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Digital Shopper Relevancy

Profiting from Your Customers' Desired All-Channel Experience

EXECUTIVE SUMMARY

People matter, results count.

Engaging with Technology-Enabled Shoppers

Being a shopper today is more exciting than ever. The consumer products and retail industry is undergoing significant transformation largely because of the way that people choose to shop and consume. They are enabled with technology that allows them to approach the shopping process in a different way than they have in the past.

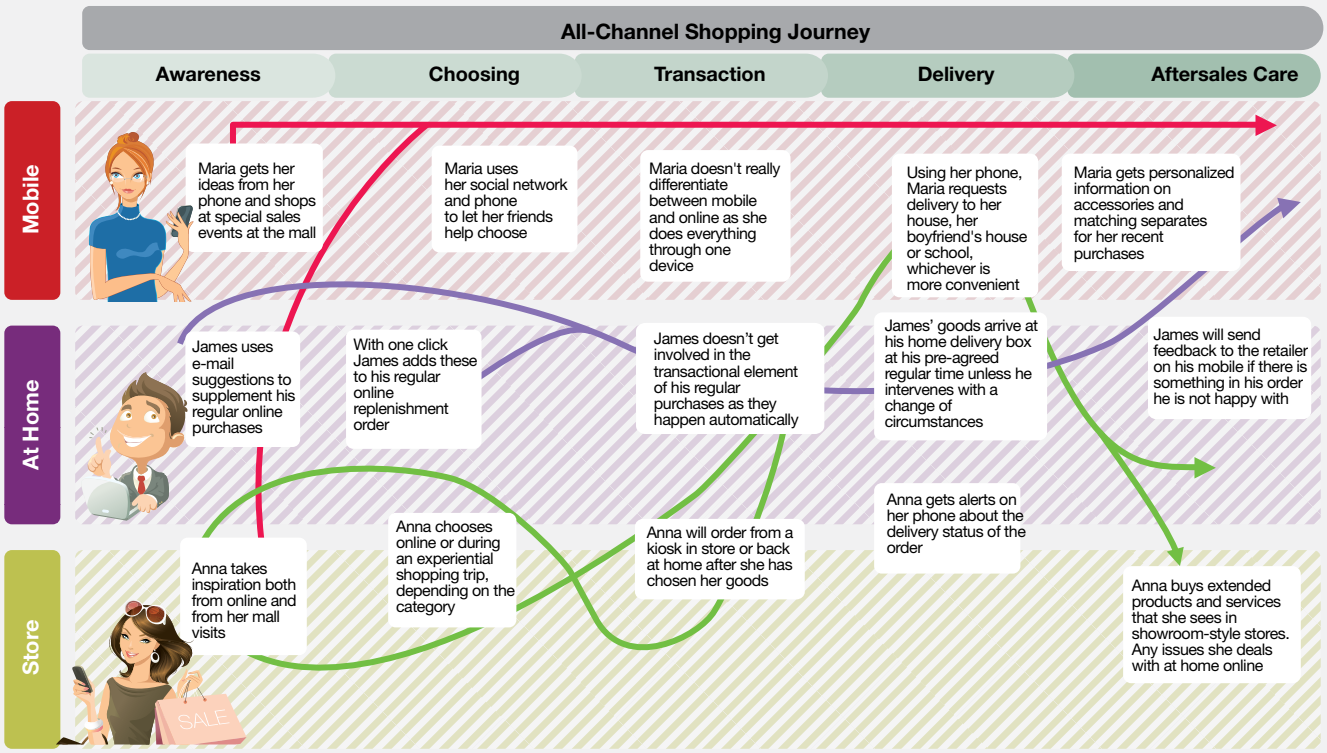
Shoppers expect to find information in multiple sources and formats. They are looking for consistency and convergence among different technologies and channels. And they have no predefined views about what "belongs" in specific channels, but will use whichever channel or device is most relevant.

The Journey of the Digital Shopper

Capgemini's "Digital Shopper Relevancy" study provides insight into when, where and how shoppers want to interact with a retailer or consumer products company through various channels and locations across the phases of the All-Channel Shopping Journey: Awareness, Choosing, Transaction, Delivery and Aftersales Care (Figure 1).

