Inside

SECOND ANNUAL

2011 Shopper Experience Study

Taking the Store to the Shopper

RIS RETAIL INFO SYSTEMS NEWS

Cognizant

Perfect Storm of Insight

IF YOU LISTEN, shoppers will tell you exactly what they want and need. Today, new ways are emerging to listen and learn about customer sentiment. One of them is presented here — the second annual *RIS*/Cognizant Shopper Experience study.

What makes this study unique is that it not only taps into shopper likes and dislikes, but also links them to specific strategies retailers can deploy right now to improve sales and customer satisfaction.

To bring you these datapoints and takeaways *RIS* worked with a large team of consultants and analysts headed by Steven Skinner, vice president of Cognizant's retail, hospitality and consumer goods practice. The brain power brought to bear on all aspects of this study was extraordinary and involved teams in countries located on three continents — the United States, England and India.

Opinions from those who count most — the shoppers

What elevates this study over others in the retail technology field is that it fills a gap left wide open in most retailer-based research — opinions from those that count most, the shoppers. By combining this study's consumer-based approach with insights drawn from retailer-based sources, retail executives can add a new layer of relevance to their IT strategies and achieve a perfect storm of bottom-up and top-down influences.

There are a number of surprises and a-ha moments in the study, especially in the area of mobile commerce, which is not yet ready for prime time in the minds of most shoppers while simultaneously being one of the fastest growing opportunities in retailing. It takes a careful approach to reconcile these opposing forces.

Some people say retailers are drowning in data, but no one ever says they are drowning in insight. Use this study to complement your other sources of data and you will find the insight you need to succeed.

Joe Skorupa
Group Editor-in-Chief

Study Methodology

FOR THIS YEAR'S SHOPPER preferences study we surveyed 2,427 shoppers in the U.S. and Canada in late April. Following precedent established last year, the respondent profile is designed to be a close match to a shopper profile that makes the most sense to the average retailer in terms of gender, age and household income before taxes.

For gender breakdown the respondent pool was 70% female and 30% male, a deliberate overweighting that makes sense for most retailers. This bias toward female shoppers mirrors a pattern validated in numerous industry studies that show 70% of buying decisions are either made by females or are influenced by them. (See Figure 1.)

For age category breakdown the respondent pool is intended to mirror the average shopper profile in the overall marketplace. The breakdown by age groups is as follows: 25% for Gen Y (18-33), 23% for Gen X (34-45), 31% for Baby Boomers (46-64), and 21% for Emerging Elders (age 65 and higher).

A similar effort was made to ensure the annual income category breakdown mirrored the overall shopping public.

The breakdown for annual household income before taxes is as follows: 16% for under $25,000, 27% for $25,000 to $49,999, 20% for $50,000 to $74,999, 12% for $75,000 to $99,999 10% for $100,000 to $149,999, 3% for $150,000 to $199,999, and 2% for $200,000. ∎

FIGURE 1

Gender

30%
Male

70%
Female

FIGURE 2

Age Group

25%
18-33 (Gen Y)

21%
65+ (Emerging Elders)

23%
34-45 (Gen X)

31%
46-64 (Baby Boomers)

FIGURE 3

Income

10%
Prefer not to answer

2%
$200,000+

16%
Under $25,000

3%
$150,000-$199,999

10%
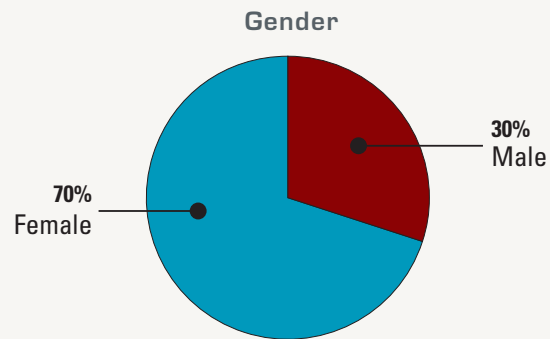$100,000-$149,999
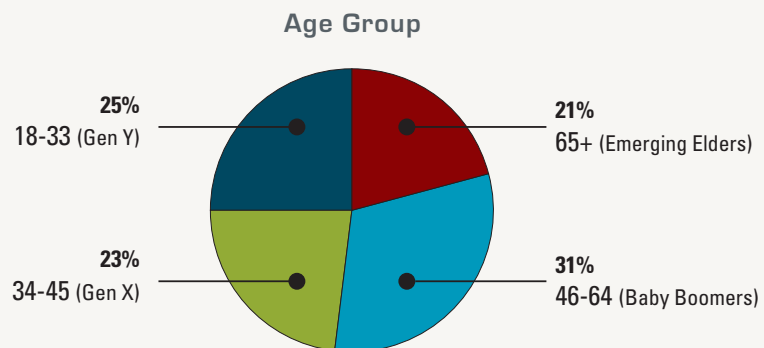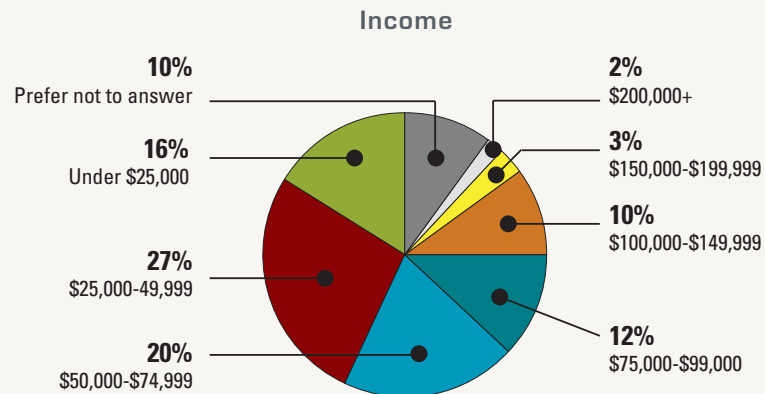
27%
$25,000-49,999

20%
$50,000-$74,999

12%
$75,000-$99,000

Taking the Store to the Shopper

EXAMINING SHOPPER PREFERENCES REVEALS STRATEGIC OPPORTUNITIES FOR RESPONDING TO FAST-MOVING CONSUMER CHANGES

THIS EDITION OF OUR SHOPPER EXPERIENCE STUDY continues the work started last year between *RIS News* and Cognizant: exploring shopper likes and dislikes, the emergence of mobility and the drivers of retail loyalty.

Mobile platforms continue to give shoppers more choices for where/when/how to shop, and with the growth of social media, more ways to compare products, prices and services. What has crystallized is the fact that the train has left the station...and it is moving at an ever quickening pace.

To better understand shopper preferences, and how they have changed in the last year, we surveyed 2,427 shoppers in the U.S. and Canada in late April. Their responses show that shoppers still value many aspects of the 'traditional' in-store experience, and new technologies are additions, not replacements, to that experience.

More important, however, is the shopper's desire for integration of offer and experience across channels leveraging these technologies. This concept of taking the store to the shopper regardless of location clearly comes across as a macro-level takeaway.

FIVE KEY TAKEAWAYS FROM THE SURVEY

1. FOCUS ON FUNDAMENTALS: Basic blocking and tackling includes speed of service and product availability. These remain top of mind to shoppers. The retail store isn't just a showroom, but rather a distinct channel where shoppers have very high expectations about how stores need to perform.

Shoppers want to get the most out of the in-store experience, so they demand products that are in stock, easy to locate and properly displayed/signed. When they are done shopping, they expect to get through the checkout process quickly and without incident.

2. TECHNOLOGY CONTINUES TO MOVE FAST, MUCH FASTER THAN THE ADOPTION RATE OF SHOPPERS: Adoption/usage of retailer-supplied technology has actually declined year over year. While there remains a strong willingness to use mobile functionalities like loyalty/rewards data, coupons and product comparisons, each of these areas decreased from last year to this year.

