Digital Shopping Behaviour in an 'Internet of Everything' World

A summary of *Top Insights and Actions from Cisco Consulting Research*

This research has significant implications for retailers who are continually looking for ways to increase profitability, improve customer engagement, and move ahead of the competition.

Introduction

The 2013 Cisco Consulting Digital Shopping behaviour survey includes responses from 1,174 consumers representative of the United States population by age, income, and region. The fourth in a series of "Catch 'Em and Keep 'Em" studies by Cisco Consulting Services, this year's survey comes at a critical juncture in the IT industry – the convergence of people, processes, 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 and use of personal digital devices throughout the shopping journey; 2) the data-centric retail innovation race with IoE at its leading edge; and 3) the tension between privacy concerns and industry Value at Stake caused by the capture, analysis and response of the many new forms of data shoppers generate.

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

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

Shopper suspicion of retailers' data is a major barrier to realising value.

The survey confirmed what is increasingly obvious to most retailers – it's a digital world. Eighty percent of shoppers fall into what we term the Digital Mass category, in which shoppers regularly buy through digital means. This category, aged 40 to 44, comprises primarily PC-based shoppers, although they will also use other devices within their shopping journeys.

The other key segment is what we term Über Digitals. This segment, aged 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 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 maximise value from IoE and Big Data/analytics

When asked, "How much would you trust companies/institutions to protect your personal data and use it to provide something 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.

These findings point to a significant issue for retailers. Shopper suspicion of retailers' use of data is a major barrier to realising value. Simply stated, this issue is one of trust and transparency.

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). 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. When it comes to personal information 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."

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 many shoppers were open to receiving personalised offers from retailers. Interestingly, most shoppers asked to receive these personalised offers via email at home rather than while 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 consumers start the shopping process in their home environment.

Even Über Digitals start the shopping process in their home environment

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, 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. 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.

Insight No. 5: Digital shopping is now the norm

The research found digital forms of shopping are now the norm. Combined, in-store tough-screens and mobile devices make up 50 percent of shopping methods for Mass Digital shoppers. As expected, digital shopping for Uber 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).

Across the education system, the ability to find experts and bring them into classroom in real time or through recorded video is another way to increase the quality of education. IoE will help connect learners who are home-bound or disabled participate in classroom courses and have access to high-quality learning and peer-to-peer interaction.

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 this year's overall results were very similar to last year's. However, we did see a different picture emerge from the Über Digital results. 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.

It is clear that online reviews on retailers' websites are increasingly important 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.

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

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.

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.

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 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.

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.

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.

Concept No.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. 63 percent of all respondents indicated they would use the concept frequently or always, making this 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.

Concept No.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. 42 percent of all respondents said they would use Mobile Concierge frequently or always. Among Über Digitals, 66 percent selected this concept. The top segment was consumer electronics, at 47 percent.

Concept No.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. 35 percent of all respondents indicated they would use the concept frequently or always. Among Über Digitals, 56 percent selected this concept. The top segment was grocery, at 37 percent.

Concept No.4: Connect the Dots – A gamification solution for in-store use on tablets and smartphones that collects tokens or QR codes throughout the store. 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.

Concept No.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. Appears on fixed and mobile screens. 31 percent of all respondents indicated they would use the concept frequently or always. Among Über Digitals, 50 percent selected this concept. The top segment was home improvement, at 39 percent.

Concept No.6: Endless Aisle – An online and in-store solution on fixed and mobile screens that shows shoppers a brand's entire inventory. The Endless Aisle also shows nearby stores and websites that carry the desired products. Endless Aisle was tied with Solution Builder, with 29 percent of respondents indicating they would use the concept. Among Über Digitals, 50 percent selected this concept. The top segment was apparel, at 32 percent.

Concept No.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 also popular with 29 percent of respondents. Among Über Digitals, 50 percent selected this concept. The top segment was home improvement, at 33 percent.

Concept No.8: Social Shopping – A smartphone app that integrates with popular social sites such as Facebook, Pinterest, and Twitter. 21 percent of all respondents indicated they would use the concept frequently or always. Among Über Digital shoppers, 43 percent selected this concept. The top segment was home improvement, at 24 percent.

Recommended Actions for Retailers

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

For retailers to realise the promise of personalisation from Big Data, they must establish trust with their customers that their 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. Data is the fuel that drives retail innovation and value creation in the years ahead. However, without greater attention to the issue of earning shopper trust, the promise of personalisation may be an empty one.

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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. 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.

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

The digitally equipped, digitally expectant shoppers of tomorrow will increasingly prefer stores which provide Internet-like experiences. For competitive retailers, these expectations demand a network with 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 months, seasons or years).

This paper is a summary of the "Digital Shopping Behaviour in an 'Internet of Everything' World" whitepaper by Jon Stine and Hiten Sethi available here:
http://www.cisco.com/web/about/ac79/docs/IoE/IoE-Retail-Key-Findings.pdf

For more information on the Internet of Everything, please visit:
http://www.cisco.com/web/about/ac79/innov/IoE.html

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