IBM Institute for Business Value

From transactions to relationships

Connecting with a transitioning shopper

By Kali Klena and Jill Puleri

While the store remains the cornerstone of the shopping experience, our survey of more than 26,000 customers reveals that today's empowered consumers are increasingly comfortable purchasing through multiple retail channels. The much discussed trend of "Showrooming," in which shoppers evaluate merchandise in-store and then make purchases online – often with a different retailer – threatens to fragment hard-earned customer loyalty. Retailers can convert the threat to opportunity by making their customers "sticky" through a seamless omni-channel approach that provides consistency, convenience and a superior shopping experience across every consumer touch point.

The store, the traditional backbone of the retailer, appears increasingly vulnerable with each passing quarter. The decline in the store's position in the retail hierarchy is being fueled by an increasing willingness by customers to stray from their traditional shopping modes in search of the best price, selection and service.

This new breed of consumer is comfortable employing multiple technologies to browse and to make purchases – in many cases using the store as a "staging ground" for future online purchases. They are demanding that retailers serve them according to their unique preferences, regardless of channel – or risk losing them to a range of potential competitors.

How can retailers instill loyalty among this new class of shoppers? To find out, the IBM Institute for Business Value surveyed more than 26,000 consumers in 14 countries. The study uncovers the changing nature of the retail/shopper relationship and provides a path forward for retailers seeking to capitalize on the new shopping habits and preferences of today's transitioning consumer.

Our research reveals that a seamless omni-channel customer experience is essential to meet the needs of today's new consumer. The long-standing center of retail commerce, the brick and mortar store, is rapidly losing its appeal as customers turn to convenient online channels for their purchases. Across most age and income groups – especially among the young and wealthy – the preference for online channels is growing. As information and technology continue to open doors to convenient and secure store alternatives, these trends are likely to continue.

Consumers are increasingly willing to bypass the store in favor of online channels.

Study methodology

To learn how shopping habits are changing, the IBM Institute for Business Value surveyed 26,737 shoppers in late 2012, including more than 23,000 in non-grocery categories, including apparel, luxury categories, personal beauty products, consumer electronics, personal health, shoes and home merchandise (see Figure 1). More than 3,200 grocery shoppers were also surveyed. This report focuses on non-grocery categories. To see how grocery compares, see sidebar on page 7.
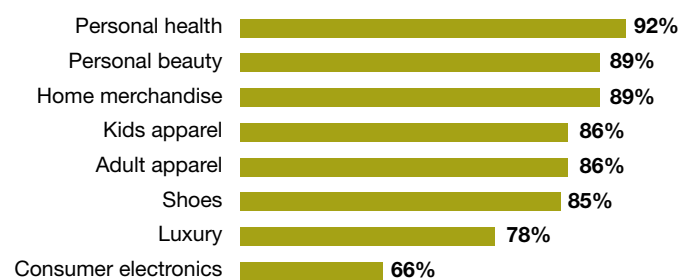
Japan	1,590	**France**	1,583
Australia	1,739	**Canada**	1,592
China	1,598	**Mexico**	1,623
Italy	1,595	**Spain**	1,587
United Kingdom	1,577	**Chile**	1,583
United States	2,598	**Germany**	1,589
Brazil	1,599	**India**	1,613

Figure 1. **The IBM Institute for Business Value's Retail Study surveyed shoppers' past and future purchasing preferences.**

Past IBM Institute for Business Value Retail studies have confirmed that technology has created a sense of empowerment among consumers, who are increasingly gravitating toward shopping experiences that allow them to be served according to their individual preferences.[1] For retailers to capitalize on the changing behavior of the transitioning consumer, including the growing consumer trend to use multiple channels to shop and purchase, our most recent study suggests they must address three key environmental factors:

1. Store dominance decreases in an omni-channel world

Among retail channels, the store still reigns supreme. But cracks are beginning to appear in the dominance of brick and mortar. While the vast majority of consumers in our survey (84 percent) made their most recent non-grocery purchase in-store, only 56 percent said they were sure to return to the store for their next purchase (see Figure 2). This lack of dedication to the store transcended retail categories and geography, as shoppers around the world increasingly recognized the convenience, assortment and price benefits of multi-channel shopping.

