

Digital Shopping Behavior in an 'Internet of Everything' World

Top Insights and Actions from Cisco Consulting Research

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Introduction

This year's Cisco Consulting Digital Shopping Behavior survey includes responses from 1,174 consumers who are representative of the United States broadband population by age, income, and region. It is the fourth in a series of popular "Catch 'Em and Keep 'Em" studies by Cisco Consulting Services.

Importantly, this year's survey comes at a critical juncture in the IT industry – the convergence of people, process, data, and things called the Internet of Everything (IoE). From a retail perspective, there are three major transitions to consider: 1) the continued evolution of digital shopping, as is being realized in e-commerce and the use of personal digital devices throughout the shopping journey; 2) the data-centric retail technology innovation race, which is heading toward a full realization of IoE at its leading edge; and 3) the tension between privacy concerns and the industry Value at Stake that can be realized through the capture and analysis of – and the response to – many new forms of data that average shoppers generate through their daily activities.

Against this backdrop, Cisco Consulting explored three main topics in this year's research: 1) shopper attitudes toward data usage and experience personalization; 2) device and channel usage in what is increasingly an IoE world; and 3) anticipated usage of eight in-store digital concepts by industry segment. The top insights and actions from this research have significant implications for retailers, especially segment leaders, who are continually looking for ways to increase profitability, improve customer engagement, and move ahead of the competition.

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Insight No. 1: Eighty percent of shoppers are now “digital” – and a growing number are “Über Digital”

Once again, the survey confirmed what is increasingly obvious to most retailers in the United States – it's now a digital world. Eighty percent of shoppers fall into what we term the Digital Mass category, in which shoppers regularly buy (from browsing to purchasing) through digital means. This category, with a median age of 40 to 44, comprises primarily PC-based shoppers, although they will also use other devices (including tablets and smartphones) within their shopping journeys.

The other key segment – and perhaps most important for the purposes of future planning – is what we term Über Digitals. This segment, with a median age between 30 and 34, represents 18 percent of the population (up from 11 percent last year). These shoppers often use smartphones and tablets when shopping in the store. This group also accesses other digital devices, such as tablets, PCs, and touch-screen devices provided by retailers during the shopping journey.

Insight No. 2: Retailers must overcome shopper distrust to maximize value from IoE and Big Data/analytics

When asked, “How much would you trust these companies/institutions to protect your personal data and use it to provide something that you value?” respondents listed retailers (31 percent) fifth out of six types of well-known enterprises that work with personal data. This fell below hospitals and healthcare, financial institutions, credit card companies, and even government agencies, the latter of which came in at 37 percent. Retailers ranked only above Internet companies (18 percent). Other recent studies have also found low levels of trust with retailers in addition to a decline in trust levels over the past two years.*

These findings point to a significant issue for retailers. Industry experts suggest that the use of Big Data, advanced analytics, and IoE-driven automation and process improvement could have added an additional \$99 billion in value to the United States retail industry in 2013. However, shopper suspicion of retailers' use of data is a major barrier to realizing that value. Simply stated, this issue is one of trust and transparency.

The research showed that a clear majority of shoppers are willing to share only what we term “transactional” information (i.e., data created by a purchase in the store), even if data sharing can create a more personalized shopping experience. More than half of the Digital Mass and Über Digital customers said they would be willing to share their past purchase histories and basic information, such as name, gender, and age. Nearly half of both segments would be willing to share data on their likes and dislikes on an opt-in-only basis. The research also uncovered what we term a “trust cliff” – where the willingness to share information beyond these areas drops to 30 percent or less. In fact, when it comes to personal information that is considered to be acceptable for retailers to use, a significant percentage of Über Digitals (25 percent) and Digital Mass (13 percent) selected “none of the above.”

* Data Agency survey of more than 1,000 consumers in the United Kingdom showed that “high-street” chains have seen a decrease of 11 percent in trust since 2011. Source: Marketing Week, 2013.

Even Über Digitals start the shopping process (which includes consideration, research, and preparation) while they are in their home environment.

Insight No. 3: **Consumers start the shopping process at home, and prefer to receive offers via email rather than in-store**

It was no surprise that shoppers by a large margin were open to receiving personalized offers from retailers. Interestingly, most shoppers asked to receive these personalized offers via email at home rather than while entering or moving about in stores. Seventy-six percent of Digital Mass and 69 percent of Über Digital shoppers want to receive email at home. For the Digital Mass segment, only 15 percent want offers upon entering a store, and 6 percent want offers while shopping in the store. For the Über Digital segment, only 26 percent want offers upon entering a store, and 13 percent want offers while shopping in the store.

The findings suggest that consumers – even Über Digitals – start the shopping process (which includes consideration, research, and preparation) while they are in their home environment. The vision of in-store offers may simply not be in sync with the reality of shopper decision making and in-store behavior.

