Catch 'Em and Keep 'Em

2011-2016

Revitalizing the Store in a Cross-Channel World

Point of View

Internet ubiquity, personal technology adoption, and e-commerce growth have produced a new consumer behavior–cross-channel shopping. In this environment, consumers hop from one channel to another throughout the shopping journey looking for the best deal. For retailers that have achieved success through traditional practices (price, product, promotion, and placement), cross-channel shopping demands a new approach to win customers and capture wallet share.

"Think about the online experience today. What [the Internet] does best is compete on price and, depending upon your circumstances, convenience. This doesn't create new value. It [results in] a race to the bottom–the lowest cost and fastest fulfillment."
Ron Johnson
CEO, jcpenney

Specifically, retailers face three critical new challenges:

- "Catch" consumers as they search for products, prices, and shopping ideas
- "Keep" shoppers connected to your brand as they use various devices (PCs, smartphones, tablets, in-store screens) to bounce between channels (store, online)
- Entice customers with experiences that trigger them to buy, and buy more

Coined by the Cisco Internet Business Solutions Group (IBSG), "Catch 'Em and Keep 'Em" retailing uncovers a new opportunity – revitalizing brick-and-mortar stores through the introduction of web-based content and virtual experiences similar to the ones shoppers (and gamers) increasingly enjoy online. Mashing up the store environment–where shoppers gain immediate gratification from seeing, feeling, and smelling retailers' offerings–with the best of rich online content creates a compelling experience not possible through either channel by itself.

Cisco Internet Business Solutions Group (IBSG)

Cisco IBSG is not alone in seeing the potential of these solutions to rejuvenate stores. In fact, the December 2011 issue of Harvard Business Review dedicated three articles to this topic.[1]

Over the past two years, Cisco IBSG has studied this new cross-channel shopping behavior and teamed with several leading retailers worldwide to test consumers' interest in "digital-into-physical" concepts (which Cisco IBSG calls "mashops").[2] This paper describes Cisco IBSG's most recent findings to help retailers revitalize their stores in a cross-channel world.

Our Research Hypotheses

Cisco IBSG's 2011 research built upon a previous study (2010), which found a majority of consumers regularly use the Internet as a shopping tool to obtain lower prices. Most important, that study also revealed that shoppers were very interested in using mashops to help with their buying decisions.

Involving 1,000 U.S. and 1,000 U.K. customers, the 2011 online study was based on the following hypotheses:

- The most powerful element affecting purchasing behavior is emotion because it enables and triggers buying decisions.
- Four key "buying triggers" drive conversions: 1) find (right item, right place, right time, right information), 2) best deal (too good to miss), 3) discover (I have a need, answer it), and 4) inspire (it's a treat and a pleasure). In general, there is less pricing and margin pressure as shoppers move from "find" to "inspire."
- Retailers can keep more cross-channel shoppers "inside" their brand (and thus capture a higher percentage of transactions) by offering mashop experiences in their stores.
- At a high level, there is a recipe for creating an effective mashop that ensures the shopping journey leads to you.

Top Five Research Findings

The Cisco IBSG survey queried respondents about their use of technology while shopping, how they engage in cross-channel shopping behavior, and the influence of on- and off-line information sources upon their buying decisions. The survey also asked shoppers about their interest in five mashop concepts currently on the drawing board or in development. Cisco IBSG uncovered five major findings:

1) Shoppers prefer online sources to "real people" in making buying decisions. In the 2010 survey, 60 percent of respondents identified "friends and family" as one of the top three sources of information for making buying decisions, with 21 percent of respondents naming in-store employees as a top-three source. In the 2011 survey, 41 percent of respondents named friends and family, and only 13 percent chose in-store employees as their top-three source of information for making buying decisions.

2) Different digital content influences different buying triggers. The latest survey found that digital content and capabilities frequently compel consumers to buy. One in two shoppers said that digital content influenced purchase decisions via the "find," "deal-seeking," and "discover" triggers. One in five respondents felt that digital content influenced a purchase decision through the "inspire" trigger. Perhaps this number is not higher today because of the lack of inspirational digital content in stores and online.