Category	Percentage
Personal health	92%
Personal beauty	89%
Home merchandise	89%
Kids apparel	86%
Adult apparel	86%
Shoes	85%
Luxury	78%
Consumer electronics	66%

Source: IBM Institute for Business Value, "From transactions to relationships: Connecting with a transitioning shopper," n= 23466 non-grocery shoppers.

Figure 2: **The percentage of consumers who made their last purchase in a store.**

2. "Showroomers" – A small number of shoppers are creating a big impact

Another indicator of store softness is the emergence of a small but influential group of consumers who shopped in the store but purchased online – sometimes from a different retailer. These "Showroomers" accounted for only six percent of all shoppers, but their impact on online sales was striking. Nearly half of all online purchases in the retail categories covered by our study were made by Showroomers. Further, 25 percent of these Showroomers said they initially planned to buy in-store. Perhaps more telling is that 65 percent plan to buy online for their next purchase.

3. Consumers are hungry for meaningful retail connection points

There is a high wall to scale to excite shoppers and keep them in a retailer's own combination of store and online offerings. Consumers we surveyed want their retailers to know them and their buying preferences. In fact, the majority of shoppers in our study were willing to contribute 20 minutes on average to help a retailer better understand their desires and provide them with more meaningful offers, such as relevant promotions based on their past purchases. However, even though shoppers are willing to help the retailer initially, they expect the retailer to do the long-term heavy lifting.

Retailers have a high wall to scale to keep customers engaged in their combined in-store and online offerings.

Store dominance decreases in an omni-channel world

Today, the store; tomorrow, where?

Analyzing historical buying patterns has been an important part of retail for decades. But in today's fast-changing environment, it becomes more useful to know what consumers are going to do next. And here is where a significant shift in the landscape appears. Of the 84 percent of shoppers in our survey who made their last retail purchase in a store:

- Only 56 percent of shoppers are certain they will go back to the store for their next purchase
- Thirty five percent of shoppers are transitioning, having not yet decided which channel they will choose for their next purchase
- Nine percent of shoppers are planning to use digital channels to make their next purchase.

The demographics of these shopper categories paint a darker future for the store. Those set on shopping the store, on average, were Baby Boomers, 55 and older, and not particularly optimistic about their financial future. Transitioning customers were the group with the broadest demographic appeal, crossing gender and a broad range of ages and incomes.

In contrast to those shoppers who are loyal to the store, those planning to shift to digital channels were generally in the 18-34 age group, affluent and financially optimistic. These shoppers represent an important economic target for retail. Creating a seamless experience for them, across channels, is of paramount importance if the store is to continue to thrive. The online presence should be an extension of the store. All channels must be inviting and customer centric.
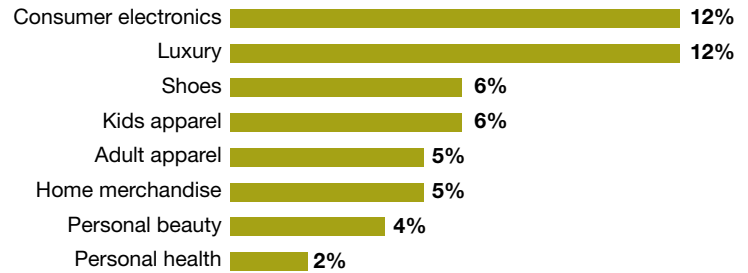
In essence, retailers must reinvent the way they buy, sell, market and service their offerings. Lowe's is an example of a retailer that creates a seamless segue between its online presence and its stores. The company's "myLowes" program allows customers to consult online with store employees about home improvement projects. It allows customers to build room-by room profiles and to experiment online with different styles. They can even archive purchases and receive maintenance reminders.[2]

"Showroomers" – A small number of shoppers create a big impact

 "Showroomers" are customers that visit a store but purchase online. They, browse and evaluate display products, and may even engage sales personnel with questions and requests. Having taken advantage of store resources, they leave to buy their product online. In some cases, the purchase is from the online channel of the same store – but often times it is from a competitor.