As the mobile/app market continues to grow, it is possible the proliferation of third-party (read retailer agnostic) applications like Red Laser, Shopkick and Foursquare are creating two distinct shopping experiences: an increasingly preferred channel created by these third parties, and an increasingly ignored shopping experience provided by retailers. We view this as a challenge for the retail industry's control over the shopper's in-store experience.

The exception to this is retailer mobile coupons, the clear leader in mobile services that shoppers continue to demand. Nevertheless, retailers must invest in solutions providing an integrated experience that takes shopping back from third parties.

3. ENABLED/EMPOWERED STORE ASSOCIATES: Shoppers demand knowledgeable associates and want more engagement during the in-store experience. They still rely on the personal touch, but with a slight twist — 64% of shoppers want customer service skills improved/enabled with the use of technology.

The retail store isn't just a showroom, but rather a distinct channel where shoppers have very high expectations about how stores need to perform

By Steven Skinner

As the flow of information continues to grow exponentially, consumers will use this information and hold retailers accountable

Retailers had to rationalize store headcount as the economy softened and budgets were tightened during the Great Recession. This put service levels at great risk. With economic health slowly returning, retailers must invest in and enable the transition of task-based labor pools toward value-driven activities like in-aisle customer service. It doesn't make sense that the shopper in aisle three has the least access to retailer capabilities (e.g. order fulfillment options, product comparison, product usage). Boundaries like this contribute to shopper apathy.

4. SOCIAL MEDIA'S RELEVANCY TO RETAIL IS STILL IN ITS INFANCY: There is no question that Facebook, Twitter and a host of other social media vehicles have captured the hearts and minds of the general public. Shoppers, on the other hand, are not relying on social media to enable purchase decisions, according to the survey.

Our research shows that while shoppers show increasing interest in retailers linking up with social media sites, they are more interested in discounts and special savings through group buying, e.g. Groupon and Living Social, and member discounts, such as Ideeli and Rue La La.

Shoppers look to their friends and family consistently when it comes to product recommendations, but aren't currently making the same connections with social media at the same level of intensity. As Facebook, Twitter and others continue to explore ways to monetize their respective consumer base, it will be interesting to see how social media bridges that gap. We believe this is a latent demand that retailers need to anticipate, and, in many cases, they are.

5. PRICE TRANSPARENCY IS HERE: 68% of shoppers want store associates to have the ability to match competitive online prices. Shoppers are clearly doing their research. As the flow of information continues to grow exponentially, consumers will use this information and hold retailers accountable.

It is not surprising that the leading issue respondents have with the in-store shopping experience is price discrepancy. We believe this points to a larger issue concerning cross-channel consistency of experience and offers. Integrating cross-channel content management, cross-channel price management and cross-channel promotion management will become necessary core competencies

It is obvious that while retailers plan for the future of shopping, they must also keep an eye toward continuously improving and enabling execution of fundamental operating principles at the store level.

A view of the research, however, gives us pause for concern for the future of shopping provided by retailers. With the increase of intermediaries in the shopping process, retailers run the risk of losing their shopping experience relevance and losing control of the shopper loyalty equation.

Retailers need to pivot toward creating a "store without boundaries" that enables shoppers to receive consistency of product, price, support and order fulfillment capabilities regardless of their location. Retailers need to support the shopping experience wherever it is — in the checkout lane, at home, in Central Park or in aisle three.

Integration of these intermediaries into a retailer-managed shopping experience is a pivotal innovation that retailers must strive for. Store-level innovation is necessary to ensure the store remains a weapon and maintains the store's position as a vital asset on the balance sheet versus becoming a liability. We believe the CFO will be in full agreement with this goal. ∎

Steven Skinner is vice president of Cognizant's retail, hospitality and consumer goods practice, and this study's principal research analyst.

TAKEAWAYS

» Shoppers do not yet have a clear preference for what they expect from their mobile devices

» Women shoppers are more likely to rely on coupons and friends/family than male shoppers

» Older generations are more reliant on friends/family than other methods of getting relevant shopping information

» Higher income shoppers are more likely to research retailer websites

» Male shoppers are more likely to seek out a store associate than women

» Older shoppers are more likely to scan a product with a mobile device

» Women rely more on catalogs than men

» Older shoppers rely more on newspapers than other generations

» More younger shoppers have embraced mobile technology than older generations

» There is a large difference in preferences between older and younger shoppers

» Mobile commerce should be viewed as an addition and not as a substitute

» Higher income shoppers are more interested in using mobile services for shopping

Examining the Start of the Shopper Journey

ALTHOUGH THE SHOPPING JOURNEY IS NOT LINEAR, IT ALWAYS BEGINS WITH A SEARCH FOR INFORMATION

The urge to shop is triggered by wants and needs, and thus begins a journey taken by a shopper that ultimately ends in making a purchase. Smart retailers know that prior to making a purchase several important steps occur, all of which offer opportunities for exerting a measure of influence.

Although the journey has a clearly understood beginning and end, the steps taken along the way are not linear, especially in today's multi-channel world where shoppers might begin online, go to a store, use a smartphone to check deals, query family and friends, go back online to make a purchase, and then go back to the store to pick up the product.

Despite the many permutations the journey can take one thing is certain: the first step or steps can be grouped together as a research or investigative phase.

As a result, this was the first subject tackled in the study. We wanted insight into how shoppers ensure they have all the relevant information needed to make an informed decision about such things as pricing, product specifications, user reviews and product comparisons.

We restricted answers to this question to the shopper's top choice so we could clearly rank the sources of information and of-

fer retailers clear guidance to set a strategic response. (See Figure 1.)

We found that website research using a PC, which was chosen by 24% of shoppers, is the number one source for gathering relevant information. There is a great deal of buzz about such fast-growing channels as smartphones (6%) and social networking (5%), but retailers are well advised to align their IT budgets and resources with actual shopper preferences instead of being swayed by hype.

No doubt smartphones and social networking will grow, but right now most consumers go to websites for relevant information, and retailers should focus on them to best serve their shoppers.

The second highest ranked source of relevant information is a manufacturer's website, which is a good news/bad news datapoint. The good news is it confirms that online research is the most important way retailers can deliver relevant information. The bad news is that manufacturer websites are competitive touchpoints. Retailers need to raise the ante on website and cross-channel development initiatives to stay ahead of competing shopper influences.

IN-STORE INFORMATION METHODS
Even after entering a store, shoppers still have a number of sources to tap to obtain

By Joe Skorupa

Although the shopping journey has a clearly understood beginning (an urge to purchase) and end (the transaction), the steps taken along the way are not linear, especially in today's multi-channel world

product information, and, as observed in several other areas of the study, findings indicate traditional options still dominate.

For this question we asked shoppers to select which methods they prefer to receive product information, and the top three are block-and-tackle elements of store-based retailing: 1. Better information on the product package (66%), 2. Signs or cards on the store shelves (61%), and 3. An informed store associate (57%).

We also included online sources that can be accessed in the store, and several of these indicate solid levels of interest, but they significantly trail the top three choices. These include scanning a product with a personal mobile device (24%) and dynamic displays that provide product information after a shopper scans a barcode (33%). These options may grow over time and may be better suited to some retail verticals than others.

But the clear message here is that shoppers expect retailers to focus on store fundamentals first and foremost.

FIGURE 1

Prior to making a purchase decision, which steps do you take to ensure you have all the relevant information to make an informed decision?

