



Overview

New technologies and socioeconomic trends are reshaping the retail marketplace. The IBM Institute for Business Value recently surveyed over 30,000 people in three mature and three growth markets to discover what consumers will want from retailers in the future. We now know that consumers are getting smarter... and understand how their preferences vary across generations, countries and shopping segments.

IBM Institute for Business Value

Meeting the demands of the smarter consumer

Changing market conditions

The rules of the retail marketplace are changing dramatically. With the development of new technologies for bidirectional communication, consumers can get more information about retailers and their products more easily than ever before. Armed with knowledge gleaned from a multitude of sources, they are spending their money on the goods and services they value most and stipulating how they will interact with retailers.

Major socioeconomic shifts are simultaneously taking place. The global population is projected to increase by 12.4 percent over the next decade; more people now live in cities than in rural areas; and more than half the emerging world's inhabitants have become middle-class by the standards of the countries in which they reside. These changes will create a new pool of shoppers – the “affluent potentials” and rural poor – with US\$5.4 trillion to spend.

In short, consumers are becoming more numerous and more prosperous. But they are also becoming more diverse, more demanding and smarter.

Instrumented consumers

Thanks to the Internet, mobile phones, in-store kiosks and other such technologies, many consumers now have instantaneous access to a wealth of information about retailers and their products. They are using this information to decide what to buy and where to buy it. The younger generations, particularly Generations Y (20-30 years old) and X (31-43 years old), are very receptive to the idea of using new technologies to enhance the shopping experience. Consumers living in the growth markets are even more enthusiastic.



Interconnected consumers

Many consumers are also willing to use these technologies to interact with retailers in new ways, but they want to use different technologies for different tasks. They want to use Web sites primarily to compare prices and print coupons, in-store kiosks to review product features and mobile phones to locate the nearest store.

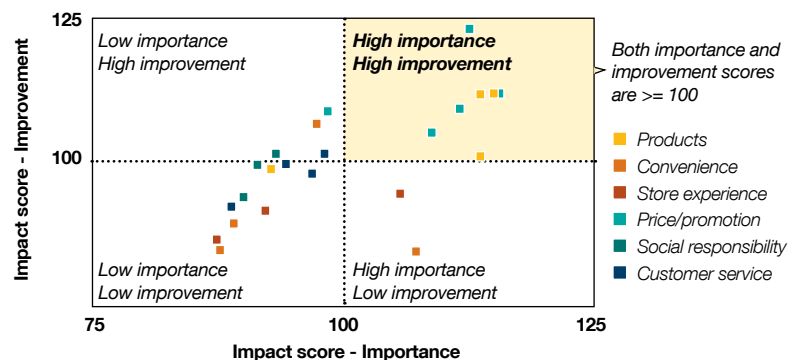
Moreover, retailers are not their only sources of information. Millions of people are now interconnected via social networking sites like Facebook and Twitter. They listen to other consumers, which influences the purchasing decisions they make. One-third of the consumers we polled are likely to “follow” a retailer on a social network, chiefly to trial new products and get preferred customer status.

In fact, most consumers – whether or not they use social media – are ready to collaborate with retailers to co-create new products and services that meet their needs. Baby Boomers are slightly less willing to co-create than younger generations, but those who want to get involved are prepared to devote more time to doing so.

Intelligent consumers

Consumers are becoming not only more informed and more interconnected, but also increasingly intelligent; they have more clearly defined ideas about what they want from retailers than ever before. We used Max Diff analysis – where respondents compare different attributes, just as they do when shopping in real life – to identify what matters most to consumers when they are deciding where to shop and where they think retailers most need to improve.

As Figure 1 shows, respondents believe that retailers should focus first on offering better promotions and prices and making product improvements. More specifically, they want personalized discounts and consistently available products, followed by better value, quality and variety. Nearly two-thirds of them also said that they would spend more money with their current retailer, if it made the improvements they suggested.



Source: IBM Institute for Business Value analysis.

Figure 1: Consumers think that retailers should focus first and foremost on offering better promotions and prices, and making product improvements.

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A shopper's market

To sum up, it's a shopper's market. Smarter consumers know what they want and expect to be heard, so any retailer that hopes to succeed must keep pace with them. It must consolidate its infrastructure to provide accurate information and consistent product availability; embrace the shopping channels smarter consumers prefer; and use analytics to develop personalized offerings. But smarter consumers are not only more demanding; they are also more disposed to help. They are ready to collaborate in the development of new products and services, and to reward those retailers that listen to them.

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.

To request the full report on this study, e-mail us at iibv@us.ibm.com



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