

IBM Institute for Business Value

Winning over the empowered consumer:

Why trust matters



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information. Additional studies from the IBM Institute for Business Value can be found at ibm.com/iibv

By *Melissa Schaefer*

A new IBM Institute for Business Value survey of more than 28,000 consumers from around the world confirms that while consumers actively discuss, critique, promote, and even dismiss your brand, they will give their loyalty only to a few select retailers. How well retailers and product brands identify the arbiters that determine what's hot and what's not and build trust with both individuals and communities of like-minded consumers will determine whether they benefit from a base of loyal advocates or are left with transient and fickle customers.

The proliferation of digital communications and the speed of technological innovation today have ramifications in virtually every arena, and few have felt the impact more than the retail industry. Through a lens of connectivity and collaboration – powered by mobile devices that keep them connected wherever they may be – consumers have acquired the capability to know almost everything about every product and brand. They bring attitudes and expectations about shopping, shaped by their experiences across a broad array of industries. Going forward, given the expanded depth and breadth of shopper knowledge and expectations, retailers will need to focus on building trust if they hope to gain the loyalty of these newly empowered consumers. As companies enter this new way of serving the empowered consumer they now must ask themselves not “how loyal are my customers to me,” but “how do I demonstrate my loyalty to my customers?”

From our survey, we discovered the following:

- *The empowered consumer controls your brand.* Consumers use technology to take control. This isn't a new finding in itself, but the willingness to use technology has increased; 25 percent of the consumers we surveyed said they are willing to use three or more technologies in the shopping process.
- *The store still rules.* Many consumers are transitioning to digital shopping, but 83 percent still prefer to purchase in the store.
- *Trust matters.* Trust can be measured. Not only can it be measured, but there is also a direct correlation between how much a consumer “trusts” you and their willingness to recommend you, stay with you when your competition begins to offer similar services and, more important, how much they will spend.
- *Social media channels provide a rich source of information.* When listening to social dialogue, companies can not only measure how much they are trusted, but also understand for what they and their competition are known. Trends can be predicted even before they emerge.

IBM first reported on the emergence of this “smarter consumer” in a 2009 IBM Institute for Business Value Retail study in which we discovered that consumers were more connected, vocal and demanding than ever before.¹ The implications for retail became evident in a 2010 follow-up study where we saw the emergence of distinctly different shopping patterns and a clear power shift. Enabled by technology to seize command of the shopping process, the smarter consumer began demanding a more personalized experience. Consumers made it clear to retailers that personalization was

just not about promotions. It also covered tailored shopping services, such as retention of preferred payment methods at checkout, receipt types, exclusive access to new products and reminders for birthdays, anniversaries or other significant dates. For example, consumers want their retailers to emulate the practices of the most forward-thinking industries with which they interact – such as some banks, which use ATMs to capture and save preferred types of customer transactions, default languages, receipt delivery preferences and more.

Ultimately, what our 2009 and 2010 studies told us was that smarter consumers want to be served, not sold to. They have already solicited advice from their family and friends – they even listen to strangers – and they know what they want when they enter the store. These consumers expect service and experiences tailored to their specific, individual needs.

Following up on our two previous studies, in late 2011 we surveyed 28,526 consumers in 15 countries, from both growth and mature markets. Not only did we listen to what they told us, we also used our own social listening tools to understand what they were telling each other. Through our analysis, we discovered that consumers have evolved from being “smarter” to being “empowered.” Not only are they still using technology to shop, they are adopting a broader range of technology and embracing new technology-enabled ways to become aware of, research and buy products. The consumer mindset is transforming from a “market of me” to “communities of we,” which share common interests and tastes. In this transformation, they have wrested control away from brands and retailers. These consumers share and compare their shopping experiences with family, friends, and social networks. And in doing so they are ultimately deciding – and influencing others – on which retailers have earned their trust and will be rewarded with their patronage.

Why trust matters

Consumers can be broadly divided into three categories: Advocates, Apathetics and Antagonists:²

- Advocates recommend their retailer to others, buy more from that retailer when given the opportunity and stay with that retailer when new competition becomes available.
- Apathetics, even though they may recommend, are indifferent to their primary retailer.
- Antagonists actively dislike their primary retailer.