Web research	24%
Manufacturer website	20%
Family & friends	17%
Coupons.com	15%
Shopping comparison site	12%
Smartphone research	6%
Social networking	5%

Website research is still the most prevalent method of obtaining product information

Social networks are still lagging behind traditional methods of obtaining product information
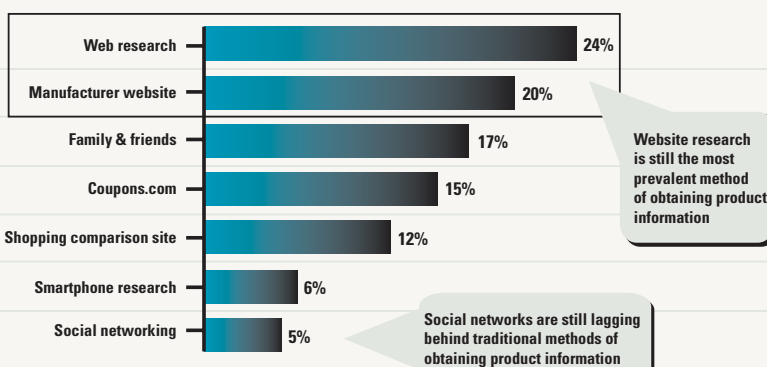
FIGURE 2

If each of the following were available, which would be your preferred method to receive product information?

From better information on the product package	66%
From signs or cards on the store shelves	61%
From an informed store associate	57%
Through a dynamic display that provides product information after you scan the product's bar code	33%
Through review publications such as Consumer Reports	31%
By reading online customer feedback on the store site or third-party social media network platform	27%
By scanning the product with your personal mobile device	24%

Mobile still not perceived as highly relevant for shopping

PROMOTIONAL SOURCES
OF INFORMATION

We take it as a given that the influence of newspaper ads is waning while simultaneously the Internet is on the rise. But let's put this into perspective. Study data indicates that, yes, overall the Internet is the source most shoppers access for product information, but this is not true for all retail verticals.

To get a sharp focus on this subject we limited answers to the top choice, so respondents could select only one answer. Looked at from this perspective, newspaper ads are still the top choice for grocery shoppers (chosen by 40%) and relatively strong for home goods shoppers (16%) and apparel shoppers (11%).

The Internet is the top choice for home goods (28%) and apparel shoppers (26%), but much lower for grocery shoppers (12%).

Word of mouth, as anticipated, is strong for all three verticals — 16% for home goods, 21% for grocery and 19% for apparel shoppers.

Television and informed store associates come next in the ranking, while radio, smartphones and magazine ads lag far behind. Catalogs show some strength with home goods (10%) and especially apparel shoppers (18%), but have little appeal for grocery shoppers (2%).

Cross-tab analysis of these verticals by gender and income reveal a number of interesting insights and a rich area of analytical detail retailers should definitely investigate when setting promotional strategies.

WEB CHANNELS

To find out which types of websites shoppers want retail stores to work with we asked respondents to rank emerging new Web channels on a scale of one to four, where one stands for most interested and four is least interested. In this format, the lowest score is the strongest.

Preferences confirm that price is still king with customers, and providers of coupons, discounts and daily deals are a major force for retailers to reckon with. Coming in at the top of the list are group buying providers (Groupon, Living Social, Daily Deals) with

a 2.1 ranking. A close second are member discount websites (Ideeli, Rue La La, Beyond the Rack and Gilt) with a 2.2 ranking.

Not far behind the discount kings are social networking platforms (Facebook, Twitter, MySpace) with a 2.5 ranking. Penetration by these platforms across the full spectrum of shopper segments and age groups is still a work in progress, but it is clearly on a fast track.

Coming in last with a 3.2 ranking is geolocation (ShopKick, Foursqare, Gowalla). Of all the promising capabilities of the

FIGURE 3

From which of the following do you get MOST of your product information?

The Internet — Home goods 28%, Grocery 12%, Apparel 26%
The Internet has a commanding lead over other channels

Newspaper ads — Home goods 16%, Grocery 40%, Apparel 11%
Newspaper is still relevant for grocery shopping

Word of mouth — Home goods 16%, Grocery 21%, Apparel 19%

Television ads — Home goods 14%, Grocery 11%, Apparel 8%

Informed store associate — Home goods 11%, Grocery 10%, Apparel 13%

Catalogs — Home goods 10%, Grocery 2%, Apparel 18%

Magazine ads — Home goods 4%, Grocery 2%, Apparel 4%

Mobile or smartphone — Home goods 2%, Grocery 2%, Apparel 1%

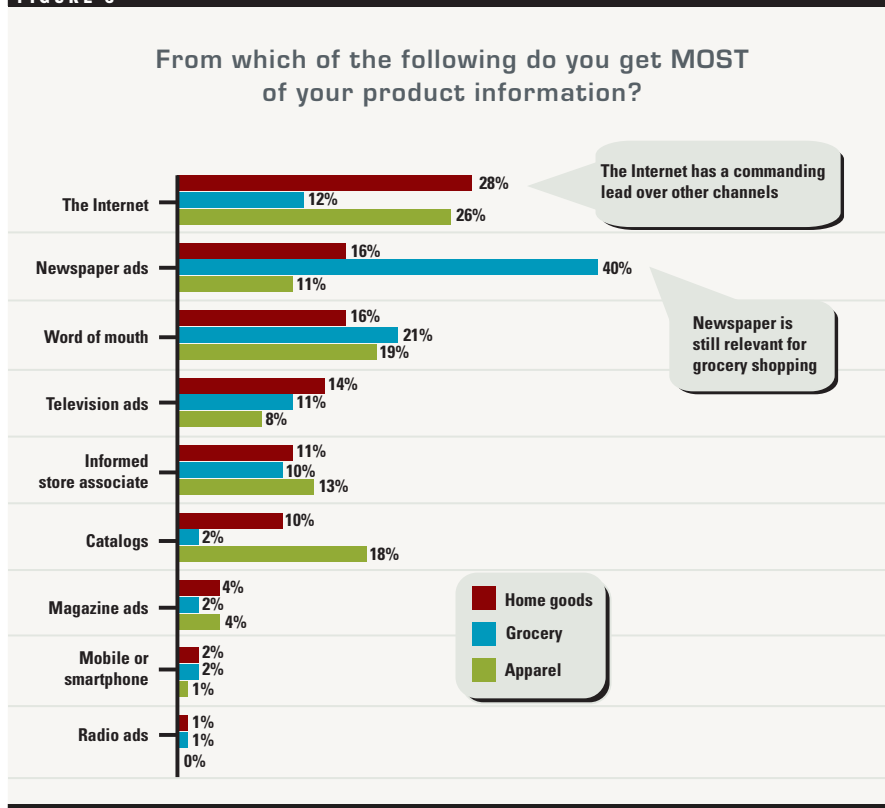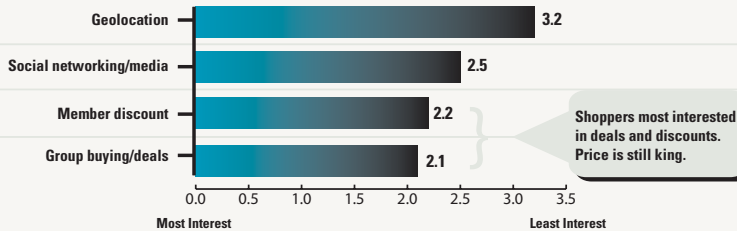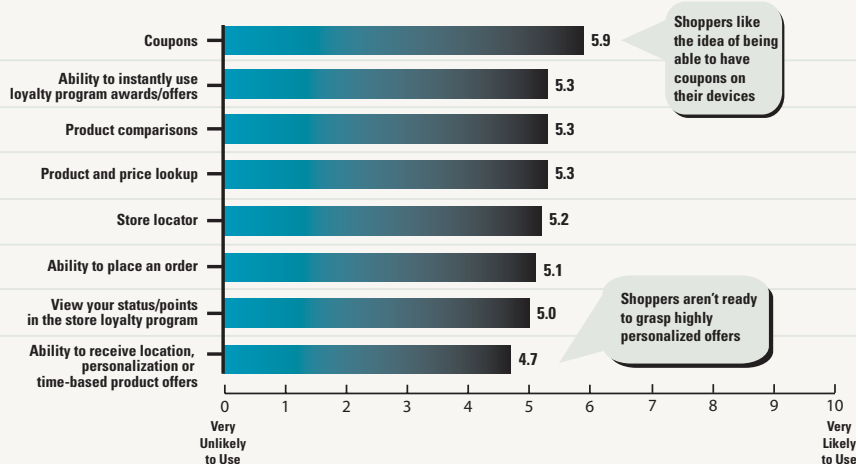Radio ads — Home goods 1%, Grocery 1%, Apparel 0%

Legend: Home goods, Grocery, Apparel

FIGURE 4

Which of the following types of websites would you like your stores to work with to take advantage of products and specials?