This insight is crucial for companies to be able to serve these digital shoppers in a relevant manner. This is not just about setting up a commerce website,

Figure 1: The All-Channel Shopping Journey



Source: Capgemini
Note: The "Digital Shopper Relevancy" study tracked shopper behavior and attitudes toward the following channels and devices: Internet sites, e-mail (such as newsletters and offers), in-store technology (such as kiosks), social media, smartphones (specific apps) and phone (via call center).

being active on Facebook or developing a mobile app; this is about addressing the specific needs of shoppers in the context of how they live their daily lives.

(Note: When we talk about "digital shoppers" we mean shoppers who use one or more digital technologies or channels in one or more phases of their shopping journey.)

The research uncovered a variety of different types of digital shoppers, each using channels and devices in different ways during their shopping journeys.

Rational Online Shoppers value well-functioning online stores with clearly marked product information, prices and delivery charges.

Key Findings

The research uncovered a number of key findings.

There is no "one" digital shopper.

We identified a variety of different types of digital shoppers, each using channels and devices in different ways during their shopping journeys. Their behavior is impacted by factors such as age, gender, product category, journey phase, market maturity, and attitudes and expectations about technology. We found some overall behavioral differences, for example:

- **Female shoppers**: Women are generally more engaged than men

What Makes Categories Similar – and Different

In the five product categories that were studied (food, health and personal care, fashion, DIY/do-it-yourself home improvement and electronics) we saw some similarities in how shoppers use and value digital channels and devices. For example, across all phases of the shopping journey, Internet sites remain the dominant digital channel in all the categories, followed by e-mail.

But differences also stood out. Consider that the relevance of digital channels is higher for high-value categories such as electronics and DIY, compared with lower-value items such as food; this applies to all phases of the shopping journey. In addition, social media is likely to be used for searching for information in the fashion category more than in any other product category, while in-store technology is most important for DIY purchases. Mobile apps are more likely to be used to track delivery of orders in the fashion and electronics categories.

We also found that the fashion and health and personal care categories have a more heterogeneous shopper base, while the DIY and food categories are dominated by Digital Shopaholics. Electronics was the only category in which Social Digital Shoppers were the largest segment, although this segment is also important in the fashion category.

These are just a few of the category highlights. More details are available in the full "Digital Shopper Relevancy" report.

when using digital channels. They are more interested than men in receiving personalized offers, recommendations and information about new products. In addition, women are more interested than men in using digital devices inside the physical store to order products that are not available in the store; they are also more interested in the ability to easily compare different products before making the final purchasing decision, and in being offered visual aids (such as "how-to" videos) to help them choose the most suitable product.

- **Older shoppers**: Not surprisingly, older shoppers place less importance than their younger counterparts on digital channels in general. But this doesn't mean they don't see value in these channels. In particular, they are heavy users of Internet sites, especially during the early phases of the shopping journey. Older shoppers are interested in using blogs and social networks to find consumer recommendations and reviews, although they are less likely than younger shoppers to follow retailers on social media. In addition, a surprising number want to receive location-based messages and offers from retailers via digital channels. Overall, shoppers in the older age groups are less interested in using mobile apps, although they do see value in in-store technology such as kiosks and digital devices integrated into shopping carts.

The differences were less pronounced when it came to demographic factors such as education and income levels. However, demographics are only one factor impacting shopping behavior. A detailed segmentation analysis identified six distinct segments of digital shoppers[1]: Techno-Shy Shoppers, Occasional Online Shoppers, Value Seekers, Rational Online Shoppers, Digital Shopaholics and Social Digital Shoppers.

Get the Full Story on Digital Shopper Relevancy

This executive summary presents the headline findings of our "Digital Shopper Relevancy" research. Yet there is much more that can be explored and applied to your own organization. Look for the full global "Digital Shopper Relevancy" study at www.capgemini.com/DigitalShopperRelevancy.

1 Capgemini segmented the respondent base using more than 60 behavioral variables. Methods included factor analysis and k-means clustering.