Developing consumer advocates is important because they spend more and are more likely to increase their spend over time with preferred retailers.³ In our analysis of the 2011 survey data, we noticed a direct correlation between consumers who “trust” their primary retailers and shopper advocacy. To further test the hypothesis that trust leads to advocacy and repeat spend, we partnered with the SDA Bocconi School of Management to understand the factors that build consumer trust and how that translates into spend (see sidebar, page 3).

The overarching conclusion is trust matters. Consumers are asking, in essence, for the retailer to bring back the experience and personal touch of the old neighborhood store – for the shopping experience to be re-humanized. They want to be known, they want to be heard and they want to be valued. They are open-minded about providing personal information to retailers to assist in the process. However, how retailers use this information will determine whether trust is gained or lost. In this age where technology affords brands new ways to connect with customers, at greater frequency and with more risk for privacy violations, it becomes even more important that retailers focus on building a two-way dialog with consumers that leads to trust and loyalty.

Research methodology

In 2011, the IBM Institute for Business Value conducted an online survey of 28,526 consumers living in eight mature economies (Australia, Canada, France, Italy, Japan, Spain, the United Kingdom and the United States) and seven growth economies (Argentina, Brazil, Chile, China, Colombia, Mexico and South Africa) for insight on consumer shopping attitudes and shopping behaviors, their willingness to use technology, their attitudes toward technology, and their expectations about privacy. This data is analyzed through three lenses: age, income and product category.

In addition to learning from what consumers told us, we learned from what they told each other. From May 18–November 29, 2011, we conducted a North American Customer Sentiment Analysis in the Sports Apparel product category, in which 1.2 million digital conversations were analyzed.

Finally, we partnered with the SDA Bocconi School of Management to scale a trust model developed by Dr. Sandro Castaldo to validate the hypothesis that trust drives advocacy.

SDA Bocconi School of Management - Professor Sandro Castaldo

SDA Bocconi School of Management is one of Europe's top 20 business schools. The school recently launched an international Channel & Retail Academy (CRA). The mission of CRA is "to become a benchmark and an incubator of excellence for executive education and research on both channel marketing and retail management topics."

Sandro Castaldo is SDA's Professor of Marketing and the Scientific Director of CRA. His research with Monica Grosso and Katia Premazzi focused on the idea of trust being recognized as a strategic, relational asset for retailers. Professor Castaldo and colleagues developed a store-trust centered model to research two purposes. First to test a comprehensive framework linking trust to customer satisfaction, perceived value, store loyalty intentions and behaviors. Second, they also estimated how the store's human resources, communications and sales promotions, environment and assortment (including private label products) influence trust, loyalty, intentions and store patronage.

IBM partnered with SDA Bocconi to test and utilize this model in the 15 countries in which we conducted research, as well as across multiple product categories. The purpose was to understand if the model held true and to understand the similarities and differences among the building blocks of trust within each country.

Income brackets		Ages surveyed		Product categories	
Upper	n= 5402	Generation (15-19)	n= 2455	Adult apparel	n= 4251
Upper middle	n= 5859	Generation (20-29)	n= 5669	Youth apparel	n= 4205
Lower middle	n= 7550	Generation (30-39)	n= 7026	Luxury brands	n= 2614
Lower	n= 5812	Generation (40-49)	n= 5593	Personal care	n= 4236
		Generation (50-59)	n= 4469	Grocery	n= 4777
		Generation (60+)	n= 3313	Electronics	n= 4223
				Home merchandise	n= 4223

Source: IBM Institute for Business Value: 2011 Retail study.

Figure 1: Survey results were analyzed across income, generations and product categories

Who is today's empowered consumer?

Formed by a myriad of factors

Before retailers can begin the processes that can build consumer trust, they must first understand how consumer expectations differ today and how their shopping behavior is altered. This can be a daunting undertaking considering the rapid rate at which information transparency and consumer knowledge, attitudes, and sophistication evolve. While average consumers today are a far cry from the stereotypical shopper of days gone by, they are vastly different from the shopper of just last year. Not too long ago, consumers expected the retailer to be the primary source of product information and recommendations. Today, with the information explosion and the willingness of consumers to harness information, shoppers know virtually everything about retailers, including their products, service, price, promotions, delivery timeliness, product quality – even their corporate character. This information empowers them.

Empowered consumers are defined by three prevailing factors: they are willing to use technology; they are open minded; and they are influenced by friends, family and like-minded individuals. Most important, they have an expectation that retailers should be loyal to them.