These consumers do not currently account for a large percentage of the buying public (6 percent), yet they have quite an impact (see Figure 3). Showrooming accounted for nearly half of all online purchases made by our study participants. Even though the majority of Showroomers are buying online from a traditional retailer – not from a pure-play online retailer – this doesn't necessarily mean good news for omni-channel retailers. The purchase quite possibly was made from a competitor's online channel. In other words, just because they visit a store doesn't mean today's Showroomer will buy from that retailer's website.

Showroomers represent a small but sophisticated segment of shoppers.

Consumer electronics — 12%
Luxury — 12%
Shoes — 6%
Kids apparel — 6%
Adult apparel — 5%
Home merchandise — 5%
Personal beauty — 4%
Personal health — 2%

Source: IBM Institute for Business Value, "From transactions to relationships: Connecting with a transitioning shopper," n= 23466 non-grocery shoppers.

Figure 3: **Showroomers, those who shop in the store but buy online, represent 6 percent of surveyed shoppers.**

Since the phenomenon of Showrooming first emerged, many retailers have not been pleased with the thought of these browsers consuming time and energy that could be better directed toward shoppers intent on purchasing in the store. Many retailers believe Showroomers have little loyalty and are using the store to just "kick the tires."

Preconceived notions about Showroomers aside, how well do retailers really know this new group of shoppers? Our survey reveals some interesting aspects about Showroomers, and chief among them is that these shoppers are not always intentionally "gaming" the store. Twenty-five percent of those in our survey who say they Showroomed did so with the intention of buying their product in-store.

What becomes apparent is that Showroomers are very sophisticated consumers. Nearly half (48 percent) visit the store to compare prices and to learn more about the product. They're doing research. Thirty-three percent of Showroomers use their mobile device while shopping in the store to compare products, read reviews, and even to negotiate prices. They are taking advantage of all the tools at their disposal.

They are determined to get the right product at the right price. They are savvy methodical shoppers. It is time for retailers to realize these consumers are not the enemy and to start identifying omni-channel strategies to recapture their loyalty.
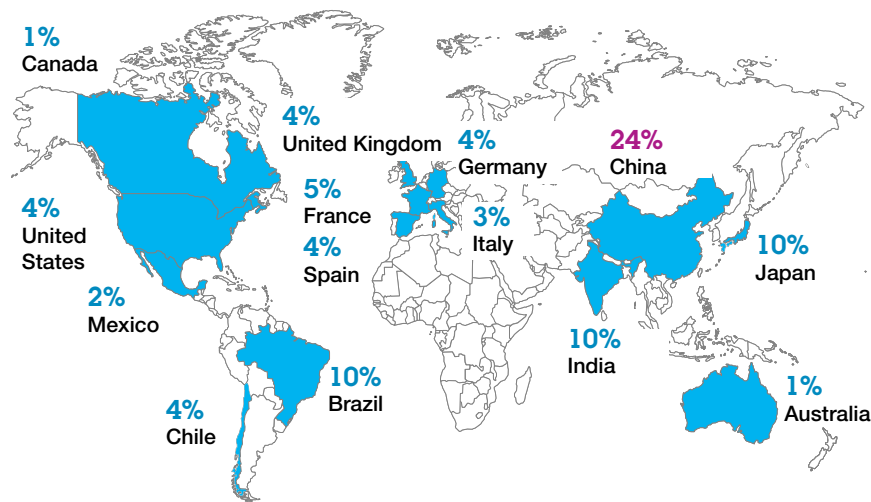
Harnessing the power of the Showroomer

Showroomers are not only sophisticated shoppers, they are active influencers. They are social and are likely to share their experience with peers. Our research shows that 58 percent of Showroomers visit their online communities more than once a day – and 57 percent have written a positive review about their online retailer. They know what they like and want and are not afraid to talk, blog or tweet about it.

The typical Showroomer is male and young, (18 to 34 years old). He is affluent, indicating Showrooming is not related to a particular financial need.

Although Showrooming is a global phenomenon, the incidence is higher in Asia and Brazil than in the rest of the world. Our survey shows that China has the most Showroomers, at 24 percent of interviewed shoppers (see Figure 4)

Enterprising retailers will recognize the value of this customer and will focus on turning these savvy, empowered consumers into advocates. They should be going to great lengths to make sure the Showroomer's experience in-store is one worth sharing.

