all require full representation in-store. Clearly explain the consumer benefit or rationale associated with any intended differences to mitigate a consumer’s adverse reaction. For example: “This specialized pricing is available to you because....” Or “Online, you will find even more items like this because....” Such intentional decisions to specialize pricing and assortment should be well-informed. Verify that categories that are highly-researched by consumers for pricing are customized carefully across channels.

Similarly, keep those categories that are high-touch by consumers for item experience are well-represented in stores. For example, in apparel, creating virtual Tall stores or Petite stores may seem like a good strategy. But as apparel is so tactile and sizing often so varied, consumers will likely have a hard time understanding the lack of representation of their special sizes in your store. Use at-shelf communication to explain how to get to a virtual showroom, and how to view special product collections or sizes not carried in-store.

Apparel is not the only category where shoppers like to experience the item in-store before purchase. Regularly evaluate what other categories besides apparel are high-touch so they can be available to a shopper who made a store trip especially for that experience. Decide carefully, category by category, where you will limit the in-store assortment—and where you do, make sure the at-shelf communication refers to the extra-store collection.

Be clear to self-service shoppers about intentional channel differences in pricing and assortment. Inconsistencies, intentional or not, will be increasingly visible to self-service shoppers. Retailers will need to fix any problems quickly while explaining the benefit of intended differences based on channel. Tell shoppers how they qualified for specialized pricing or why even more items like this can be found online. Create a space where your specialized prices make sense; or manufacture a virtual showroom for long-tail assortment.

And finally, be thoughtful about the decision to deliver channel-specific promotions, knowing that unless they are told otherwise, consumers will expect retailers to honor prices and promotions across channels. Apply a similar approach to build consistency and transparency into the execution of shopper loyalty programs and rewards.

Audit yourself against Trailblazers’ wish list, as well as innovations in other industries**Offer fulfillment flexibility**

Be flexible in offering new kinds of fulfillment options. Allow an online purchase to be picked up in-store or even at various “secondary locations” other than store or home. Continually check that you are capable of accommodating these and other nonstandard fulfillment requests rather than sending potential business to your competitors.

Implement on-demand communication options

Move beyond just understanding shoppers' preferred communication methods. Dig deeper to let consumers initiate a conversation whenever they are ready to shop, whether at home, in the store or elsewhere. Whenever the mood strikes, let the shopper decide to engage with your organization through a preferred social channel to browse, obtain personalized promotions or ask questions.

Stay abreast of how customer experiences are changing in other industries

Customer experience is hardly owned by retailers alone. Seek and build upon innovative experiences that other industries are creating with technology. Other industries have a great stake in optimizing their moments with consumers and technology plays a major role. Consider new uses of mobile technology, mobile boarding passes by airlines and mobile payment functions by banks, coffee shops and now some retail first adopters as well. Consumers not only appreciate the attention, they will soon expect similar experiences when they shop. Restlessly explore how to adapt or incorporate digital innovation that is already in use, both within and outside of the retail industry.

Start now – but where?

Retailers must quickly evaluate the greater expectations of consumers around the world to start giving everyone what the Trailblazers already want today. Use technology in ways that are most meaningful to a growing number of shoppers. Answering these questions can help to identify the most critical next steps:

- How will you evaluate the types of changes needed to increase the appeal of shopping in your stores? And how can you take advantage of the rising number of shoppers who prefer to shop online?
- What is your plan to gain shoppers' trust so they feel comfortable and well-rewarded in sharing SoLoMo information that you can use to present them with more customized, meaningful offers? What examples from other industries can serve as a guide to this and other technology-supported innovations?
- Given the value of SoLoMo data, what can you offer the customer who elects to be digitally followed around your store?
- Why would a consumer want to initiate a conversation with your store? If someone texts to "yourbanner" upon entering a store, how can you message directly to that person with information that he or she would consider customized and valuable?
- What can you do to explain to shoppers the reasons for differences in assortment in different channels? How – and to which shoppers – will you communicate the availability of more merchandise than what can be physically seen in-store? What checks and balances are needed to prevent unintended discrepancies?
- Which self-service capabilities do you already offer and which should be the highest priority for you to start enabling now?

Conclusion

A new era of retailing means that retailers need to refine strategies as consumers' expectations continue to rise. Retailers that prepare now to meet these greater expectations can be better positioned to compete through shopping innovations made possible by the convergence of major technology trends underway: mobile, social analytics and cloud.

Knowing what consumers want today, and what they are likely to want tomorrow, are both critical to retail success. The next step after understanding consumers' desires is to take stock of current capabilities, and then to prioritize and develop the plans to fulfill or surpass them.

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Related publications

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Produced in the United States of America
March 2014

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