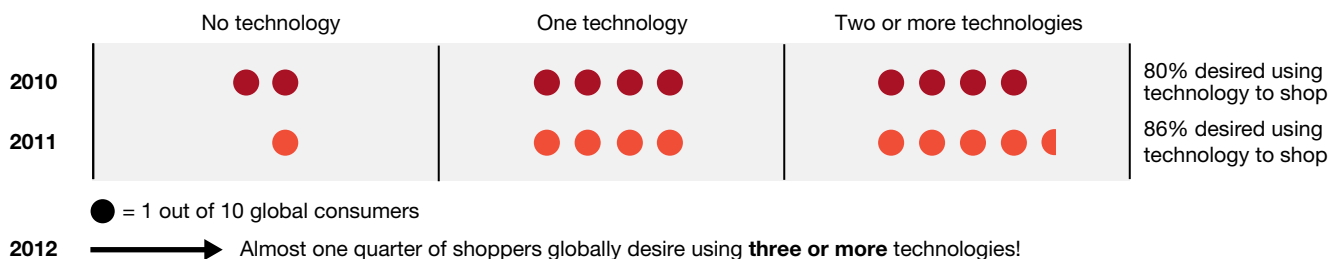
Technology

Multiple devices, high expectations

Today's consumers not only use technology to shop, they do it in multiple ways, and are willing to use three or more separate technologies in the shopping process (see Figure 2). Seventy-one percent of consumers we surveyed said they were willing to shop digitally.

The expectations of shopping digitally vary from market to market. For example, 50 percent of shoppers surveyed in Brazil, Chile and Mexico believe they get lower prices on the web. Fully 85 percent of shoppers globally said that social networking can save shopping time by allowing them to connect and get recommendations from like-minded individuals whose opinions they value.

Willingness of consumers to use technology



Technologies that consumers are willing to use to shop and make purchases:

- Website
- Social network
- Social videos (YouTube, YouKu)
- Electronic games
- Mobile technology
- Retail website to co-create products
- TV (using a remote control)

Source: IBM Institute for Business Value: 2011 Retail study.

Figure 2: Retail grows even more digital as the vast majority of consumers desire to shop and browse with an expanding number of technologies.

More than 60 percent want to use mobile devices for checkout or service.

Mature market consumers believe mobile technologies are hassle-free and convenient. Eighty-seven percent are willing to make purchases by pressing a button on a television remote. In emerging markets, consumers believe they should be able to view new products on television and then save the information for later searches. And 74 percent believe electronic games could provide a fun, convenient way to shop for unique products.

The point is that consumers now use multiple digital technologies to interact with brands. As a result, rather than being concerned about the relative use of one technology over another, retailers need an overall understanding of how technology supports their brand strategies. As we examined specific retailers' consumer data, we found that the expectations consumers had of technology mirrored the brand strategies retailers communicated to them. For example, if the retail strategy communicated time savings, consumers expected visibility into the retailer's inventory. If the retailer was communicating an "everyday right price," consumers expected to be able to price compare. Retailers must offer an appropriate set of digital shopping experiences that cater to unique customer segments and provide a distinctive experience relevant for those communities and their choices of technology form factors.

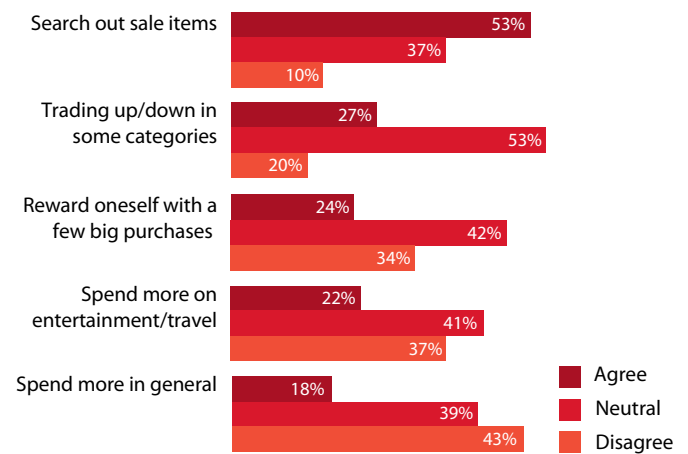
Attitude
Frugal . . . but willing

In our 2010 survey, we noticed that consumer attitudes toward income and shopping were diverging.⁴ One quarter of all consumers we surveyed actively search for goods on sale and only bought what they needed, no matter how affluent or how optimistic they felt about their financial future.