Of note is the difference between the online content that influenced the "find" and "best deal" behaviors (which put pressure on prices) and the content that drove the "discover" and "inspire" behaviors (which enhance basket size and margins). There is a clear linkage between guided selling (recommendations, buying and solution guides) and behavior that lessens pricing pressure. The survey findings suggest enhanced results for retailers that offer guided selling content and services.

3) In-store digital content is an important buying influencer. There is growing interest in using digital and highly visual content in the store to help make buying decisions. Roughly one in two U.S. respondents now uses or wants to use an in-store kiosk for self-service or for accessing web-based content. The survey results also suggested two types of kiosk content that would influence the "discover" and "inspire" buying triggers: 1) structured recommendations (or guided selling) and 2) the opportunity to access products not stocked on-site.

There was also significant interest in using two other forms of store-based digital content delivery—video screens and video walls—to enhance decision making. More than 42 percent of U.S. respondents currently use or are interested in using one or the other. Respondents also showed solid interest in other modes of in-store digital content delivery, including mobile phones (40 percent indicating either current use or interest) and tablets (35 percent indicating either current use or interest).

4) Cross-channel shopping behavior is prevalent and desired—even inside store walls. It was no surprise that researching products online, then purchasing them in a store, was the most popular form of cross-channel shopping, with nearly three-fourths of respondents doing it now or indicating an interest in doing so. Of note, however, were other cross-channel journeys that involve the store:

- Fifty-seven percent of respondents reported current activity or interest in conducting research in the store and making their purchases online.
- Fifty-three percent of shoppers reported current activity or interest in conducting research at an in-store kiosk and making their purchase immediately in the store.
- Forty-six percent of consumers reported current activity or interest in conducting research at an in-store kiosk and then making their purchase in the store for later pickup.
- Forty-three percent of shoppers reported current activity or interest in conducting research at an in-store kiosk and then making their purchase in the store for delivery to a location of choice.

In addition, more than 40 percent respondents reported current activity or interest in using a personal mobile device for research.

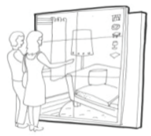
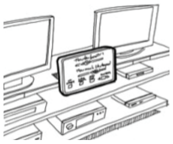
- Forty-five percent reported current activity or interest in conducting research with a mobile device and then making their purchase in the store.
- Forty-four percent reported current activity or interest in conducting research with a mobile device and then making their purchase on a PC.

Overall, Cisco IBSG's research highlights the opportunity to use a new generation of digitally rich, easy-to-use kiosks and mobile experiences to capture sales in the store.

5) Consumers perceived all five mashop concepts as highly valuable (see Figure 1). Even so, the operational value of each varied by consumer type and industry segment. The immersive shopping concept was rated highest overall. This suggests strong interest in immersive, life-sized experiences that use the power of virtual reality so shoppers can envision what is possible (for example, trying on outfit combinations virtually).

In addition, Generation Y (for the purposes of this survey, defined as shoppers aged 18 to 29) consistently showed the highest interest across all mashop concepts. This correlates strongly to the use of smartphones and social media by this age group. Older women also surprised us by embracing new, screen-based methods of shopping. Baby boomers and so-called "Silver" women rated these types of concepts much more highly than their male counterparts.[3]

Figure 1. Five Mashop Concepts Rated Highly Among All Respondents.

Concept	Age / Gender Findings	Top-Rated Features	Best Segments
Immersive shopping 	• Most popular overall • High interest from women of all ages	• Virtual "try-on" • Coordinate clothing, other items like furniture	• Apparel • Housewares • Health / beauty
Product viewer 	• Gen X[3] / Gen Y men, women of all ages • Older shoppers want directions	• Compare product / price • Detailed product specifications • "Like" product on screen	• Grocery • Electronics / appliances • Housewares
Shelf help 	• Most consistent appeal across all segments • Remote expert access via video important to 36% of shoppers	• Compare product / price • Prices at competing retailers	• Grocery • Electronics / appliances • Housewares
Personal mobile shopper 	• Highly rated by Gen Y • 40% of Gen Y desire integration into social media	• Compare product / price • Ability to opt in / opt out	• Grocery • Electronics / appliances
Shopper favorites 	• Gen Y, Boomer / Silver women most interested • Men like up-to-the-minute specials	• Up-to-the-minute special offers • What's new in the store • Limited-time specials	• Grocery • Apparel • Electronics / appliances

Source: Cisco IBSG, 2011

Achieving the Potential of Catch 'Em and Keep 'Em Retailing

Given these findings, what can you do to "catch" channel-hopping customers and keep them within your brand during the shopping journey? Here are several of the lessons Cisco IBSG learned while working with leading retailers.

