My Shopping, My Way
Are You Ready for the Tech-Shaped Consumer?

Cisco Internet Business Solutions Group (IBSG)
Lisa Fretwell, Jon Stine, Andy Noronha
January 2011
Agenda

- Executive Summary
- According to the Research
- A Significant Opportunity
- Achieving the Potential

Source: Cisco IBSG, January 2011
Executive Summary

- Consumers’ behavior and expectations are being rapidly shaped by technology
- This situation is accelerating retail commoditization
- Cisco IBSG research indicates retailers can increase sales, grow conversion rates, and preserve margins by creating “mashops” that combine web-like experiences with the store shopping experience
- The research also shows retailers should focus on “calculating shoppers” (56% of population) rather than “extreme shoppers” (11% of population)
- Several leading retailers are already creating mashop experiences
- To begin, understand the experiences needed to enhance your brand promise, create a technology-based platform to deliver the needed experiences, and reassess / adjust
- Retailers that fail to embrace mashop experiences will be more susceptible to commoditization

Source: Cisco IBSG, January 2011
Three Transitions Impacting Retail

Technology Adoption
- Mobile shopping clicks with consumers, retailers — Chicago Tribune, 11/10
- A high-tech edge on Black Friday — The Wall Street Journal, 11/10

Generational Impact
- Bust of the baby-boomer economy: “generation spend” tightens belt — CNBC, 1/10
- Gen X and Y pave way to economic recovery — Adweek, 3/10

They’re Seeking Deals
- Shoppers flock back to the mall to hunt deals — The New York Times, 11/10
- Black Friday gains, but consumers stay nervous — MSNBC, 12/10

According to the Research
Why Cisco Conducted the “My Shopping, My Way” Shopper Survey

- Consumers using more technology to help shop
- Tested hypotheses about the future of shopping

**Survey goals:**

- Understand how / why consumers use technology
- Learn how technology is shaping consumers’ behavior / expectations
- Test delivery of technology-enabled shopping experiences that empower customers

Source: Cisco IBSG, 2010
## Technology Commoditizing Retail Due to Increased Data Access / Transparency

<table>
<thead>
<tr>
<th></th>
<th>Calculating Shoppers (56%)</th>
<th>Extreme Shoppers (11%)</th>
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<tbody>
<tr>
<td></td>
<td>Gen Y (32%), Gen X (39%),</td>
<td>Gen Y (58%), Gen X (30%),</td>
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<tr>
<td></td>
<td>Boomers/Silvers (29%)</td>
<td>Boomers/Silvers (12%)</td>
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<tr>
<td>Deal-seeking time</td>
<td>66%</td>
<td>73%</td>
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<tr>
<td>higher than 2 years</td>
<td></td>
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<tr>
<td>ago</td>
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<tr>
<td>Deal-seeking time</td>
<td>51%</td>
<td>61%</td>
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<tr>
<td>to increase in 2 years</td>
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<td></td>
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<tr>
<td>Have used group</td>
<td>23%</td>
<td>42%</td>
</tr>
<tr>
<td>buying sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have used retailer</td>
<td>31%</td>
<td>56%</td>
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<tr>
<td>Facebook sites</td>
<td></td>
<td></td>
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<tr>
<td>Have used coupon-</td>
<td>33%</td>
<td>60%</td>
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<tr>
<td>sharing sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use iPhones / Android</td>
<td>18%</td>
<td>65%</td>
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<tr>
<td>devices</td>
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</table>

Top Reasons Consumers Use Technology for Shopping

1. Find lowest price: 63%
2. Save time: 47%
3. Find best selection: 26%
   Find best-quality product: 25%

Technology Is Reshaping How Shoppers Make Buying Decisions...

Which of the following are the three most important sources of information that you use to help make buying decisions?

- Friends / Family: 60%
- Online professional reviews: 29%
- Customer reviews (online-only retailer sites): 29%
- Data on mfg. sites: 27%
- In-store product displays: 24%
- Online reviews (store-based retailer sites): 23%
- In-store employees: 21%
- Print: 19%
- Customer reviews on blogs, message boards: 14%
- Customer reviews on social networks: 11%
- TV: 10%

Sample Size = 1,000 U.S. consumers

Online reviews more important than in-store employees, traditional media, and social networking

Source: Cisco IBSG Research & Economics Practice, 2010
What is your experience with using each of the following technologies to look for product or pricing information before you purchase?