A year later, the majority of the consumers we surveyed are reasonably confident, or even optimistic, about their future income. In mature markets, however, this optimism was evident only in the upper-middle to high-income groups. In emerging markets, the optimism is shared across income levels.

Common to both mature and emerging markets, however, is that consumers still search out items on sale, and will increase their discretionary spend if they are "won over" by retailers (see Figure 3).

Attitude toward shopping



Attitude toward income

- 66% of consumers are optimistic about the future of their income
- 31% believe income will stay the same
- 35% believe income will increase by 20% in the next 5 years

Optimism is driven by China (95%), Brazil (91%), and Mexico's (63%) belief that income will increase

Source: IBM Institute for Business Value: 2011 Retail study.

Figure 3: Consumers feel positive about income, but need to be won over in order to increase their discretionary spend.

Although 53 percent of today’s consumers are looking for that “real deal,” their attitudes reflect a degree of open-mindedness or neutrality not evident a year ago. For example, 80 percent were neutral or positive about trading up or down in some categories. Likewise, 66 percent said they were either neutral or would reward themselves this year with a few large purchases, and 63 percent were either neutral or planning to spend more on entertainment/travel.

Interesting differences emerged when analyzing the data on a country-by-country basis. Consumers in Brazil, for example, were the most optimistic about their incomes. Yet 63 percent – a number higher than the global average – said they will still search out items on sale. These consumers, instead, plan to reward themselves by making specific purchases, trading up or down, and generally spending more than last year.

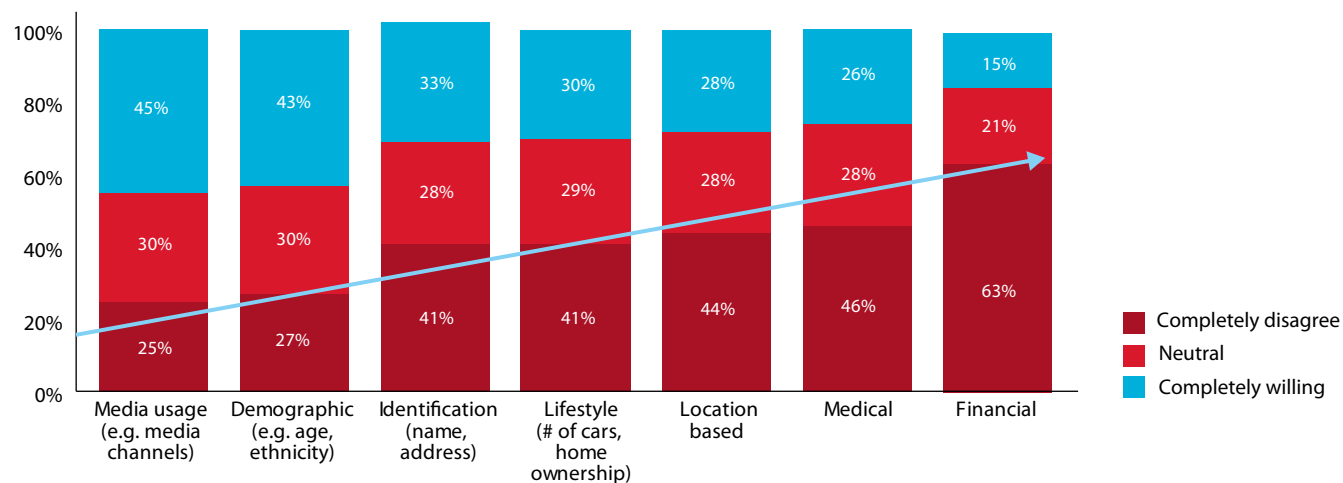
The net take away is that frugal is the new normal for most consumers. However, they are more cautiously optimistic than last year, opening the door for retailers to capture greater discretionary spend.

Trading information for value

As technology becomes more integrated with everyday life, consumers become more at ease about sharing non-financial information with organizations they trust. When asked how willing they are to share information in exchange for something relevant and non-monetary, more than half were either willing or neutral about sharing media usage, demographics, identification, lifestyle, location and even medical data (see Figure 4). There was no correlation to age or to income, but differences emerge across geographies. For example, consumers from Brazil and Mexico are much more willing than the rest of the world to share their medical information – primarily because retailers in those nations now offer more services to capture non-discretionary spend, such as medical services and medical insurance.