Follow a Proven Recipe to Create Mashops That Trigger Buying

The creation of a mashop concept goes well beyond simply integrating a website into an in-store kiosk or interactive screen. To help you create and deploy effective mashops that trigger buying, Cisco IBSG has developed the following recipe:

- Define your objective. For instance, the survey results suggest that retailers seeking to expand basket size and lift margins should bring guided selling and recommendations to the forefront.
- Design a user experience that is easy, inviting, and intuitive. Cisco IBSG's work with a leading retailer showed that this type of development results from a carefully researched and incremental process.
- Make sure the physical design is inviting to shoppers and catches their attention.
- Enable social interaction. This can be accomplished, for example, by allowing customers to post on Facebook with a single touch-screen action.
- Use clear and concise signage to call attention to your mashop solution, explain how to use it, and deScribe the value for shoppers. Don't assume shoppers will know what your mashop concept is or what it can do.
- Enlist associate support. Place badged, uniformed personnel at kiosks and mashops to assist shoppers – especially in the early phases of adoption.

Operationalize with Business and Technology Enablers

Once you have refined your mashop concept, it is important to consider the following business and technology enablers to scale it across your operation.

Business Enablers

- Knowledge and content management, including content generation, refresh cycles, decision rights and responsibilities, and content security.
- Operational processes and procedures, including associate roles and responsibilities, labor and expertise management and optimization, and revenue recognition.
- Channel management, including data integration, cross-channel inventory fulfillment, and revenue recognition.

Technology Enablers

- Content management and delivery, including security, bandwidth capacity and optimization, and the architecture required to deliver reliable, high-bandwidth, low-latency experiences at peak traffic times.
- Store architecture, including bandwidth capacity, CPU optimization and virtualization, and total thin-store opportunities.
- Data integration that enables a single view of on-order and on-hand inventory, customer profiles, and flexible fulfillment.

Getting Started

To increase sales from cross-channel shoppers, Cisco IBSG recommends following these steps:

- Analyze customers' desires and preferred shopping journeys. Study your customers' cross-channel behaviors.Then create a two-year forecast of cross-channel behavior based on anticipated technology adoption trends by age and gender. Next, map the delivery of your brand promise across channels. Finally, determine the right triggers for your target customers, and identifypromising mashop concepts.
- Build and test your mashop concepts. First, apply the recipe described earlier in this paper. Then, create an enticing physical design that incorporates a simple and easy-to-use customer interface. Finally, build and test your prototypes, anticipating two to three iterative testing cycles of two weeks each.
- Implement, test, and test again. As you implement your mashop concept, consider store traffic and ambient noise for the best placement. Then support your mashop with appropriate signage and associate support. Finally, prepare to make continuous, rapid improvements.

Leading retailers are actively developing and testing mashop experiences to differentiate and revitalize their brands.Given consumers' new channel-hopping behavior, what will you do to "catch" customers and "keep" them within your brand during the shopping journey?

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Endnotes

1.The December 2011 issue of Harvard Business Review included the following articles related to the topic discussed in this paper: “The Future of Retailing,” by Darrell Rigby, Head of Bain Global Retail and Global Innovation Practices; “Retail Isn’t Broken, Stores Are,” by Ron Johnson, CEO of jcpenney; and “Know What Your Customers Want Before They Do,” by Thomas Davenport, Leandro Dalle, and John Lucker of Deloitte.

2. The research findings described in this paper build on the original mashop research introduced at the 2011 National Retail Federation (NRF) Annual Convention & Expo. Please contact the authors to receive copies of last year’s mashop thought leadership materials.

3. For the purposes of this survey, ages for each generation are:
- Gen Y: 18-29
- Gen X: 30-49
- Baby boomers: 50-64
- Silvers: 65 and older

More Information

Cisco Internet Business Solutions Group (IBSG, the company’s global consultancy, helps CXOx from the world’s largest public and private organizations solve critical busniess challenges. By connceting strategy, process, and technology. Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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