1%
Canada

4%
United Kingdom

4%
Germany

24%
China

4%
United States

5%
France

3%
Italy

10%
Japan

4%
Spain

2%
Mexico

10%
Brazil

10%
India

4%
Chile

1%
Australia

Source: IBM Institute for Business Value, "From transactions to relationships: Connecting with a transitioning shopper," n= 23466 non-grocery shoppers.

Figure 4: **Showrooming is a global phenomenon, with the highest incidence in China, India, Japan and Brazil.**

To ensure they can capitalize on the opportunity Showroomers represent, forward-thinking retailers will contemplate questions such as: Are we prepared to handle this important trend? How can we ensure our store is the Showroom for our own website? Is there anything about the store experience that may contribute to Showrooming, such as assortment gaps, out of stocks, long checkout lines? Are we learning from what Showroomers are talking about in their social channels? Are we prepared to take a proactive approach to regaining these customers who are purchasing from our competitors?
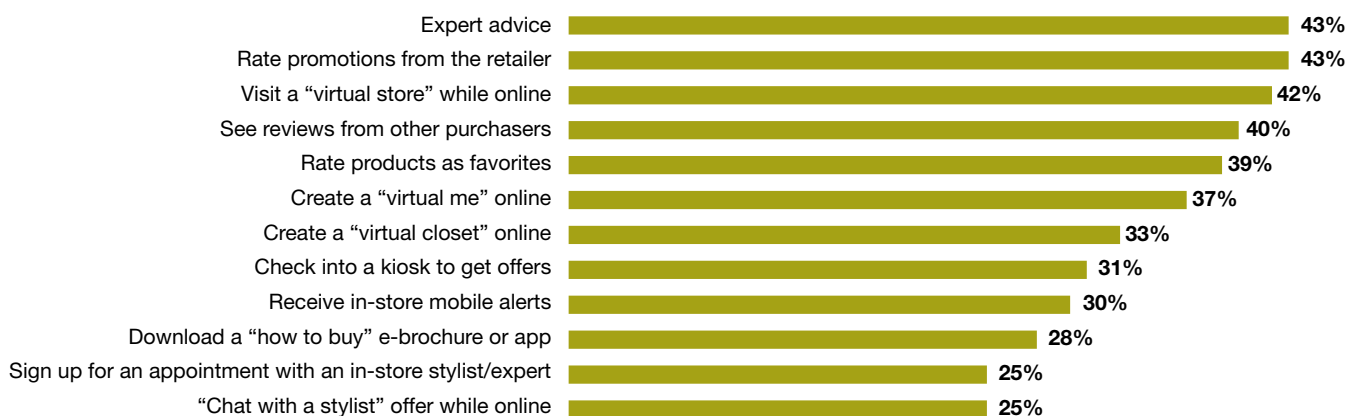
Consumers hungry for meaningful retail connection points

From our study, we see that what many customers want, above all, is a personalized experience. Shoppers are more than willing to give their time to help their retailers meet their needs, but they expect the retailer to make the connection and then take their input and create programs and opportunities that deliver results. Nearly nine of ten shoppers are willing to put in time (up to 20 minutes) with a retailer to set-up preferences with the expectation – that offers and communications will be personalized. Connections can be in-person or digital, but they need to relevant to what the shopper wants.

These connections will enable retailers to design offerings and promotions specifically tailored to individual shopping preferences. The following are just a few examples of what shoppers told us they wanted from their retailers:

- 55 percent of the consumers in our survey want their retailer to use prior purchasing to offer new promotions
- 43 percent want their prior purchases to result in new product recommendations
- 43 percent of consumers want their retailers to invite them to events
- 36 percent want their retailers to involve them in new product ideas.

New shopping concepts also resonate with consumers. To gauge their interest in new ideas, we presented participants in our online survey with a number of shopping options that, as of yet, have not been widely implemented. As Figure 5 shows, interest in new concepts ranged from 25 percent to 42 percent. The effective retailer will mine this information to better fulfill customers' wants.