Consumer maintains control of data

What is your willingness to provide information in exchange for something relevant to you (non-monetary)?



Source: IBM Institute for Business Value: 2011 Retail study.

Figure 4: Consumers are open to share their personal information, with the exception of financial data, when there is perceived benefit.

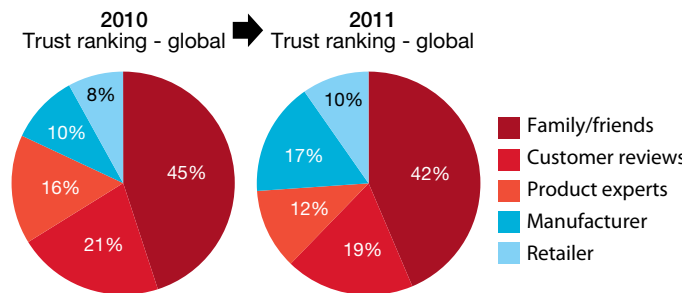
In contrast, Europeans are much more protective of their financial and medical information. The point is consumers will provide a considerable amount of private information in exchange for something of value to them. This evolution in consumer attitudes is a critical one, as it presents retailers with the opportunity to gain broader and deeper knowledge about consumer habits and preferences, particularly in shopping and communications preferences.

Retail rejoins the conversation

Consumers seek and accept shopping advice from peers, family, friends and even strangers. In our 2010 study, we noticed that the voices of retailers and manufacturers carried relatively little weight with consumers.⁵ This year, those voices are a little louder, due in large part to the progress leading retailers and manufacturers are making to incorporate the consumer's technology preferences into their marketing and brand building activities (see Figure 5). They are using data to provide more relevant communications, including personalized welcome messages on website landing pages, to make consumers feel like they are known and appreciated. Additionally, some retailers are creating forums that enable them to be actively engaged with their communities, facilitating discussion, troubleshooting, promotions and other communications. For example, Wal-Mart launched 3,500 local Facebook pages during the 2011 holiday season to allow store managers to monitor local discussions, address concerns and inform customers about local rollback pricing.⁶

While consumers still trust each other the most – particularly their families and friends – manufacturers and retailers are at least now making their way back into the conversation.

Who do you trust to provide honest feedback/suggestions?



Source: IBM Institute for Business Value: 2011 Retail study.

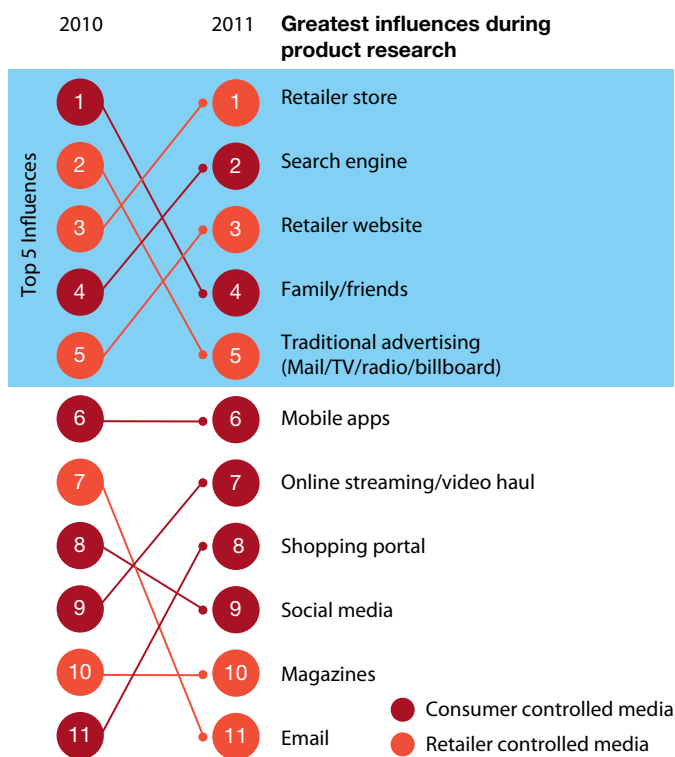
Figure 5: Consumers are empowered by a variety of sources throughout the shopping process – of which many are out of the retailer's control.

Shopping behavior

When consumers research products, the store is still the preferred destination and is complemented by digital technologies (see Figure 6, page 8). Two-thirds of consumers are ready to buy after researching, with the vast majority transacting in the store.