Techno-Shy Shoppers

Techno-Shy Shoppers (13.3% of the respondents) are not interested in new technologies and do not consider digital channels or devices important during any phase of the shopping journey. They are not frequent or confident online shoppers and rarely use smartphone apps. They demonstrate the lowest rate of online shopping of all the segments across all product categories.

Techno-Shy Shoppers show some slight interest in social media but prefer personal contact via phone/call centers. And they have very little interest in future digital developments.

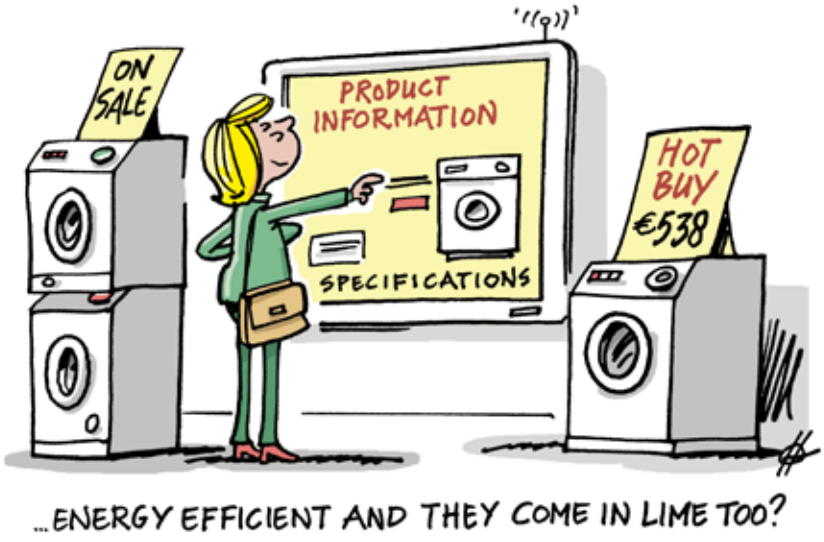
These shoppers include both young students and older consumers and many of them come from Continental Europe.

Occasional Online Shoppers

Occasional Online Shoppers (16.1% of the respondents) shop online infrequently, with low usage across all product categories. They buy significantly less online compared with all segments except the Techno-Shy. When they do use digital channels, they prefer the Internet, e-mail and in-store technology, but they rarely use smartphone apps or social media during the shopping journey.

These shoppers use digital channels primarily for choosing and comparing products and tracking deliveries. They expect digital channels to be in their native language. Occasional Online Shoppers value flexible return options, availability of product information and customer service.

These shoppers are slightly more likely to be women than men and also are likely to be high school and college graduates; 56% of Occasional Online Shoppers are older than 45.



Value Seekers

Value Seekers (accounting for 13.5% of the total respondent base) are price-sensitive shoppers with relatively little interest in digital shopping and new technologies. They shop online primarily to find the best deals on products they know they want. Smartphone apps, social media and in-store technology play almost no role in their shopping process.

Their typical online purchases include fashion and personal healthcare items. Value Seekers want an easy shopping process with clearly marked product information and prices, and convenient return policies.

They are more likely to be women (63%) than men, and are also somewhat more likely to be retired than their counterparts in the other segments. Sixty percent of Value Seekers are over the age of 45.

Rational Online Shoppers

Rational Online Shoppers (14.7% of the respondents) are relatively confident online shoppers buying mostly fashion products and electronics. Overall, they are the second most active online shopper segment (after the Digital Shopaholics). The Internet is their preferred channel throughout the shopping journey but they have little interest in using social media and mobile apps for shopping.

They know what they want and they use the Internet to find the most optimal solution. Rational Online Shoppers value well-functioning online stores with clearly marked product information, pricing and delivery charges, as well as reliable delivery processes. They do not trust reviews in retailer-hosted consumer communities and do not regard as important giving feedback and receiving help through digital channels.

Rational Online Shoppers are equally divided between men and women and 25% of them are retired. They are particularly prevalent in Finland and the UK.

Digital Shopaholics

Digital Shopaholics (17.6% of the respondents) are early adopters and experimenters and are prevalent among the digital-savvy shoppers; they use digital channels and devices like smartphone apps and in-store technology very actively throughout the shopping journey. These consumers are true digital shoppers and have a higher-than-average rate of online purchases across all product categories. They place considerable emphasis on the shopping experience.