Percent of U.S. respondents who “regularly use” or “have tried it”

- PC at home: 85%, 80%, 76%
- Kiosk / touch screen in store: 45%, 35%, 27%
- Mobile device at home: 43%, 23%, 12%
- Mobile device in store: 36%, 20%, 9%

Sample Size = 1,000 U.S. consumers

Source: Cisco IBSG Research & Economics Practice, 2010
A Significant Opportunity
New Technology-Based Shopping Concepts “Mash Up” Virtual / Physical

Physical (stores) + Virtual (web) = “Mashop”

Mashop Experiences Empower Shoppers in Your Store

- Personalized product offers
- One-click mobile payments
- Shelf-edge access to deep, net-like knowledge
- Multi-touchpoint social media customer care
- Virtual expert adviser

Source: Cisco IBSG, January 2011
Cisco Technology Can Be “Mashed Up” To Deliver Mashop Solutions

<table>
<thead>
<tr>
<th>Mashops</th>
<th>Cisco Solutions</th>
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</thead>
<tbody>
<tr>
<td>Shelf-edge access to deep, net-like knowledge</td>
<td>Cisco Digital Media Suite (DMS) + interactive signage + content distribution network (CDN) + medianet</td>
</tr>
<tr>
<td>Personalized product offers</td>
<td>DMS + interactive signage + CDN + Wi-Fi + context-/location-based services</td>
</tr>
<tr>
<td>Virtual expert adviser</td>
<td>Cisco TelePresence + Unified Contact Center (UCC) + Cius + medianet</td>
</tr>
<tr>
<td>One-click mobile payments</td>
<td>PCI solution for retail + Wi-Fi + POS integration + web</td>
</tr>
<tr>
<td>Multi-touchpoint social media customer care</td>
<td>Cisco SocialMiner + UCC + Wi-Fi + context-/location-based services + network + interactive signage</td>
</tr>
</tbody>
</table>

Source: Cisco IBSG, January 2011
Why Shoppers Prefer Mashop Experiences

- Physical availability
- See, touch, smell
- Try it, use it
- Human interaction

+ 

- Peer reviews / ratings
- Feature and functionality comparisons
- Price comparisons
- Detailed product information, specifications, videos
- Recommendations

= “Mashop”

Source: Cisco IBSG, January 2011
Mashops Offer Self-Discovery In the Store To Drive Sales

Information from Web (55% Interested)

- **Shopper preference**
  - 65%: touch screen at shelf
  - 54%: touch screen in aisle

- **Shopper value**
  - 28%: comparative pricing
  - 25%: detailed information

- **Pilot indications**
  - Shelf-edge conversions: 8%+

Source: Cisco IBSG Research & Economics Practice, 2010

Personalized Offers (54% Interested)

- **Shopper preference**
  - 73%: touch screen at shelf
  - 60%: store-entrance kiosk

- **Shopper value**
  - 48%: relevant offers

- **Pilot indications**
  - Increased traffic from loyalty program participants

Virtual Video Adviser (44% Interested)

- **Shopper preference**
  - 53%: tablet PCs
  - 44%: TelePresence

- **Shopper value**
  - 41%: real expert
  - 28%: convenience

- **Pilot indications**
  - Cross-channel customers increase 2x, spend 3x
Leading Retailers Already Creating Mashop-Type Experiences

Best Buy Connected Store
- Web / physical / mobile experiences in store
- Shopper self-discovery
- Endpoint options

John Lewis
- Multichannel ordering / multi-endpoint delivery
- Store: staff / kiosks / web / contact center / mobile

Home Improvement Retailer
- Mashed-up web, physical, video experience
- Design services in store

Cisco IBSG’s View
- Shoppers like control / self-discovery
- Shoppers get best prices / quality, save time
- Pilots show increased sales from conversions, upselling, cross-channel spend
- Opportunity to rethink store operating model

Sources: Best Buy, 2010; John Lewis, 2010; Cisco IBSG, January 2011
# Mashop Solutions Will Drive New Operational Models