However, one-third of consumers do not have enough information after they research to move forward with a purchase because of missing product information, independent product reviews and price comparisons – all pieces of information typically within the retailer's control. Such hurdles in the digital shopping path can motivate the consumer to buy elsewhere.

Even though consumers today use technology to research and shop, they are still drawn to the physical store, primarily to see, touch and experience the product. But be careful lest your store becomes a showroom for the online competition. The physical store format is the ideal opportunity to re-introduce the human aspects and the personal touch that consumers say they crave. It was just such a “human touch” that was the foundation of the consumer-retailer relationship before the advent of chain stores and the digital age.



Source: IBM Institute for Business Value: 2011 Retail study.

Figure 6: When consumers research products, the store is preferred and is complemented by digital technologies.

Recommendations

Technology empowers the consumer

Technology creates a new level of convenience and new triggers for shopping, even when consumers do not consciously set out to shop.

- Use technology effectively to keep the consumer with your brand from research to purchase. Retailers need to analyze their consumers’ path to purchase and identify when they are inadvertently breaking the process. Identify how technology and functionality can be used together to not only reinforce the brand promise, but also to assist store associates in leveling the playing field. Make it easier to better serve customers by allowing them to bring their research and knowledge into the store and easily provide it to store service associates.
- Identify what information and capabilities are missing from your processes that encourage consumers to purchase elsewhere.
- Know which formats and communications channels consumers prefer for each step in the path to purchase.

Win over open-minded consumers

Retailers have the opportunity to win over consumers through relevancy and personalization. However, to do so, they must understand what drives purchasing, as well as what demonstrates their loyalty to their customers. Relevant questions to ask include:

- Do you have a single view of the customer?
- Do you understand what drives your target consumer’s purchasing behavior and willingness to engage with your brand?
- How do you demonstrate loyalty to your consumer?
- Have you evaluated all of your customer process touch points to determine those that are weakest and do not demonstrate loyalty to the consumer?

Retail is digital, but you can't ignore the store

Companies often ask, “Does the store still matter?” The answer is yes. The next question many retailers ask is, “If the store is still relevant and consumers are willing to use technology to shop, do we enable the store with just mobile to assist customers in shopping and checking out?” Retailers need to consider that consumers tap digital tools to *complement* the physical store experience, which remains the preferred format for purchasing and collecting products.

- The store is not just any channel, it's an experience. The question is what is the right mix of technologies within or outside of the store to both empower and provide flexibility to different market segments? Which platform provides the flexibility and the functionality to switch in and out new technologies just as quickly as the consumer changes his or her mind about which technology to use?
- Identify the criteria consumers use to compare and critique your products.
- As you learn the purchasing habits of your consumers, make sure you have the right mix of customer service and the right product assortment to capture the sale in the store.
- Make your store differentiated and inviting so that the customer wants to shop with you.

Trust matters

Trust is defined as an assured reliance on the character, ability or truths of someone or something; one in which confidence is placed. Trust comes in varying degrees and is something that can take years to earn, but only seconds to lose.

In the retail context, trust is often equated with the neighborhood market or a local boutique, where the shopping experience is typically differentiated by attentive, friendly store employees and their knowledge of individual preferences and needs. These outlets often demonstrate a connection and

commitment to the local community. In today's era of chain retail, however, such familiarity-inspired knowledge is not so easy to come by. For larger retailers and brands to cultivate this sense of connection, they must reorient their operations and become completely consumer centered. They will need to relearn how to create and measure how well they are building trust with the consumer. Those successful with this approach might even begin to “brand” their identity around being trusted.

With consumers now engaging and interacting with retailers and brands across so many devices, locations and persona, how can retailers establish, or reestablish, a meaningful relationship with individual consumers? Dr. Sandro Castaldo, SDA Bocconi School of Management, who partnered with the IBM Institute for Business Value in the development of this study, maintains that focusing on just the retail or product experience is insufficient to generate trust. Instead, trust is engendered through a combination of three levers: the retail experience, comprised of the shopping environment and personnel; the product experience, which includes assortment, private label offerings, national brands, and promotions; and communications. In turn, trust fosters consumer advocacy. And, as our past studies have shown, advocacy leads to increased consumer spending.⁷ Trust creates the opportunity to create a “cognitive monopoly” – i.e., the trusted retailer or brand comes first to consumers' minds when they are ready to purchase. There is no desire to shop anywhere else.