They prefer to communicate with retailers online and are active users of social media and other peer-to-peer networks to share their opinions about products and services. Digital Shopaholics expect the full integration of the physical, online and mobile shopping experience by 2014, and a vast majority anticipate that physical retail stores will ultimately become mainly showrooms.

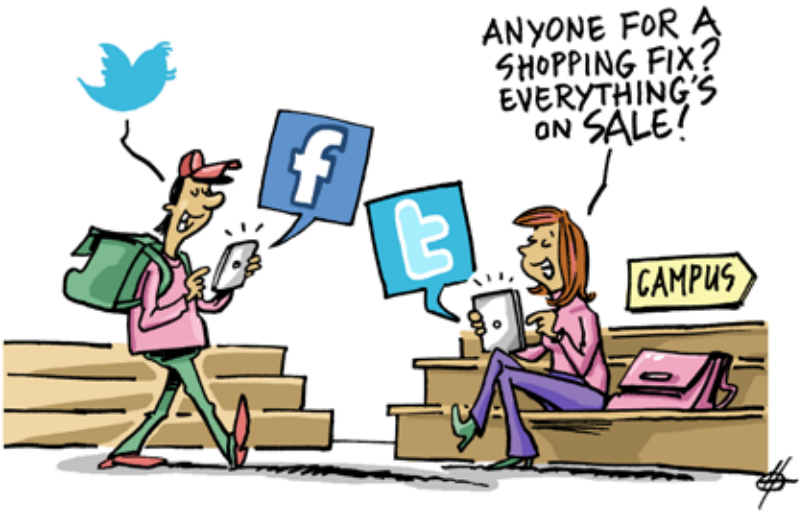
Digital Shopaholics are more likely to be men than women and they work full time; 60% have a college degree or higher.

Social Digital Shoppers

Social Digital Shoppers (24.8% of the respondents) are very optimistic about the use of all digital technology and the vast majority consider digital channels and devices to be important in all phases of the shopping journey. They tend to be digitally savvy and describe themselves as frequent and confident online shoppers; however, they purchase less online than the average in all retail segments except electronics, likely due to the fact that they tend to be younger shoppers and have not yet reached their peak buying power.

They are heavy users of social media and want to share opinions and experiences through digital channels and are active users of mobile applications and services. Social Digital Shoppers trust mobile devices for paying for products, locating items and identifying themselves.

These shoppers are more likely to be under the age of 35 (45%) and 11% are students. Social Digital Shoppers are especially prevalent in developing markets such as India, China and Mexico.



Significant differences exist between digital shoppers in developing markets and those in mature markets.

