

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

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Just when you thought the global financial crisis and retail recession were easing, another dramatic shift is taking place—customers are accelerating their use of technology. Technology is shaping both their behavior and expectations—and challenging the sales and margins of retailers.

Research from the Cisco Internet Business Solutions Group (IBSG) indicates that significant opportunities exist to increase sales, grow conversion rates, and preserve margins by combining web-like experiences (social networking, online reviews, personal offers) with the shopping experience in stores. These solutions are called “mashops” because they “mash up” the virtual and physical to create a new way to “shop.”

The research also suggests that if retailers fail to embrace mashop experiences, they will be more susceptible to commoditization, driving down margins.

Research Findings: How and Why Consumers Use Technology To Shop

Cisco IBSG’s research involved 1,000 shoppers from the United States and United Kingdom. The goal was to discover how they are using technology to help them buy, and to determine their interest in technology-enabled in-store experiences.

The research revealed that retailers should pay attention to two customer segments: *calculating shoppers* and *extreme shoppers*.

Calculating shoppers (56 percent of the general population) use the web to inform their buying decisions. Extreme shoppers (11 percent of the general population, with a high representation from Generation Y) use the web and smartphones to turn shopping into a low-price battleground. And while extreme shoppers receive the most attention, it’s the larger group—calculating shoppers—that has the greatest impact on retailers’ revenues and margins.

The behavior of calculating shoppers is increasingly shaped by technology. In fact, 1 in 3 calculating shoppers use retailers’ Facebook pages and coupon-sharing sites, while 1 in 4 use web-based group buying sites such as Groupon. They also prefer to research products online rather than to speak with store staff. Most important for retailers, calculating shoppers expect to increase their value-seeking behavior over the next two years, further accelerating margin pressures.



Cisco Internet Business Solutions Group (IBSG)

'Mashops'—Virtual Shopping in Physical Stores

Given this situation, how can retailers embrace tech-shaped consumers? The research suggests that calculating shoppers will respond positively to mashops—solutions that provide Internet-like experiences in the physical store environment. Five mashop concepts were tested, with three demonstrating especially encouraging results.

The most successful idea combined personalized recommendations with a touch screen at the shelf edge. More than 54 percent of respondents wanted to try this service, with 73 percent preferring access at the shelf edge via a touch screen. A second concept offered product-price comparisons and peer reviews on touch screens and mobile devices. Again, 54 percent were interested in using this solution, with 65 percent preferring shelf-edge touch screens. The third mashop idea combined a virtual video adviser with web content on a large screen or tablet device. This solution was liked by 44 percent of respondents.

By combining the best of both worlds, mashops create a win-win situation. Shoppers receive the information and convenience of web-based experiences while, *at the same time*, being able to touch, feel, and see the products they want to buy. For retailers, mashops promise to preserve margins and increase sales. Shoppers are also more likely to upgrade their purchases and increase the basket size when factors other than just the best price influence their buying decisions.

As mashop solutions mature, Cisco IBSG believes retailers will also experience operational efficiencies due to more effective customer self-service. This will allow retailers to operate with more centralized staffing models.

Already, several retailers are creating mashop experiences. Best Buy (U.S.), with its Connected Stores concept, and John Lewis (U.K.) have brought the web into their stores. Additionally, a U.S.-based home improvement retailer has combined web design portals with access to remote video experts in stores to offer affordable and effective design services to customers. These early pilots are increasing sales, conversion rates, and cross-channel purchases.

Getting Started

Interestingly, the first step to create mashop experiences does not involve technology.

Start by determining the Internet-like experiences that will make your brand promise a reality. Next, design and implement a technology-based platform to deliver the required capabilities. Finally, reassess and adjust your use of staff, range, space, fulfillment, pricing, and customer relationship management.

By taking this approach, retailers that are ready to gain a competitive advantage with technology now have the opportunity to do so. The way forward is clear—bring the Internet into the store, and take the store to the Internet.

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