



Overview

Today's consumers are more connected, vocal and demanding than ever. In fact, technology is a given in the smarter consumer's life. But what other forces are driving shoppers today? Findings from our survey of more than 30,000 consumers in 13 countries tell us that consumers want to be listened to, known and empowered. How retailers respond will help determine how well they maintain connection with their valuable customers.

IBM Institute for Business Value

Capitalizing on the Smarter Consumer

This digital era is changing retailing. Customers are more connected, vocal and demanding than ever before. What they want, above all, is a personalized experience; they want retailers to know them.

Technology is not the only force shaping shopper behavior. We surveyed 30,624 consumers in 13 countries to learn what factors are influencing today's smarter consumer. We delved deeper into the mind of the consumer to learn what they really think of when they shop. What we found is that traditional insight strategies for knowing consumers isn't enough. You have to look more broadly at their attitudes, who they listen to and who they are buying for to really "know them."

The smarter consumer has changed

The consumer is digital

Today's consumer takes technology for granted. She's comfortable using the Internet, mobile technologies and in-store kiosks to browse for and buy products. In our survey, 49 percent of our respondents were "instrumented consumers" – those who use two or more of these technologies to shop, a 36 percent increase since our retail study last year.

Younger consumers and those in the growth economies are especially keen on using technology to improve the shopping experience. But there has been a big change here, too. Last year, only 38 percent of 15-19 year olds were "instrumented." Today, that number has soared to 52 percent.

The household is "virtual"

Today's consumer also purchases for a wider range of family members, whether or not they share a roof. This is partly because the family unit is changing; 25 percent of respondents stated that they have adult parents,



adult children or grandchildren living with them. In addition, the Internet allows consumers to more efficiently purchase for family members who don't live close to them. Over 30 percent of respondents regularly buy clothing, groceries, consumer electronics and personal care products for their parents.

Consumers listen to their families and friends first

Many of consumers know exactly what they want when they enter a retailer's website or store, because they've already asked a friend for advice. Forty-five percent turn to friends and relatives, and 37 percent to external sources – either fellow consumers or independent experts – when they want to know more about a product. Only 18 percent rely on retailers and manufacturers.

A world of moments

Consumers have changed, and they have changed the shopping process, too. Instead of browsing through several stores, finding something and buying it in a continuous sequence, they use technology to dip in and out of the process wherever and whenever they want. So, what was once an uninterrupted flow is becoming a series of moments that may be separated by days or weeks – from awareness, to research, to purchasing, to possession.

The shopping process has not only become more fragmented, it has also become more compressed. The retailer's window of opportunity to influence her is shrinking from hours to minutes. Some of the biggest influences on the consumer are outside the retailer's control.

Serve me, don't sell to me

Today, it is more difficult for retailers to reach and sell to target customers. Smarter consumers are departing from their demographic and socioeconomic roots and are using technology to control their own experiences.

So what can retailers do? They can understand that consumers want to be served and not sold to. Consumers are asking retailers to listen, know and empower them.

Listen to me

Through social networking, consumers engage in instant dialogue with each other about their interests and experiences with retailers, products and brands. Listening and participating in these conversations can provide retailers with insight into what customers want. But retailers must be willing to give these consumers incentives for discussion such as discounts, trial offers or access to areas of exclusive content.

Know me

Of course, listening is just the start. It's also essential for retailers to show that they know their customers by providing a personalized shopping experience. Consumers told us that this is their top consideration when deciding where to shop and the area where retailers need to improve.

Key Contacts

Global

Jill Puleri
jpuleri@us.ibm.com

Robert Garf
rgarf@us.ibm.com

Shannon Miller
shannonm@us.ibm.com

Author

Melissa Schaefer
maschaef@us.ibm.com

The best thing a retailer can do to increase spend is give its customers promotions for items they regularly buy. When we probed further, consumers also want retailers to personalize the store or online experience by remembering their preferred payment methods and receipt types.

Empower me

Lastly, retailers have to empower their customers by making it as easy as possible to complete the shopping process, which includes providing the right services and letting consumers choose how they interact. More than 40 percent of the people we surveyed want to check product prices wherever they are and get promotions based on the items they scan. And 50 percent are willing to use a personal mobile device to avoid the checkout lane.

Smarter consumers demand smarter retailers

Smarter retailing starts with the recognition that consumers are conducting a conversation many retailers know nothing about. Listening to this digital dialogue will help retailers understand and serve their customers better.

Smarter retailing also entails leveraging customer data. That's actually the most powerful weapon in a retailer's armory because it uncovers when consumers are buying products for themselves, when they are buying products for others and when they are experiencing life-changing events. Since what you see isn't always what you get, retailers must embrace, manage and analyze a vast amount of data to personalize consumer interactions.

Finally, smarter retailing allows organizations to leverage this intelligence to allow consumers to shop when they want as they want – and that requires a totally different mindset. Recognize that customers are not passive recipients but active participants in the shopping process. Give them facilities they need to participate in that process, and make it feel like a pleasure to serve 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 a full version of this paper, e-mail us at iibv@us.ibm.com



© Copyright IBM Corporation 2010

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
December 2010
All Rights Reserved

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at “Copyright and trademark information” at ibm.com/legal/copytrade.shtml

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

References

- 1 Schaefer, Melissa and Laura VanTine. “Meeting the demands of the smarter consumer.” IBM Institute for Business Value. January 2010. <http://www-935.ibm.com/services/us/gbs/bus/html/ibv-the-smarter-consumer.html>
- 2 Our survey was conducted in October 2010. It includes consumers in Australia, Argentina, Brazil, Canada, Chile, China, Colombia, France, Germany, Italy, Mexico, United Kingdom and United States.



Please Recycle