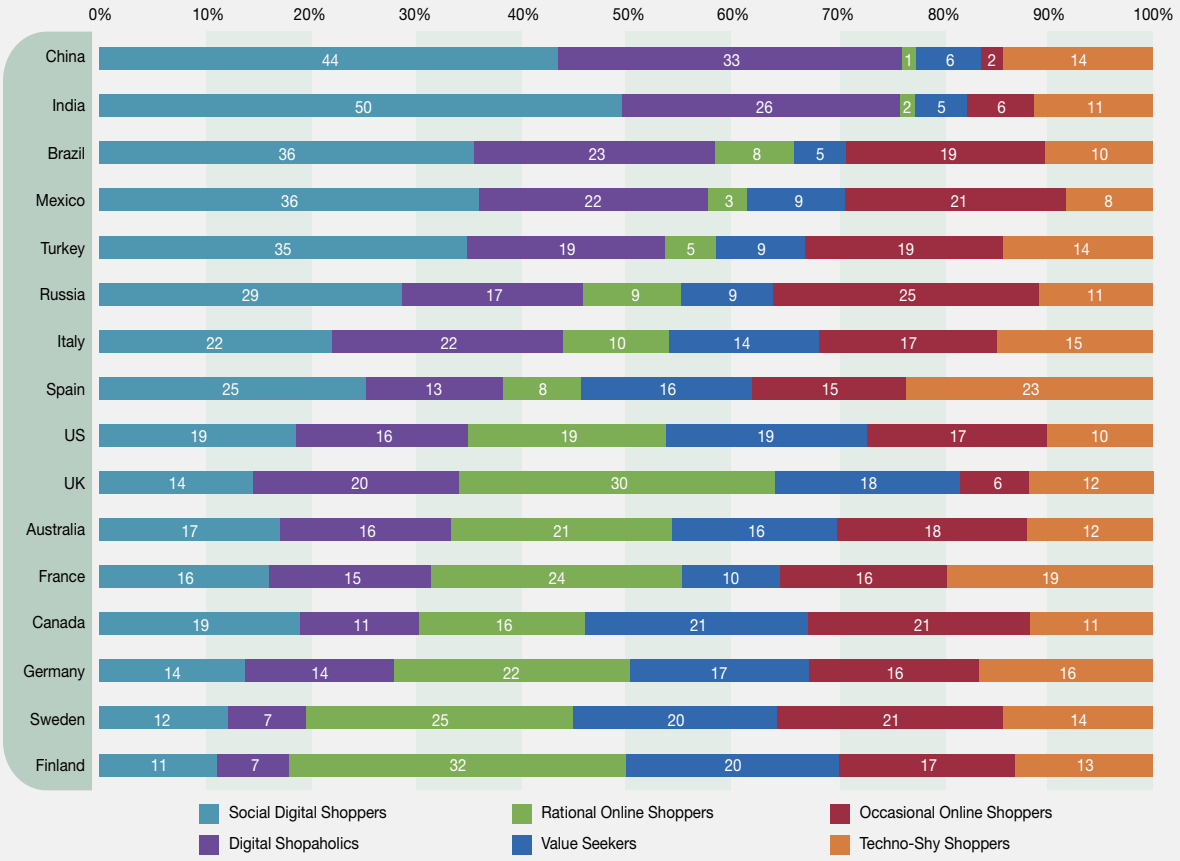
The research makes it very clear that digital shoppers rule in developing markets. Digital Shopaholics and Social Digital Shoppers form the majority of digital shoppers in China, India, Brazil, Mexico and Turkey. By comparison, these segments account for a smaller percentage of the total digital shopper population in the other markets (Figure 2). In most of the mature markets, the Rational Online Shoppers are dominant. Around the world the percentage of Techno-Shy Shoppers is similar, except in France and Spain, where it is higher.

Shoppers in developing regions place greater importance on all digital channels, regardless of the phase of the shopping journey. This may be due in part to the lack of traditional retail infrastructure in these markets as well as the tendency in developing markets to "leapfrog" entrenched approaches in favor of the latest tools and formats. For example, 72% of respondents from India and 69% from China said they purchase more products in a single transaction online than in a physical store, compared with just 24% of those from Finland and 31% from the US. And 73% of shoppers from India and 74% of those from China prefer to be offered additional product suggestions online vs. 34% in France and 36% in Australia.

Shoppers in developing markets are also more engaged with retailers and consumer products companies through digital channels. Nearly three-quarters of respondents from India and 68% of those from China said they would like to be able to follow retailers through social media, far higher than in the mature markets.

Interestingly, we found that three countries – Russia, Italy and Spain – often fell somewhere in between the developing and mature markets in terms of their digital shopping behavior. For instance, more than two-thirds of shoppers in the developing markets of India, Mexico, Brazil, China and Turkey said they are interested in finding out about new products through social media and blogs. By comparison, less than half of shoppers in the mature markets of US, Canada, France, Australia, the UK, Germany, Finland and Sweden are interested in this capability. In the middle are Italy, Russia and Spain, where a little over half are interested in using social media and blogs to learn about new products.

Figure 2: A View of Digital Shopper Segments by Country (Ranked by Social Digital Shoppers/Digital Shopaholics)



Source: Capgemini
Note: Results are rounded and hence not all bars equal 100%.

Digital shoppers are focused on core functionality like price, product specifications and delivery information.

Digital shoppers, especially those in mature markets, want retailers and consumer products companies to get these basics right before they will be open to engage. When researching, comparing and choosing products through digital channels, half or more of respondents said that factors such as clearly marked product price, availability and delivery charges, and comprehensive product information were extremely important. Of lesser importance to respondents are options such as having content in digital channels tailored to their profile and preferences.