<table>
<thead>
<tr>
<th>Labor Productivity</th>
<th>Specialty / Service-Based</th>
<th>Mass-Merchandisers</th>
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<td>Self-discovery</td>
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<td>Multistore experts</td>
<td>Self-checkout / warranty</td>
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<td>Mobile checkout / warranty</td>
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<th>Range / Space</th>
<th>Specialty / Service-Based</th>
<th>Mass-Merchandisers</th>
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<tbody>
<tr>
<td></td>
<td>Exhaustive / personalized range</td>
<td>Virtual ranges at many touchpoints</td>
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<td></td>
<td>Inspirational experiences</td>
<td>Smaller stores</td>
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<td></td>
<td>Larger range, smaller stores</td>
<td>Virtual pop-up retail</td>
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<tr>
<th>Fulfillment</th>
<th>Specialty / Service-Based</th>
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<tr>
<td></td>
<td>Buy online, pick up in store</td>
<td>Direct supplier delivery</td>
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<tr>
<td></td>
<td>Try before you buy / pick up</td>
<td>Multichannel ordering</td>
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<tr>
<td></td>
<td>Micro slots / same-day delivery</td>
<td>Multipoint delivery</td>
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<td>Dynamic cross-channel pricing</td>
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<th>CRM</th>
<th>Specialty / Service-Based</th>
<th>Mass-Merchandisers</th>
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<tbody>
<tr>
<td></td>
<td>Real-time customer view</td>
<td>Self-managed customer view</td>
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</table>

Source: Cisco IBSG, January 2011
3 Achieving the Potential
Three Development Phases

**Established:** Shopping *with* Technology

- **Shopper preference**
  - Self-checkout
  - Loyalty offers
  - Price check / lookup
  - Self-scanning
- **Web**
  - Product search
  - Price comparison
  - Peer reviews
  - Personalized offers
  - One-click checkout

**Emerging:** Shopping *Shaped by* Technology

- **Net-like behaviors reach store**
  - Mobile Internet
  - Location-based services
  - Comparison apps.
  - Social networks
  - Augmented reality
  - Group consumption
  - Interactive touch screens
  - In-store online ordering
  - Digital signage

**Empowering:** Technology *Ingrained in* Shopping

- **Mash up virtual into the physical**
  - Self-checkout
  - Loyalty offers
  - Price check / lookup
  - Self-scanning
- **Examples**
  - Deep search / finding
  - Peer reviews / comparisons
  - Virtual expertise
  - Personalized, location-based offers
  - Social customer care

Source: Cisco IBSG, January 2011
Looking Ahead: Target Demographics Should Guide Your Roadmap

In-Store / At Home
Shopping with Technology

All About Mobility
Shopping Shaped by Technology

Mashop Solutions
Technology Ingrained in Shopping

Gen Y

Now

This year

Now

This year

1-2 years

Gen X

Now

This year

1-2 years

Now

Bypass mobility-centric phase?

1-2 years

Boomers / Silvers

Source: Cisco IBSG, January 2011
## Looking Ahead: Segments / Competition Should Also Guide Your Roadmap

### In Store / At Home

**Shopping with Technology**

**Food**
- The Store
  - Self-checkout
  - Loyalty offers
  - Price check / lookup
  - Self-scanning

**Nonfood**
- The Web
  - Product search
  - Price comparison
  - Peer reviews
  - Personalized offers
  - One-click checkout

### All About Mobility

**Shopping Shaped by Technology**

- Smartphones
- Digital signage

### Mashop Solutions

**Technology Ingrained in Shopping**

- Location-based offers
- Personalized offers
- One-click mobile checkout
- Social customer care

### Today’s Baseline

- **Smartphones**
- **Digital signage**

- **Food**
  - Deep search at shelf edge
  - Shelf-edge peer reviews / comparisons
  - Virtual expertise: store, web, on the go
  - Interactive / immersive experiences
  - Social customer care

- **Nonfood**
  - Social media

Source: Cisco IBSG, January 2011
Key Business and Technology Questions To Ask for My Shopping, My Way

1. Brand Promise
   - What’s the differentiating brand promise?
   - Where are customers digitally active?

2. Customer Experience
   - Which net-like experiences will deliver brand promise in stores?
   - What’s the tech roadmap?

3. Operations
   - How can labor be reallocated / optimized?
   - Which infrastructure improvements will be required?
   - How will CRM be delivered to all touchpoints?

4. Business Value
   - How can mashop solutions reinvigorate your store?
   - How can they increase basket size, stock turnover, margins?
   - How will shopper self-discovery optimize labor allocation?

Source: Cisco IBSG, January 2011
“I expect the Internet experience in the store and the store experience on the Internet.”