Expert advice	43%
Rate promotions from the retailer	43%
Visit a "virtual store" while online	42%
See reviews from other purchasers	40%
Rate products as favorites	39%
Create a "virtual me" online	37%
Create a "virtual closet" online	33%
Check into a kiosk to get offers	31%
Receive in-store mobile alerts	30%
Download a "how to buy" e-brochure or app	28%
Sign up for an appointment with an in-store stylist/expert	25%
"Chat with a stylist" offer while online	25%

Source: IBM Institute for Business Value, "From transactions to relationships: Connecting with a transitioning shopper," n= 23466 non-grocery shoppers.

Figure 5: **Consumers are interested in new retail concepts that improve the shopping experience.**

In delivering a personalized experience, the focus should be on enhancing the communication channels customers prefer. Our study shows most consumers today prefer direct access to a retailer's website, as opposed to using a downloaded mobile app. However, mobile apps can succeed when carefully designed to assist shoppers "where they are." An app optimized to assist the shopper who is researching a purchase as effectively as aiding the shopper who is ready to buy can be a powerful addition to the retailer's resource pool. On the website front, shoppers use many technologies to access online stores. Omni-channel retailers need to ensure websites are ready for any type of shopper access.

Rethinking and retooling to connect with the empowered consumer

Retailers today are sitting on a stockpile of resources as a result of the data explosion. Every time customers touch a computer, search for a store or product on their smartphones, or call a customer service department, they are providing an information trail. Inside this digital trail is a gateway to a more intimate, nuanced customer understanding. The trick is knowing where to look.

The key is to use analytics to sort through this mountain of information and pull out those nuggets that enable you to respond specifically to the wants and needs of each customer. To do this, retailers need to add science to the art of retailing. Data needs to be used to treat customers like individuals, not as market segments.

A number of retailers are using analytics and technology to identify where shoppers are in the store and provide instant, location-based messages. Shopkick, was a frequently used shopping app during the 2012 U.S. holiday shopping season.[3] When a Shopkick user enters a store, a signal from the user's mobile device is detected and Shopkick can identify exactly where the customer is in the store with pinpoint accuracy. Shopkick users receive rewards based on where they are browsing and are also rewarded for scanning products and completing a purchase.

Grocery shoppers use technology less, but still want personalized offerings

Of the 26,737 shoppers that participated in our online survey, 3,271 were asked about their grocery shopping experiences. Their experiences, especially as it pertained to technology and shopping, differed from non-grocery shopping trips.

Grocery shoppers are much less likely to use technology to connect with retailers as compared to non-grocery counterparts. Outside of making shopping lists, few grocery shoppers are undertaking any preparatory actions. For example, for their next grocery trip:

- 10 percent plan to check offers from their grocer on their mobile device
- 10 percent plan to check prices at other stores on their mobile devices
- 9 percent of grocery shoppers plan to visit the retailer's site pre-trip
- 3 percent plan to pay using their mobile devices.

We know that store dominance varies by product, We examined two product categories in grocery stores: personal health and personal beauty. Ninety-two percent of consumers made their last personal health purchases in-store. By comparison, only 66 percent of consumer electronics shoppers made their purchases in store. These two categories also had the lowest percentage of Showroomers – 2.4 percent for personal beauty products and 3.6 percent for personal health items. This compares with 12.1 percent for luxury items and 11.9 percent for consumer electronics.

Even though they are more tied to the store, grocery shoppers still expect their retailers to know their wants and needs and act upon them:

- More than 50 percent want their grocer to use purchase history to offer promotions
- 42 percent want to be involved in new product ideas
- 39 percent want purchase history to result in new product recommendations
- 38 percent want to be invited to events
- 26 percent want to be reminded when to re-purchase.

The ability to collect and analyze this wealth of consumer information enables the retailer to begin communicating with the shopper as an individual rather than a member of a demographic segment. The question is not what can you do with such information, but what can't you do?

Where next?

The path to consumer-centricity can be discovered through your customers' transaction history, their social media pages, their blogs, their survey responses and their one-on-one input. Shoppers want a contract with you. They are saying, "I will open up to you and shop with you if you will use this information to help me."

In order to fulfill this contract, retailers must create an environment that keeps the customer engaged. This is particularly true for the store. In-store, the customer can easily lose interest because of haphazard product displays, poor assortment, inefficient routing and inattentive service. Online customers can move to your competitor with just one or two mouse clicks if your site is difficult to navigate or does not reflect the retailer's brand promise.