Insight No. 4: **Customers are more likely to provide personal information when retailers offer a discount on the next purchase**

Despite shoppers' concerns about privacy, retailers can utilize two techniques for gaining more customer information that can be used to personalize offers where, when, and how shoppers want. Digital Mass and Über Digital shoppers were nearly equal in saying they would provide more personal information if a retailer guaranteed either a percentage discount (52 percent, Digital Mass; 51 percent, Über Digital) or dollar savings (52 percent, Digital Mass; 53 percent, Über Digital) on their next purchase.

A similar "value cliff" appeared in the research, as all other responses were much less popular. Answers including ability to use loyalty points at more than one retailer, admission into a club that receives priority service, and admission into a club that receives priority offers all ranked below 27 percent. Interestingly, 31 percent of Digital Mass and 39 percent of Über Digital shoppers indicated they would provide more personal information to a retailer that had world-class privacy policies. This answer fell almost directly between the other two groups of responses.

Insight No. 5: **Digital shopping is now the norm**

The research found that digital forms of shopping are now the norm. Combined, in-store touch-screens and mobile devices make up 50 percent of shopping methods for Mass Digital shoppers. As expected, digital shopping for Über Digital shoppers is greater than 90 percent across all digital channels, including smartphones in stores (100 percent), PCs at home (99 percent), tablets at home (95 percent), smartphones at home (91 percent), and smartphones on the go (90 percent).

The only category where Über Digital shoppers fell below the 90 percent mark was touch-screens in stores, at 82 percent. This is most likely because they prefer to use their own smartphones in stores rather than the digital devices offered by retailers. In fact, only 18 percent of Über Digital shoppers said they preferred to use store devices.

Insight No. 6: **Omnichannel shopping growth is flat overall – but continues to rise among Über Digitals**

With all of the attention paid to omnichannel retailing, it was somewhat surprising to find that the prevalence of cross-channel shopping appears to have reached a plateau. This year's overall results were very similar to last year's, given the margin of sampling error. However, we did see a different picture emerge from the Über Digital results. This group of shoppers is still pushing the envelope of cross-channel shopping. For example, in 2012, 60 percent of Über Digital shoppers searched for items online and bought them in a store. In 2013, that percentage increased to 72 percent. Searching for a product in the store and buying online also increased, from 39 percent in 2012 to 59 percent in 2013 – an indication that showrooming may not be completely dead.

The other significant increases for Über Shoppers were in the area of shopping on mobile devices. In 2012, 33 percent of Über Digital shoppers searched for a product on their mobile device and purchased it in a store. In 2013, this number increased to 70 percent. Additionally, 32 percent of Über Digital shoppers started their shopping journey on a mobile device and finished it on a PC in 2012. In 2013, this number increased to 62 percent.

Insight No. 7: **Online reviews by peers and experts have the greatest influence on buying behavior**

When it comes to understanding the relationship between shopper trust and influences on buying behaviors, it is important to recognize the subtleties involved. While different types of relationships engender various levels of trust (as discussed above), expertise on a given subject (i.e., which product is a better value) also influence Mass Digital and Über Digital shoppers when they're making purchase decisions.

It is clear that online reviews on retailers' websites continue to increase in importance as a buying influencer. In 2010, 44 percent of respondents indicated that online reviews on retailers' websites were an important source used in making buying decisions. This result increased to 52 percent in 2012 and 58 percent in 2013. When studied in the context of other influencers, additional important insights emerge.

The top two buying influencers for both Digital Mass and Über Digital shoppers are online peer reviews/ratings and online reviews from experts. Interestingly, advice from friends and family ranked third (about 20 percentage points from the top

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answer). Store associates ranked last, at 14 percent. Given the investment in store labor across the industry, we see the latter as a major issue that can be explained by both perceptions of expertise and trust. In a world of online research, shoppers are likely to walk into a store with equal or better knowledge about a specific product than an associate covering one or more departments. And in a world of declining brand trust, shoppers may be quick to sense the self-interest behind advice from someone wearing the retailer's logo.

Insight No. 8: Shopper expectations continue to ramp, with “better values” and “price visibility” key factors

When asked, “How have your expectations for shopping changed over the past two years?” the top three answers from Digital Mass shoppers were better values, at 71 percent; price visibility, at 61 percent; and wider product range, at 58 percent. The top three responses for Über Digital shoppers were better values, at 79 percent; information access, at 75 percent; and price visibility, at 72 percent. These findings indicate that shopper expectations continue to increase overall.

At 14 percent, store associates ranked last as a buying influencer for both Digital Mass and Über Digital shoppers. Given the investment in store labor across the industry, we see the latter as a major issue that can be explained by both perceptions of expertise and trust.

Insight No. 9: “Best Personal Price” smartphone application was the top pick among eight in-store concepts tested by Cisco

Cisco Consulting tested eight in-store concepts designed to catch and keep Digital Mass and Über Digital shoppers. Several of these concepts are on the drawing boards of leading retailers across multiple industry segments. These concepts can be implemented as designed or for use as “thought starters” to provide fresh ideas for new, innovative in-store solutions.