Geolocation	3.2
Social networking/media	2.5
Member discount	2.2
Group buying/deals	2.1

Shoppers most interested in deals and discounts. Price is still king.

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5

Most Interest   Least Interest

Retailers need to raise the ante on website and cross-channel development initiatives to stay ahead of competing shopper touchpoints and influences

FIGURE 5

If a retailer offered the following services for a mobile device, indicate how likely you would be to use them on a scale of one to 10

Coupons	5.9
Ability to instantly use loyalty program awards/offers	5.3
Product comparisons	5.3
Product and price lookup	5.3
Store locator	5.2
Ability to place an order	5.1
View your status/points in the store loyalty program	5.0
Ability to receive location, personalization or time-based product offers	4.7

Shoppers like the idea of being able to have coupons on their devices

Shoppers aren't ready to grasp highly personalized offers

0 1 2 3 4 5 6 7 8 9 10

Very Unlikely to Use   Very Likely to Use

smartphone, geolocation holds the most promise and suffers the slowest adoption. The big hurdle is shopper acceptance of a technology that pushes close to the line of personal privacy, perhaps too close. If sufficient value can be demonstrated for geolocation applications then they will succeed. If not, they will remain a niche player. For the immediate future, they should be considered the latter.

MOBILE SERVICES
For this question we asked shoppers to rank mobile services on a one to 10 scale, where one stands for very unlikely to use and 10 stands for very likely to use. So, the highest number in this question represents the highest priority.

Confirming that price is still king, coupons (5.9) are the top choice for services offered on mobile phones.

Also achieving high scores are three other popular mobile services: loyalty program awards/offers, product comparisons and product/price lookup. All achieved 5.3 scores.

Interestingly, the lowest ranked option on the list is the ability to receive location, personalized or time-based product offers at 4.7. This confirms the point made above about geolocation applications, which push too close to the bounds of personal privacy for most shoppers.

The mobile phone is a highly intimate device that is carried within the zone most people consider their personal space. Retailers who wish to venture here are advised to tread lightly and carefully. ∎

TAKEAWAYS

» Traditional store execution is still important: get customers in and out with what they want

» Out-of-stocks still top the list of most disliked shopping experiences

» Older shoppers clearly value knowledgeable store associates, and are in general much more sensitive to store execution issues

» Compared to older shoppers, younger shoppers are more aware of price discrepancies across channels

» Higher-income shoppers want retailers to show greater flexibility in returns and refunds

» Getting through the store easily is important, particularly to older shoppers and females

» Male shoppers dislike when retailers don't recognize their preferences in the store environment

» High-income shoppers have a greater expectation of Internet access, so if targeting this group, go "all in" with store technology investments

» For customer service, the phone is still the primary preference for all age groups; shoppers want a live voice

» Pricing is becoming transparent: shoppers know what and where the lowest price is and are willing to ask for it

Store Execution: Get the Basics Right First

OUT-OF-STOCKS, SLOW CHECKOUTS STILL TOP LIST OF SHOPPER DISLIKES

The shopping experience has undergone radical changes during the past few years, but some things still hold true no matter how seismic the shifts in the in-store environment. When it comes to the things shoppers dislike in the store, two perennial "favorites" — out-of-stock products and slow checkouts — still top the list. Among consumers responding to the Study, 73% identified out-of-stocks and 67% picked slow checkouts as unpleasant elements of their shopping trips.

The message for retailers is that while up-to-date mobile technology or advanced digital signage may be a great investment, they cannot afford to ignore "Retailing 101" store execution basics. Shoppers want to get into the store, find the products they are seeking and complete their transactions quickly, easily and efficiently. Retailers must be able to provide this service level on a consistent basis throughout their chain or risk a major fall-off in customer loyalty.

Retailers need both the right operational processes and solid technology to ensure shelves remain stocked and checkout lanes keep moving; the third "leg" of the store execution stool is people. In addition to store associates' crucial roles in stocking and at the point of sale, they need to provide correct information to customers. The third-highest shopper "dislike" is store associates with poor knowledge, chosen by 47% of respondents.

GENERATION GAPS

While store execution and well-trained associates are important for all retailers, they are absolutely imperative for retailers serving older customers – Baby Boomers (44 to 65 years old) and Emerging Elders (those 65 and older). Among this latter group, 61% dislike store associates with poor knowledge, as do 50% of the Boomers. Gen X and Gen Y show greater tolerance, at 43% and 37% respectively.

In general, older shoppers are much more sensitive to all types of store execution issues, expressing stronger resistance than younger consumers to stores that are difficult to navigate due to clutter or lack of access to aisles; poor promotional signage; or products marked "on sale" that nevertheless ring up at the regular price at the POS.

Pricing discrepancies are a problem for younger shoppers as well, but they are more concerned with differences across channels than within the store itself. Just over one-third (34%) of Gen X respondents, and 38% of Gen Y shoppers, dislike finding different prices in the store than those posted online (compared to 20% and 21% of Emerging Elders and Baby Boomers respectively).

By Adam Blair

These younger shoppers are more likely to be omni-channel consumers than their elders, researching prices and product features online or via a mobile device before making a purchase, so it makes sense that they would be more sensitive to seeing a different price in the store than the one they saw through a digital channel.

GENDER GAPS

The Shopper Experience Study also broke down responses by gender. Retailers serving a mostly female customer group need to pay extra attention to issues around store layout and execution/operational basics, such as keeping aisles clean and uncluttered. More women shoppers expressed dislike for difficult-to-navigate stores (75% of females vs. 67% of males) and poor promotional signage (72% vs. 63%). A larger percentage of females also dislike price discrepancies at the point of sale, 88% to 79%.

Males are seeking a more personalized in-store shopping experience, one that is tailored to their needs: 39% of males dislike when stores make no attempt to find out what they want or need, compared to 33% of female respondents. Stores that don't recognize their preferences when they arrive or are in the store earn the enmity of 17% of males but only 10% of females.

For retailers targeting high-income customers, investing in in-store Web access and connectivity improvements is a good choice. Among respondents with incomes of $200,000 or more, nearly 20% dislike when a store is not Web-enabled in some way – via Wi-Fi, a kiosk or at the POS – compared to 10% or less for respondents with lower incomes.

FIGURE 1

Which of the following experiences do you dislike most when shopping in a store?