Creating a successful omni-channel presence and maintaining customer loyalty through each channel requires retailers to:

Provide a tailored and personalized experience

- *Use the personal information provided by your customers to your advantage. It is a tremendous resource.* This information can reveal the shopping personas of your customers – how they shop, what they like, where and to what extent they want to be engaged. Use this insight to create the product assortment, displays, signage, promotions and service that caters to their preferences.
- *Visualize their "path to purchase."* Use analytics to reveal what paths they take in the store, what products they are looking for and what level of engagement they are seeking from store associates. Understanding how the shopping persona of a customer looking for a wardrobe refresh differs from one planning to buy a high-end electronics device.

- *Focus on the details.* Consumers have told us for years they want their retailers to know them, listen to them and empower them. This goes beyond just product availability, pricing and promotions. Customer loyalty is often impacted by the smallest details. For example, do you know and record your customers' preferred payment methods? Do they want paper or digital receipts? When shopping online, do you know their shipping preferences?

Use your channels to their best potential

- *Create consistency from one channel to another.* Your online store should have the same "look and feel" as your brick and mortar stores but enhanced by available technologies. If a popular item is out of stock in-store, you can make sure it can be delivered next day through your website. Consistency of pricing, assortment and appearance provides a unified brand presence that builds shopper loyalty.
- *Manage your talent effectively.* Rethink how you want your associates to engage with customers. This may require revising how you recruit and screen talent. Make sure your associates understand shopping personas and trip-types common to your store. Provide feedback tools that reinforce knowledge and skills that match customer needs. Ultimately, there are no unimportant customer-facing jobs. An inquiry at check-out about the overall shopping experience, a thank-you for the sale and an invitation to return can go a long way toward making the customer feel connected.
- *Keep an eye on your customers.* Know where shoppers are and what they are doing in your store and on your website. Use location tracking to understand the movements of customers with mobile devices in your store. Their data can help you learn their "trail" through the store and allow you to create signage and passageways that encourage browsing and reduce frustration. Location data can help you promote the products on a particular aisle and offer help to consumers who are still in research mode. Understanding how shoppers navigate your website or use your mobile app can help you design programs and promotions that are truly relevant.

Neiman Marcus, for example, has introduced a personal mobile app in a number of its stores designed to increase personalized customer service and enhance the in-store experience. The app, "NM service" has two interfaces, one for customers and one for associates. It uses push notifications, location-based technology and QR code scanning to track a customer at key points throughout the store. If an app user passes within range, the sensor automatically prompts NM Service to activate. Once the app is activated, customers can be notified of many things: is one of their preferred sales associates currently in the store, are there upcoming store events, new product arrivals and sales or emerging fashion trends.[4]

Embrace Showroomers

- *Become instrumented.* While browsing products in your store, Showroomers often use technology to compare your offerings to those of your competitors. By providing your associates with similar technology, you allow them to engage the consumer at the point of purchase. Additionally, associates can offer immediate inventory and fulfillment assistance.
- *Add services that are store-centric.* Increasing convenience can lead to enhanced store loyalty. For example, many retailers now support shopping and purchasing online, with pick-up and exchange/return in-store. Some stores even feature drive-through returns.
- *Take a lesson learned from other service industries, such as travel.* Most hotels today provide free Wi-Fi, allowing guests to access the Internet at their leisure. When they log on, the hotel usually launches its homepage with pertinent marketing messages that promote its brand or service. Consider providing in-store Wi-Fi as a vehicle for real-time marketing.

Conclusion

The retail world is changing. The long-standing influence of the store is diminishing. Technology-empowered customers are increasingly comfortable using multiple channels to shop. A small but influential type of customer, the Showroomer, is using your store for research and then buying online – perhaps, even, from your competitor.

Meanwhile, conversations about you, your assortment and your service are raging on social media sites, in blogs and reviews, and even on your own communications channels. The question is, are you listening? Are you recruiting, educating and equipping your associates to respond to changing consumer behaviors and desires? Are you using the wealth of available consumer information build a seamless omni-channel experience? Have you established meaningful connections with your customers are every conceivable touch point? If so, you are joining the ranks of retailers that are positioning themselves to be outperformers in the era of the transitioning shopper.

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