Shoppers also made it clear that they expect online prices to be lower than those in physical stores; this was cited by 73% of all respondents. In particular, Digital Shopaholics and Social Digital Shoppers are most likely to think online prices should be lower. More than 80% of these more digital-savvy shoppers said online prices should be lower vs. about 60% of non-digital-savvy respondents.

The Internet remains the primary channel for most digital shoppers.

Across the phases of the shopping journey, Internet sites remain the dominant digital channel in all the product categories studied, followed by e-mail (Figure 3). For example, 79% of electronics shoppers said the Internet is important during the Awareness stage; 74% of DIY shoppers said the same; 73% of fashion shoppers; 70% of health and personal care shoppers; and 59% of food shoppers. Similar results were recorded for the other journey phases.

However, channels such as social media, mobile apps and in-store kiosks are close behind, with their relevancy varying depending on the journey phase and country. Phone (via call center) is the least important channel, except in the Aftersales Care phase.

Figure 3: Importance of Digital Channels Across the Customer Shopping Journey

	Awareness	Choice	Transaction	Delivery	Aftersales Care
Internet site	3.94	3.92	3.80	3.92	3.94
E-mail (such as newsletters, offers)	3.56	3.47	3.34	3.71	3.79
In-store technology (such as kiosks)	3.31	3.33	3.41	3.25	3.28
Social media	3.09	2.99	*	*	2.99
Smartphones (specific apps)	2.88	2.82	2.81	2.93	2.91
Phone (via call center)	2.67	2.63	2.70	2.87	3.08

Source: Capgemini
Ranked on a scale of 1 to 5 where 1 = not at all important and 5 = extremely important
* While the study shows a low acceptance of social media in the Transaction and Delivery phases of the shopping journey, the study did reveal that shoppers increasingly prefer to journey through these phases via Internet sites, and many of the sites that consumers use include a "social" component.

The lines blur when consumers think about social media and transacting online. Social commerce is the blending of social media sites with e-commerce and is growing rapidly. Social commerce is expanding to include a range of social media tools and content used in the context of e-commerce. Examples of social commerce include customer ratings and reviews, user recommendations and referrals, social shopping tools, forums and communities. Shoppers are increasingly willing to transact via sites such as Facebook (F-commerce) and conversely socialize their thoughts on traditional commerce sites.

Proximity matters when it comes to personalization.

Customers appear to be of two mindsets regarding personalization during the All-Channel Shopping Journey. They express an interest in certain types of personalization when shopping online, but are less comfortable being recognized in the physical store. Consider that 61% said they want online stores to remember their personal information and payment methods to speed up the shopping process. But only 41% want to be identified through digital devices (such as their mobile phones) when entering a physical store.

This seemed somewhat counterintuitive given concerns surrounding privacy in digital channels. But the shield of anonymity that exists in the digital world may make shoppers more comfortable sharing personal information online than in the physical store.

Also here we see a significant difference between shoppers in mature vs. developing countries. For example, 80% of shoppers in India and 73% in China said they want to receive personalized offers and recommendations through digital channels. This compares with 35% in Sweden and 38% in Finland.

Criteria that Matter Most to Digital Shoppers …

Options via Digital Channels	% of Consumers Saying "Extremely Important"/ "Extremely Appealing"
The product price and availability are clearly marked	58%
Product delivery charges are clearly marked up front	55%
Have products delivered to your chosen location	54%
Easily return products that you are not satisfied with using digital channels regardless of where purchased	50%
Choose from several different return options	49%

… And Those that Matter Less

Options via Digital Channels	% of Consumers Saying "Extremely Important"/ "Extremely Appealing"
Mobile app to support in-store shopping (e.g., store map, special promotions)	21%
Shop with your friends online – looking and selecting together, although physically apart	20%
Be identified through digital devices when entering a physical store (e.g., through your mobile phone)	20%
Create public shopper profile visible to other shoppers in retailer digital channel	20%
Follow the retailer through social media	18%

Source: Capgemini

Separating hype from reality is critical for emerging digital channels like social media and smartphone apps.