Experience	%
Out of stock	73%
Slow checkout	67%
Store associate with poor knowledge	47%
No cash refund	30%
Different price (store vs. online)	28%
Different promo (store vs. online)	18%
Not accept return without receipt	13%
Not accept return from another store within the same chain	12%
No refund for online purchase	11%

> Out-of-stocks are still the most disliked experience of shopping in a store

FIGURE 2

Disliked shopping experiences by age group

Store associate with poor knowledge
- Emerging Elders: 61%
- Baby Boomers: 50%
- Gen X: 43%
- Gen Y: 37%

> Older shoppers clearly value knowledgeable store associates

Different price (store vs. online)
- Emerging Elders: 20%
- Baby Boomers: 21%
- Gen X: 34%
- Gen Y: 38%

> Younger shoppers are more aware of price discrepancies than older shoppers

Legend: ■ Emerging Elders ■ Baby Boomers ■ Gen X ■ Gen Y
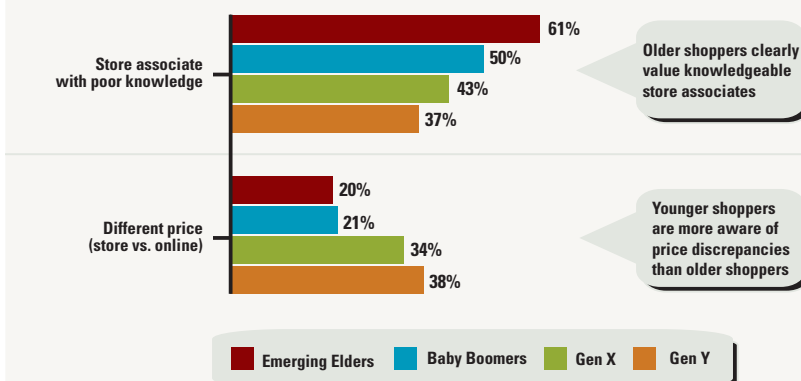
"Know thy customer": Technology alone is not the answer for all shopper segments

High-income shoppers also prefer cross-channel synchronization: nearly 20% of respondents in the $150,000 to $199,999 bracket dislike when a store's product assortment is out of sync with the retailer's online or mobile channel. Interestingly, the next-highest response rate among those choosing this option, at approximately 15%, came from the lowest income group – those making $25,000 or less.

THE PEOPLE SPEAK
This year's survey asked shoppers how likely they would be to use chat, text or a video feed (rather than the phone) as an alternative way to access a customer service or product representative. Phone assistance is still the preferred communication method: on a scale of 1 to 10, it rated a 6.4, compared to 5.1 for the next highest option (text/call to receive live associate assistance). Shoppers' preference for the phone remained consistent across gender, age and income differences.

This may be a chicken-and-egg issue. Since not many retailers currently offer these alternatives to the phone, shoppers are more likely to choose the option they are most familiar with rather than new ones they haven't seen in operation before.

FIGURE 3

Which of the following store characteristics do you dislike the most when shopping?

Characteristic	%
A product is marked as "on sale," but when you get to the cash register, it rings up the regular price, or a different price	85%
Store is difficult to navigate through — too cluttered, and/or with poor access to aisles	73%
Poor promotional signage — no clear way to know what is on sale	69%
Store makes no attempt to find out what I want/need	35%
Store doesn't recognize my preferences when I arrive/am in-store	12%
The store's product is out of sync with the online or mobile channel	10%
Store is not Web-enabled	7%
Store does not connect to my mobile device	5%

Getting through the store easily is important

FIGURE 4

Disliked store characteristics by gender

Characteristic	Female	Male
A product is marked as "on sale," but when you get to the cash register, it rings up the regular price or different price	88%	79%
Store is difficult to navigate through — too cluttered, and/or with poor access to aisles	75%	67%
Poor promotional signage — no clear way to know what is on sale	72%	63%
Store makes no attempt to find out what I want/need	33%	39%
Store doesn't recognize my preferences when I arrive/am in-store	10%	17%

Female shoppers are much more aware of price discrepancies

Male shoppers want their preferences recognized
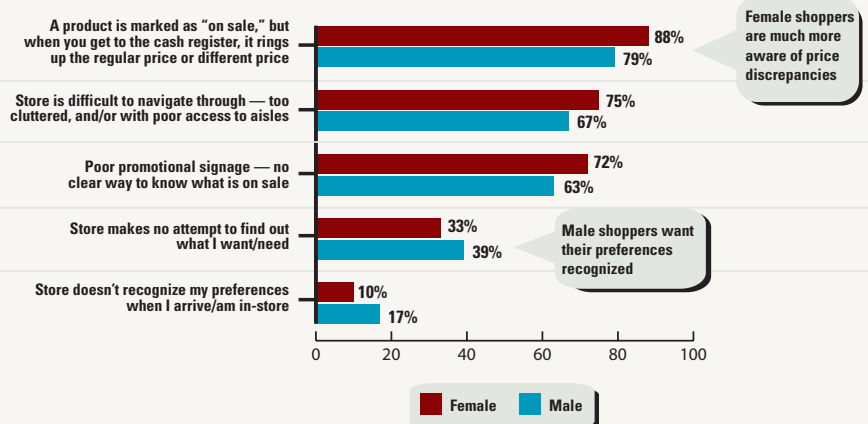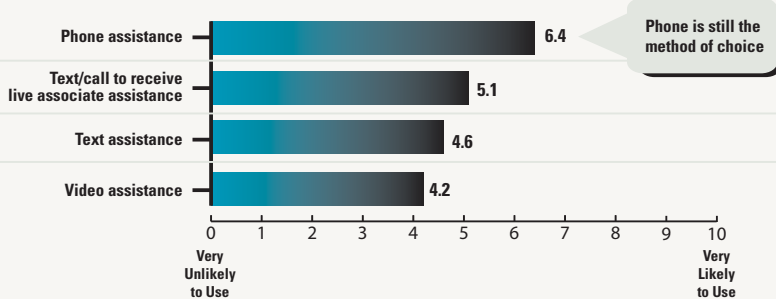
■ Female   ■ Male

FIGURE 5

If a retailer provided access to customer service/product representatives via chat, text or video feed, how likely would you be to use this service?

Phone assistance	6.4
Text/call to receive live associate assistance	5.1
Text assistance	4.6
Video assistance	4.2

Phone is still the method of choice

0 1 2 3 4 5 6 7 8 9 10
Very Unlikely to Use — Very Likely to Use

FIGURE 6

In general, which of the following would you most like to see improved among store associates?

Ability of store associate to match competitive online prices	68%
Improved customer service skills enabled by technology	64%
More store associate engagement in the aisles with checkout processing capabilities	58%
Better electronic access to product information, inventory location and ordering	53%
Better product knowledge enabled by smartphone, tablet technology and digital signage	27%
More multi-lingual store associates to support your local area	9%

Shoppers compare prices and want the lowest price

0 10 20 30 40 50 60 70 80 90 100

PREFERRING MOBILE-EQUIPPED ASSOCIATES

While shoppers may stick to the tried-and-true in many areas, there are certainly opportunities for technology to improve the store experience. As noted, many shoppers are sensitive to pricing issues, which is understandable given the lingering effects of the recent recession and the recent hike in gasoline prices. In addition, the amazing growth of mobile devices equipped with price comparison apps has accelerated the trend toward pricing transparency.

More than two-thirds (68%) of shoppers would like store associates to have the ability to match competitive online prices, the highest-ranked response to this question. Females expressed greater interest in price matching capabilities, at 70% vs. 63% of males. Interest levels climb as the years advance: 58% of Gen Y and 66% of Gen X shoppers would like this improvement, compared to 71% of Boomers and 75% of Emerging Elders.

In a sign that recent rollouts of mobile technology for store associates by retailers such as Home Depot, Nordstrom and Urban Outfitters are good investments, 58% of shopper respondents say they would like more store associates in the aisles with checkout capabilities, and 53% want associates to have better electronic access to product information, inventory location and ordering.
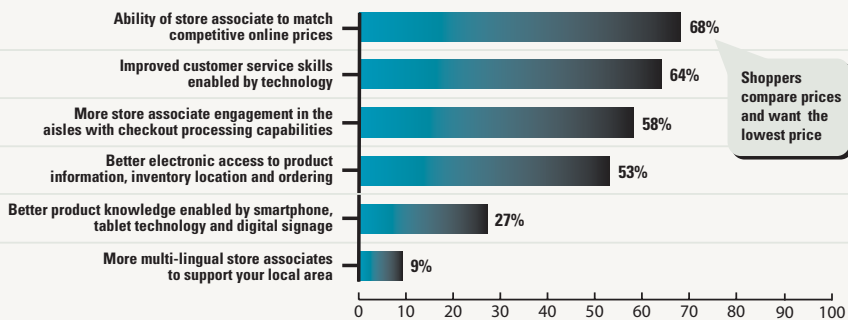
These results also align with shopper preferences for associates to use technology to improve their customer service skills, chosen by nearly two-thirds of respondents. They also align with older shoppers' high expectations of store associates: 68% of Emerging Elders would like them to be able to conduct in-aisle checkouts, compared to 59% of Boomers, 55% of Gen X and 52% of Gen Y respondents.