Each of the trust levers is important. Some, however, such as retail and product experience, matter more than others. In creating a positive retail experience, it's important to pay attention to even the smallest details. Key drivers of trust are those that make the consumer comfortable and foster transparency. Are shelf labels and product tags clear? Is the store signage clear and easily visible? Are merchandise displays pleasant, comfortable and easy to navigate? Do all of these work together to signify that there is nothing to hide?

Organized stores create an environment where customers can easily navigate and enjoy the store experience. An example of a major national retailer looking to improve the retail and product experience is JCPenney. With a new CEO at the helm, fresh from the technology arena, the company is moving to organize stores to create a fresh and uncluttered look. It is the retail equivalent of a “spring cleaning.” Additionally, JCPenney is concentrating on consistency in “everyday right pricing,” as opposed to a flood of confusing discounts.⁸

From the consumer standpoint, few things can build trust as quickly and completely as employees who are empowered to serve them, rather than sell to them. These employees have the consumer’s interests in mind, and are available to provide advice or help as necessary. They are empowered to make the customer “king.” An example of this empowerment can be found with outdoor retailer REI. This company employs service associates who are also customers. REI employees are outdoor activists and can give the consumer an assessment based on personal experience about what works and what doesn’t. They share with customers a commitment to environmental stewardship. Some employees even share with consumers their personal pictures of climbing, skiing, hiking – all while wearing REI gear.⁹

To deliver along the product experience lever, it is essential to align merchandise with customer lifestyles and values. Products, as well, should be available through both physical and digital formats. Assortment and selection should be curated to reflect the needs of a specific locale or tapped into local sources of product. The degree of localization which retailers are able to achieve in the product mix serves to reinforce the personal, “neighborhood” feel of the brand. If the store does not carry all of the products, simple processes should be in place to allow the customer to both view online inventories and digitally order the products.

Another aspect of product experience is an appealing range of private-label products. To help build trust, consumers expect these goods should be of the same quality or better than national brands. Overall, the balance of products should provide an excellent value and be affordable.

Consumers are not looking exclusively for a good financial deal. They also want clear and interesting communications. They should be personalized and can be more frequent – as long as they contain relevant and timely information, delivered in the media channels that each individual consumer prefers. Interestingly, 73 percent of the consumers we surveyed said retailers do not communicate with them frequently enough. While it may seem counterintuitive that consumers would invite more communications from a retailer, in actuality, frequency cannot be considered independently of media channel. Each consumer has his or her preferred channels for interacting with a given brand or retailer. Though they may be bombarded in one channel, communications are not frequent enough in their preferred channels – the one they actually read.

Finally, consider how communications drive trust: Are store communications comprehensive and clear? Do they make consumers want to shop? Are they credible and disseminated at a frequency that matches consumer desires? Once again, retailer and manufacturer communications are at high risk of landing in the spam and trash files if the consumer’s preferred channels are not understood or acknowledged. As one young consumer stated, “Email is the easiest form of communication to ignore, I don’t even have to open it like a magazine or the mail, I just hit delete.”

Trust recommendations

Give the consumer quality, variety and value

Assortment and price are still the foundation of the relationship between the retailer and consumer.

- Make sure you know and have the right balance of national brands and private-label products that deliver the value consumers expect.
- Be aware of local market product preferences and tailor your assortment accordingly. Design store-level processes to assist customers in purchasing products not provided in their local market. Make sure communications are clear and provide compelling reasons to shop. Avoid fine print that consumers need to scour to discover promotion limitations.

Associates are brand ambassadors

Turn sales associates into knowledgeable, trustworthy advisors that complement the product experience.

- Provide associates with the necessary information to understand customer needs and preferences – both at the individual and household levels.
- Make sure associates have access to tools and information to provide helpful advice and service. If you have tools that allow the consumer to research products online, make sure this same data is transferred automatically to your service associates when the customer comes into the store.
- Create a pleasant, engaging shopping environment for your customers.

Market to consumers on their terms

Personalize promotions to consumers.

- Learn, by market segment, the right communication frequency and the preferred media channels customers prefer.
- Understand the processes that create customer trust, as well as those that detract from a trusted relationship.
- Measure your trust value, your trust leverage, and, if possible, brand your trust.