1) Best Personal Price – An opt-in smartphone application that combines all of a customer's relevant offers, coupons, and loyalty points, and then calculates the best personal price for an item or service. At 63 percent of all respondents who indicated they would use the concept frequently or always, Best Personal Price was the most popular concept by a wide margin (more than 20 percent). Among Über Digitals, 82 percent selected this concept. The top segment was consumer electronics, at 71 percent.

2) Mobile Concierge – An opt-in smartphone application that greets customers as they enter the store, guides them to the items they want, and provides shoppers with interest- and location-based information and offers. With 42 percent of all respondents saying they would use Mobile Concierge frequently or always, it was the second-most-popular concept. Among Über Digitals, 66 percent selected this concept. The top segment was consumer electronics, at 47 percent.

3) Beat the Buzzer – A gamification solution for use on PCs, laptops, tablets, and smartphones at home or in the store that offers a special promotion for a limited time. Shoppers who participate can receive awards. At 35 percent of all respondents who indicated they would use the concept frequently or always, Beat the Buzzer was the third-most-popular concept. Among Über Digitals, 56 percent selected this concept. The top segment was grocery, at 37 percent.

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- 4) Connect the Dots** – A gamification solution for in-store use on tablets and smartphones that collects tokens or QR codes throughout the store. Shoppers who participate can win awards. Just one percentage point below Beat the Buzzer, Connect the Dots was the fourth-most-popular concept, at 34 percent. Among Über Digitals, 55 percent selected this concept. The top segment was consumer electronics, at 37 percent.
- 5) Remote Consultation** – Appears on fixed and mobile screens. With one click and no appointment, shoppers can talk to a brand specialist to get questions answered and learn about products. At 31 percent of all respondents who indicated they would use the concept frequently or always, Remote Consultation was the fifth-most-popular concept. Among Über Digitals, 50 percent selected this concept. The top segment was home improvement, at 39 percent.
- 6) Endless Aisle** – An online and in-store solution on fixed and mobile screens that shows shoppers a brand’s entire inventory on desired SKUs. The Endless Aisle also shows nearby stores and websites that carry the desired products. Endless Aisle was tied with Solution Builder, at 29 percent, for the sixth- and seventh-most-popular concepts. Among Über Digitals, 50 percent selected this concept. The top segment was apparel, at 32 percent.
- 7) Solution Builder** – An online and in-store solution on fixed or mobile screens that suggests projects, builds shopping lists, and creates recipes based on products of interest. Solution Builder was tied with Endless Aisle, at 29 percent, for the sixth- and seventh-most-popular concepts. Among Über Digitals, 50 percent selected this concept. The top segment was home improvement, at 33 percent.
- 8) Social Shopping** – A smartphone app that integrates popular social sites such as Facebook, Pinterest, and Twitter, allowing select family, friends, and acquaintances to provide feedback or advice on purchases. At 21 percent of all respondents who indicated they would use the concept frequently or always, Social Shopping was the least-popular concept. Among Über Digital shoppers, 43 percent selected this concept. The top segment was home improvement, at 24 percent.

For retailers to realize the promise of personalization from Big Data, they must establish trust with their customers that information will be 1) captured and used in permissible ways; 2) will be used non-intrusively; 3) will be secure and safe; and, ultimately, 4) will create tangible value for shoppers.

Recommended Actions for Retailers

Action No. 1: Take steps necessary to earn shoppers' trust regarding their personal data

For retailers to realize the promise of personalization from Big Data, they must establish trust with their customers that information will be 1) captured and used in permissible ways; 2) will be used non-intrusively; 3) will be secure and safe; and, ultimately, 4) will create tangible value for shoppers. The lack of trust found in the survey results stands to prevent the U.S. retail industry from realizing the full economic value of IoE (estimated at an incremental \$99 billion in 2013). Data is the fuel that will drive retail innovation and value creation in the years ahead. However, without greater attention to the issue of earning shopper trust, the promise of personalization may be an empty one.

Action No. 2: Provide the speed, convenience, information access, and product assortment that Über Digital shoppers demand

Last year, Über Digital shoppers accounted for roughly one in 10 customers. This year, one in five shoppers is Über Digital. And although Über Digitals are younger on average, more than one-quarter of the survey's Über Digital respondents are 40 years of age or older. Über Digital shoppers represent a step-change in shopping behavior. Each store visit is accompanied by a smartphone, and nearly every shopping journey is digitally influenced.

For retailers, the message is clear: in all aspects of the retail experience, Über Digital shoppers expect the speed, convenience, information access, and available assortment found on the Internet. The net is their norm.

Action No. 3: Deliver an Internet-like experience in-store

The digitally equipped, digitally expectant shoppers of tomorrow (let alone today) will increasingly prefer a store that provides an Internet-like experience. For competitive retailers, these expectations demand a network that delivers abundant bandwidth and low latency, as well as flexible, agile store architectures that enable the rollout of new functionality to all stores in days (not years).



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