Retailers need to understand the preferences and priorities of their particular customer base before making decisions about in-store solutions. Technology such as mobile devices can provide big improvements in customer service and productivity, but both shoppers and associates need to be ready to accept it – or at least be willing to learn about it and give it a try. And no matter what technology retailers choose, it should either improve their basic store execution capabilities, or at least not interfere with them. ∎

TAKEAWAYS

» The right store staffing levels are critical to customer satisfaction

» Paying by using a personal mobile device is not yet ready for prime time

» However, comfort level for using a personal mobile device for payment is growing for Gen Y shoppers

» Female shoppers are less tolerant of inattentive personnel

» Older generations of shoppers value easy and convenient shopping experiences

» Older generations also expect technology in the store to work and want rebates to be made simple

» Higher income shoppers have greater expectations for mobile capabilities

» Coupon redemption ranks so high among all segments of shoppers that retailers need to invest in automated checkout technology to keep up with demand

Moment of Truth

FOR SHOPPERS THE GOAL IS SIMPLE – TO PURCHASE THE BEST PRODUCT FOR THE BEST PRICE IN A SMOOTH, CONVENIENT WAY

All phases of the shopper journey offer important opportunities for influencing consumer behavior, but none are more critical than the transaction phase, the moment of purchase. To retailers this is the culmination of a long, orchestrated effort where goals are met or missed, scores tallied and KPIs calculated.

Our aim here is to separate the moment of truth from a cold numerical view, one that can obscure the shopper's own perspective, and drill down into insights that are the antithesis of Monday morning reports and calculations in spread sheets.

From a shopper's perspective the goal is simple — to purchase the best product for the best price in a smooth and convenient way. At the end of the day, retailers that make that happen will beat the competition and post the best KPIs.

OPPORTUNITIES AT CHECKOUT
To get some insight into key opportunities for retailers we asked shoppers which aspect of the checkout process in the store they really dislike. For this question we asked them to select all that apply.

Topping the dislike list is a problem typically caused by staffing or lack thereof — annoyance caused by a long wait in line to check out. This is a perennial issue of concern with shoppers, and one that may have been amplified by the cost-cutting initiatives implemented during the recent recession and subsequent sluggish recovery. (See Figure 1.)

As business picks up retailers should make a concerted effort to staff up as well to reduce the impact of this problem. Although there may be no way to entirely eliminate it from the minds of shoppers, it is something of real concern to the future of the store channel, because retailers that do not take steps to reduce it are conceding business to the more convenient online channel.

One of the ongoing themes in this study is protection, upgrading and growth of the store channel, which is evident in a number of findings. The danger is that left unchecked the downward pressure on comp store sales will have a negative and possibly irreversible effect on retailers that do not address the problem quickly enough.

A related datapoint is found in the third most disliked aspect of store checkout selected by shoppers, which is slow or inattentive cashiers (48%). While this problem is related to staffing, the solution is better hiring and training. This is a problem that retailers can and should address immediately.

The second most disliked element of checkout offers retailers a real opportunity to serve their customers better and leverage the power they have with their suppliers — manufacturer discounts that require mailing in a rebate coupon after the product is purchased (52%).

This problem should be a major takeaway for retailers because it is so high on the shopper dislike list. Merchandising departments can work in tandem with

By Joe Skorupa

Left unchecked, downward pressure on comp store sales will have a negative and possibly irreversible effect for retailers that do not address the problem quickly enough

marketing departments to raise the issue with manufacturers and devise ways to gradually reduce and eventually get rid of the practice.

Options could range from just saying "no" to future promotions of this type or making it a seamless transaction for the shopper and sharing responsibility for reconciliation on the back end.

Either way, the retailer scores a big win in this scenario by eliminating one of a shopper's major dislikes. Do you really need any more motivation than that?
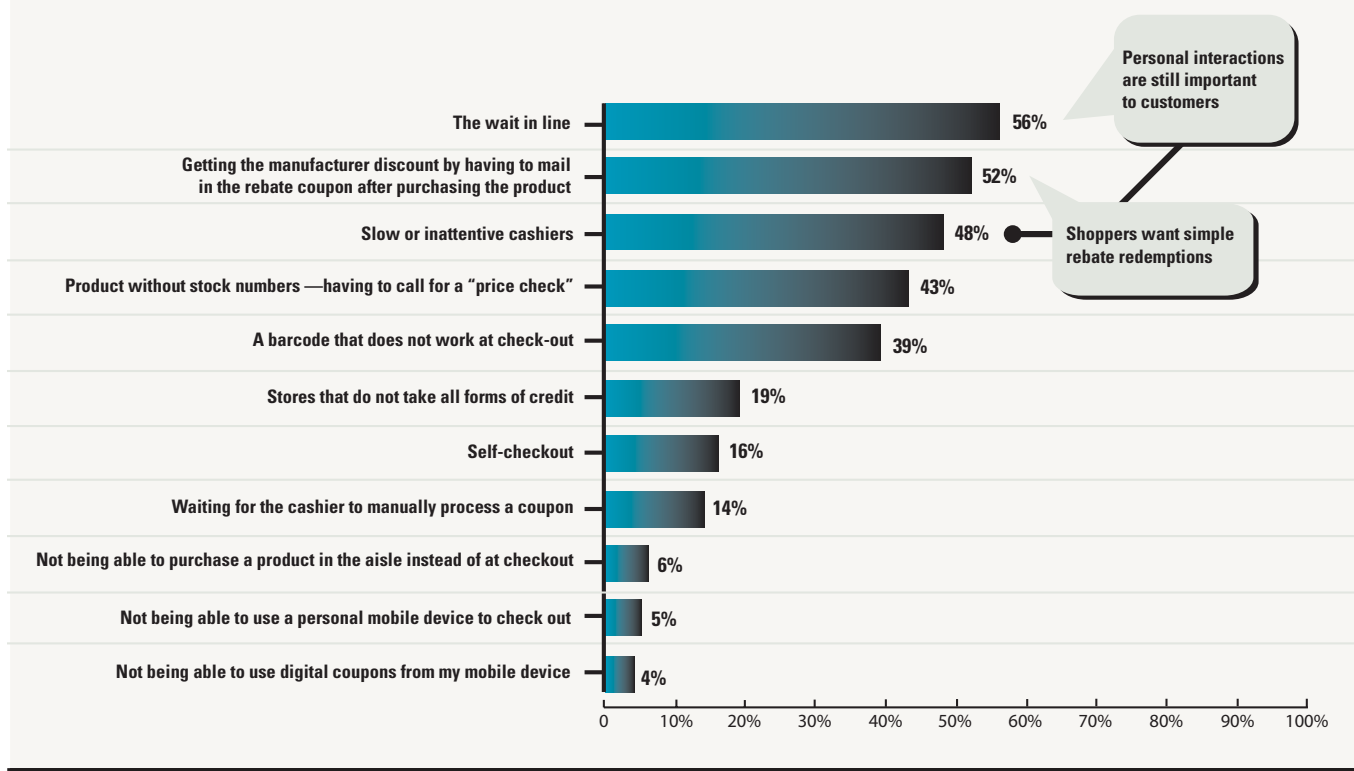
PAYMENT METHODS

Shoppers are open to using alternative payment methods instead of the current use of credit/debit cards and cash, but which ones? To find out we asked shoppers to rate new or alternative payment methods they would likely use on a 10-point scale, where one is very unlikely to use and 10 is very likely to use.