Listen and engage

To determine how retailers can begin building the foundation to create consumer trust, we not only listened to what consumers told us, but we also listened to what they told each other. We reviewed more than 1.2 million documents over a six-month period, which included North America's 2011 Back-To-School, Black Friday and Cyber Monday peak shopping periods. We examined select sports apparel manufacturers and sporting goods retailers. We aggregated commentary from videos, Twitter, Facebook, discussion boards, product reviews, blogs and newsgroups. We then filtered categories of social conversations identified by select word concepts. We analyzed volume, sentiment, hot words and identified the top influencers involved in the digital discussions. We discovered affinity relationships between the retailers and sports apparel manufacturers with content authors, as well as the frequently occurring key words.

In listening to and analyzing this consumer-generated content, we found that consumers segment retailers and brands based on different levels of engagement: transaction, service, relationship and lifestyle. They are self-selecting into these segments based on their sentiment about how brands align with their lifestyles and emotional needs. In the relationship segment, consumers discuss whether a brand values their business and provides them a reason to come back. For service, consumers talk about how easy it was to do business with the retailer. And from a transaction standpoint, the chatter centered on whether the retailer provides a good price and availability of products.

The range of sentiment provides a benchmark for how well a particular retailer is perceived by the consumer.

Sentiment is something that needs to be continuously monitored to assess how consumer attitudes and perceptions change over time (see Figure 7, page 12). For retailers and manufacturers, when they seek to understand what consumers say about their products, service and brand, it is important to both listen to existing target market niches as well as break into

Customer sentiment analysis
May 18 to November 29



- Sentiment analysis was conducted on the sports apparel product category
- The case study focused primarily on a North American audience
- 1.2 million digital conversions were analyzed over a 6-month period

Source: IBM Institute for Business Value: 2011 Retail study.

Figure 7: Sentiment can be continuously monitored to understand how things change over time.

new communities of consumers. Retailers can listen and learn how they're perceived, the areas in which they are doing well and, equally important, what consumers are not buying from them or not saying about them. Retailers and brands can also gain important insight based on consumer sentiment towards competitors.

Through listening, retailers can identify the product attributes or information that consumers are using to research and evaluate what to buy. These attributes are identified by the questions they ask each other and the statements consumers use to describe your products. Making sure product claims match consumer experience – and monitoring conversations to make sure these experiences reflect the product claims – can be an excellent trust-building exercise. What can create more trust than making an accurate claim and have consumers endorse this claim to each other?

Through monitoring and engaging across multiple consumer channels, retailers can then identify the top influencers and the preferred channels of consumer discussion.

Implications

Listen to consumers

“Communities of we” provide rich insight into the influences and drivers of individual consumer behavior.

- Identify the most important social channels and strongest voices that define and shape your customer communities.
- Actively incorporate customer suggestions to improve your product and shopper experiences.
- Learn and understand the tactics that can improve sentiment across your consumer communities.

Become the trusted source

Be present and actively engaged in the communities preferred channels

- Know how your brand is being discussed by communities in their preferred channels and what customer sentiments are emerging.
- Learn consumer language well enough to contribute to the dialog and be accepted as a valued member of the community.
- Communicate and market new services and products to consumers in their own language.

Execute with a 360-degree view

Inform and adapt your strategy with a 360-degree view of customers, products, competitors and your brand.

- Be able to spot emerging trends to capitalize on new channels, markets and segment opportunities.
- Assess how well your strategies are being implemented and received.
- Integrate the insights you gain into your business processes, forming a continuous learning and adapting loop.

Conclusion

This is the era of the empowered consumer. There is no doubt who is in control when it comes to shopping. Enabled by technology, consumers now know virtually everything about their retailers. If, through collaborative communications, they can topple governments, how difficult will it be for them to make or break a brand?

To stand out in the minds of shoppers and their communities, retailers will need to incorporate the digital capabilities consumers demand – without forgetting the importance of retail fundamentals: product, placement, promotions,

Empowered consumers openly talk and are willing to share information. Retailers need only to institutionalize listening and learning as the first step toward understanding how consumers want to engage.

Data is the strongest enabler at the retailer's disposal to anticipate consumer demand, adapt enterprise processes to align with consumers, rebuild trust into the relationship, and ultimately win the advocacy of their communities.

Trust is tangible. The payoff is real. Are you ready for the transformation of retail in the era of the empowered consumer?

To learn more about this IBM Institute for Business Value study, please contact us at ibv@us.ibm.com. For a full catalog of our research, visit ibm.com/iibv.

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U.S.A.

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April 2012
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