It should come as no surprise that using coupons and gift cards tops the list with an 8.3 rating. They are trusted, mature and convenient methods of payment.

FIGURE 1

Which aspect of the checkout process at a store do you dislike?

Personal interactions are still important to customers

Shoppers want simple rebate redemptions

The wait in line	56%
Getting the manufacturer discount by having to mail in the rebate coupon after purchasing the product	52%
Slow or inattentive cashiers	48%
Product without stock numbers —having to call for a "price check"	43%
A barcode that does not work at check-out	39%
Stores that do not take all forms of credit	19%
Self-checkout	16%
Waiting for the cashier to manually process a coupon	14%
Not being able to purchase a product in the aisle instead of at checkout	6%
Not being able to use a personal mobile device to check out	5%
Not being able to use digital coupons from my mobile device	4%

0 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Coupons, which are included with gift cards in this finding, continue to be a major theme in the study because they are rated so highly by shoppers. New methods and channels for delivering coupons are emerging in the marketplace (discussed in detail in other sections of the study), and smart retailers are advised to push their marketing departments to get fully up to speed with these rapidly developing opportunities. With coupon acceptance so high among shoppers, first-mover advantages are likely to generate positive results.

Also of interest are the high ratings given to payment using a mini store loyalty card (5.7) and using PayPal or other third-party online services that allow payments to be made through the Internet (5.3). Retailers exploring alternative payment methods to reduce interchange fees charged by credit card issuers should take heart from the fact that shoppers appear ready to accept changing the status quo.

However, one alternative that still needs time to mature in the shopper's mind is payment using a personal mobile device, which received a 3.7 rating, the lowest among the answers to this question. This is an important finding, because mobile payment standards have not yet been established and there is still a lot of confusion in the retailer's mind about how it will work and how much it will cost.

As a result, retailers are not yet missing out on significant opportunities if they choose to go slow with plans to roll out mobile device payment. However, there is one caveat — Gen Y shoppers are the one segment that gives this option a positive rating of 5.2. If Gen Y is your core shopper, then solving the mobile payment option sooner rather than later should be elevated on your priority list. ◼

FIGURE 2

If a retailer offered the following new or alternative payment methods, indicate how likely you would be to use them on a scale of one to 10

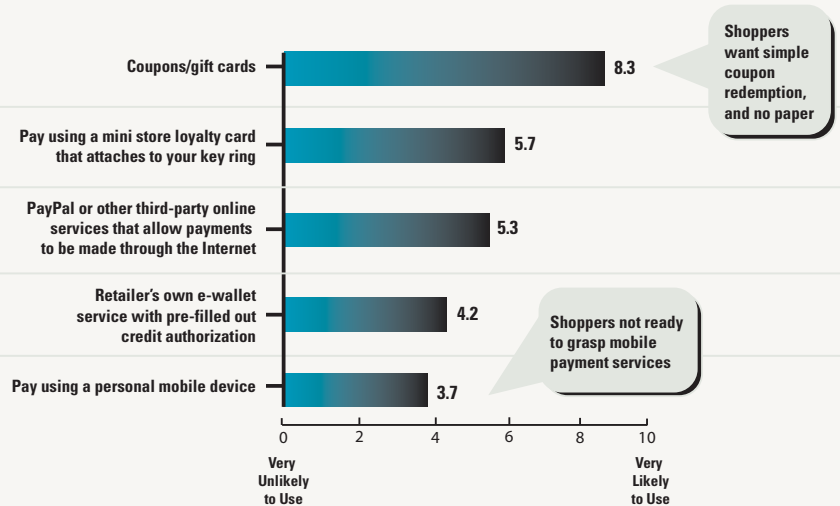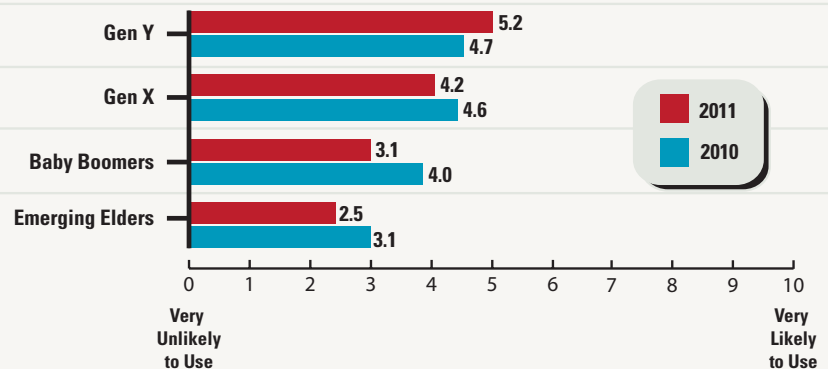| Payment Method	Rating
Coupons/gift cards	8.3
Pay using a mini store loyalty card that attaches to your key ring	5.7
PayPal or other third-party online services that allow payments to be made through the Internet	5.3
Retailer's own e-wallet service with pre-filled out credit authorization	4.2
Pay using a personal mobile device	3.7

Scale: 0 — 2 — 4 — 6 — 8 — 10
Very Unlikely to Use ← → Very Likely to Use

Shoppers want simple coupon redemption, and no paper

Shoppers not ready to grasp mobile payment services

FIGURE 3

Payment method preferences by age group

Age Group	2011	2010
Gen Y	5.2	4.7
Gen X	4.2	4.6
Baby Boomers	3.1	4.0
Emerging Elders	2.5	3.1

Scale: 0 — 1 — 2 — 3 — 4 — 5 — 6 — 7 — 8 — 9 — 10
Very Unlikely to Use ← → Very Likely to Use

Legend: 2011, 2010

By Adam Blair

Cross-Channel Fulfillment Becoming 'Table Stakes'

BUT RETAILERS CAN LEVERAGE POST-SALE SERVICES TO WOO PRICE-SENSITIVE SHOPPERS

One measure of how completely cross-channel retailing has become the "new normal" is seen in shopper attitudes about buy online/pickup in store offerings. In 2010, more than half (54%) of the respondents to the first Shopper Experience survey placed a high value on the ability to buy a product online and pick it up in the store. This year, less than half that number – 23% – identified this as a highly valued retail offering.

Are shoppers disenchanted with this function? Hardly. It's less valued today because it's no longer remarkable. For most retailers, cross-channel purchasing, shipping and returns are now operational "table stakes."

This is just one example of how quickly consumer expectations can ramp up and change, particularly in the area of post-sale services. Savvy retailers have long understood that in order to maintain customer loyalty, what happens after the customer goes through the checkout can be as important

FIGURE 1

Which store service offerings do you value most?

	Most Valuable	Second Most Valuable
Ability to purchase a product in the store and have it delivered to your home at no extra charge	29%	28%
Ability to automatically redeem a retailer or manufacturer coupon	25%	21%
Ability to purchase a product online and pick it up in the store	20%	23%
Ability to purchase a product online, have it delivered to your home, and return it to the store	19%	17%
Ability to purchase a product in the store and return it using online procedures	4%	6%
Ability to purchase a product via a personal mobile device and pick it up in the store	2%	4%
Ability to purchase a product via a personal mobile device, have it delivered to your home, and return it to the store	1%	2%

TAKEAWAYS

>> In its first appearance in the survey, automatic coupon redemption was the second-most-popular service offering, after free home delivery

>> Female shoppers express a greater preference for automatic coupon redemption than males

>> Older shoppers place greater value on home delivery than younger customers

>> When voicing complaints, customers generally prefer traditional communication methods such as e-mail, toll-free phone or speaking to a store manager

>> Younger shoppers are more likely to use newer communication methods such as social media to communicate complaints to a retailer

as the in-store experience and the product they've purchased.

BATTLING PRICE SENSITIVITY

In addition, retailers can leverage post-sale offerings, such as simplified, no-receipt returns and automatic coupon redemption, as non-price oriented competitive differentiators. Some shoppers may be willing to pay a higher price for an item if the services surrounding the purchase make their lives easier, which is an important consideration in this new age of price transparency.

Taking a more detailed look at shopper preferences for post-sale services, female shoppers showed a greater liking for automatic redemption of retailer or manufacturer coupons than males, at 28% versus 19%. Retailers serving a largely female customer base may want to invest in this capability.

When responses are broken down by age groups, older shoppers — members of the Baby Boom and Emerging Elder generations — place a higher value on free home delivery than their Gen X and Gen Y counterparts: 34% of Emerging Elders and 31% of Boomers chose this as their most valued option, versus 25% for both younger generations.
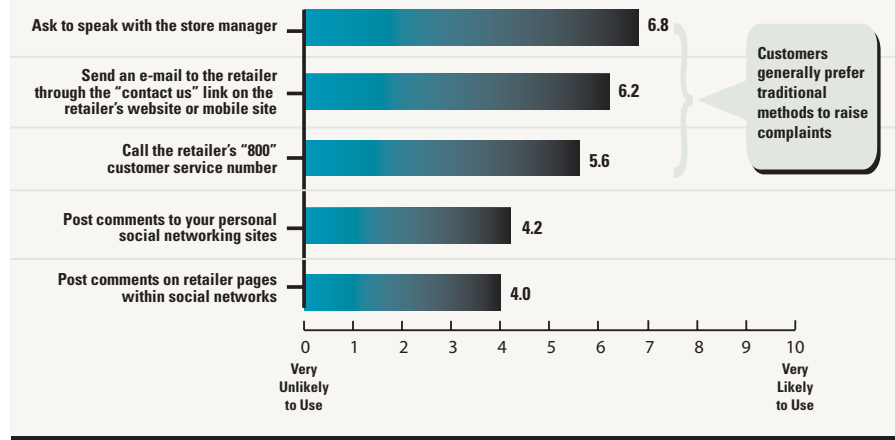
While buying online for home delivery with a store return option is a popular choice among all shoppers, it's particularly valued by those with higher incomes: More than 30% of shoppers earning $150,000 to $199,999 chose this option, along with 30% of those with household incomes of $200,000 and above.

COMPLAINT CHANNELS

Customer complaints are a fact of retail life, and how they are handled can make

FIGURE 2

When you have an issue in-store which means of communication are you most likely to use?

- Ask to speak with the store manager — 6.8
- Send an e-mail to the retailer through the "contact us" link on the retailer's website or mobile site — 6.2
- Call the retailer's "800" customer service number — 5.6
- Post comments to your personal social networking sites — 4.2
- Post comments on retailer pages within social networks — 4.0

0 1 2 3 4 5 6 7 8 9 10
Very Unlikely to Use — Very Likely to Use

Customers generally prefer traditional methods to raise complaints

an enormous difference in customer loyalty. In addition, in this age of instant sharing via Twitter and social networks, disgruntled customers have many tools through which to trumpet their dissatisfaction.

Overall, shoppers prefer traditional communication channels for voicing their complaints to a retailer. On a scale of one to 10, with one the least likely to use and 10 the most likely, speaking with the store manager was the top-ranked choice at 6.8, followed by e-mail through the retailer's Web or mobile site (6.2) or calling a toll-free customer service number (5.6).

E-mail was the consistent choice among all age groups, from Gen Y all the way to Emerging Elders, but there was a generational difference when it came to using social networks.

As might be expected, younger shoppers were more likely than their elders to express dissatisfaction through their own personal social networks, or to post comments on retailers' pages within social networking

sites. Gen Y respondents rated the latter a 4.7 on the 10-point likelihood scale, and Gen X'ers gave it a 4.4. Baby Boomers and Emerging Elders rated using Facebook or Twitter as a complaint medium at 3.5 and 3.4 respectively.

The lesson for retailers is simple: know your customer. The composition of your customer base should be a key driver in making decisions about where to invest in customer service resources.

Retailers with a large number of older customers will need to maintain a call center or e-mail response service, while those with a large number of younger shoppers may be able to divert some of these resources to social media monitoring. Such a move has the added benefit of giving retailers a real-time barometer of shopper attitudes — both what they like and what they don't like — which can help inform larger, more strategic decisions along with the mundane but crucial business of addressing customer complaints. ∎

By Steven Skinner

2011 Retail MegaTrends

GAZING INTO THE CRYSTAL BALL TO SHED LIGHT ON PRESENT AND FUTURE OPPORTUNITIES

LAST YEAR'S SURVEY READERS may remember the future MegaTrends we gleaned. Armed with fresh data, we revisited last year's suppositions. We categorized our MegaTrends into two categories: one where the MegaTrend is supported by 2011 data and the other where the MegaTrend is not yet sup- ported. The fact that a MegaTrend is not supported does not mean it won't happen; it means it hasn't manifested itself yet. What is clear is the changing nature of work and the breaking down of boundaries across channels. We think the future of shopping is upon us!

MEGATRENDS TAKING HOLD IN 2011

1 Taking the Store to the Shopper
Retailers will bring all of the capabilities of their enterprises to the shopper, regardless of their location, whether the shopper is in the store, in the home or walking in the park.

2 Shopper Demand for Consistent Cross-Channel Experiences Drives Retailer Organizational Integration
To create the seamless shopping experience, customer service, merchandising, pricing, inventory and supply chain business processes will be integrated within the organization.

3 Distributed Order Management Integrates the Retailer
All enterprises will integrate distributed order management, providing one view of customer orders regardless of channel.

These first three MegaTrends reinforce giving shoppers the freedom to shop and receive goods in the way that they want to be served. The research indicates shoppers expect these capabilities.

4 Social Media and Product Development Collide
The product lifecycle management (PLM) process will be integrated with social media feedback to improve product relevance, increase speed to market and reduce cost associated with products that don't resonate with target customer segments. Social media, while still in its infancy, will continue to help retailers maintain a two-way conversation with their customers and help guide actions.

5 The Death of the Task Worker
In order to deal with the dramatic increase in shopper product knowledge, retailers will transform their workforces to a knowledge-based workforce, dramatically increasing customer-facing labor hours and automating back-office tasks in order to keep labor costs at current levels.

6 Generation Y Changes the Behaviors of All Other Generations
The massive and fast adoption of shopper-friendly technologies forces retailers and other generations to adapt to Generation Y shopping styles. Generation Y's impact requires special discussion. The widespread adoption of the "Millennial Mindset" has become a fundamental driver of change in the marketplace across all generations, income levels and geographies.

MEGATRENDS STILL EMERGING

7 Sales and Product Information via Mobile Phone
Shoppers will opt into networks that send them content-rich messages about product information, prices, promotions and special services.

8 Mobile Shopping (Finally) Comes of Age
Talked about since the turn of the century, shopper acceptance, necessary technologies (like Near Field Communications), increased network bandwidth and decreased retailer reluctance will fuel this trend and make retail operations virtual. While mobile phone payment is not a reality yet, solutions are quickly entering the marketplace that will help drive adoption.

9 Death of the POS Becomes a Possibility
Retailers can potentially eliminate the tyranny of future POS investments as they come to terms with the availability of additional options for checkout, increasing customer acceptance of out-of-queue checkout and the cost-benefit of mobile checkout versus static POS solutions.

10 Real SKU Rationalization Takes Hold
Cross-channel order management will enable retailers to rationalize SKU location — sending slow-moving product into the warehouse or back to suppliers, and increasing inventory for key items. This can lead to dramatic reductions in suppliers and SKU counts. Regarding SKU rationalization, there have been some well publicized reversals on this, but we believe the economics will push slower-moving SKUs out of stores and make them available via home or store delivery. ■

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Cognizant Retail

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