Plenty of attention is being paid by retailers, consumer products companies and the media to these new digital channels. And for good reason, given the hype surrounding them. However, it's important to understand who is really using these channels. Overall, only about half of shoppers expect that the use of social media and mobile apps for shopping will increase in the coming three years. But the number jumps considerably in the developing markets, and among younger shoppers, Digital Shopaholics, Social Digital Shoppers and those shopping for high-end products such as electronics.

Understanding these differences is essential in determining where to make digital investments, particularly in new channels like social media and mobile apps. For example, in mature markets, companies would do better making careful, selective investments in mobile apps and social media at the moment, but in developing marketing those channels are more relevant and should be the first priority for a digital strategy and investment.

Loyalty — and Spending — Across All Channels

Our study findings make it clear that shoppers are no longer loyal to an individual channel but rather to an experience across all channels. Consider that the majority of shoppers said they were likely to spend more money at a physical store if they had used digital channels to research the product prior to purchase. In addition, they said they will spend more money with a particular retailer if products were available anytime via any channel.

This point was reinforced in the qualitative comments from shoppers across the countries. *"To improve the usage of digital channels in the purchasing process, retailers and manufacturers should provide an integrated experience between physical and digital touchpoints,"* said a respondent from Italy.

Being Relevant for Digital Shoppers

Our research demonstrates that shoppers expect an integrated experience across all channels but aren't yet getting it. Nearly 60% of respondents said they expect channel integration to be the norm by 2014, but more than half said that most retailers currently are not consistent in the way they present themselves across channels.

Understanding how shoppers are using channels and devices in the context of their daily lives is a critical starting point to serve them in a relevant manner. But to realize a relevant all-channel experience is no easy task. Providing a seamless interaction across channels is challenging for retailers and consumer products companies and requires considerations that impact the entire enterprise. These include shifting from a product- or feature-focused approach to a consumer- and shopper-focused approach across all channels, and integrating processes such as merchandising, order fulfillment and inventory management by category rather than by individual channel.

We believe the insights contained in Capgemini's "Digital Shopper Relevancy" report can help retailers and consumer products manufacturers determine how they can profit from customers' desired all-channel experience. The data we have collected goes far beyond what we have

About the Study

Studying shopping behavior has long been a focus for Capgemini. Over the past decade we have surveyed tens of thousands of consumers around the globe as part of our "Consumer Relevancy" and "Future Consumer" research programs. In these earlier studies, the emphasis was largely on shopping behavior patterns in physical stores.

With our new "Digital Shopper Relevancy" research we have expanded the focus to all channels, including those in the digital realm. Our objective: to understand how a range of channels and devices – from smartphones and mobile apps to websites and in-store kiosks – are used and valued by shoppers during the shopping journey, and to help retailers and consumer products manufacturers determine how to profit from these insights.

The study focuses on five product categories: food, health and personal care, fashion (clothing, footwear, accessories), do-it-yourself home improvement (DIY) and electronics. The findings are based on 16,000 consumer interviews conducted across 16 countries, representing developing as well as mature markets: Australia, Brazil, Canada, China, Finland, France, Germany, India, Italy, Mexico, Russia, Spain, Sweden, Turkey, the United Kingdom and the United States.

Understanding how shoppers are using channels and devices in the context of their daily lives is a critical starting point to serve them in a relevant manner.

published in this report – the research also includes information on how digital shoppers view the relevance and performance of key retailers and brands in the respective countries. These insights can translate into direct business benefits.

Capgemini has further developed our original "Consumer Relevancy" thought leadership into a "Digital Shopper Relevancy" framework and methodology. With these tools, we can help retailers and consumer products companies make the right decisions to become more relevant for digital shoppers across the phases of their All-Channel Shopping Journey.

For more information about our "Digital Shopper Relevancy" study and how Capgemini can help you apply the findings to your own organization, please contact:

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Visit www.capgemini.com/DigitalShopperRelevancy

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About Capgemini's Consumer Products & Retail Practice
Capgemini's global Consumer Products and Retail practice works with a majority of the world's largest retail and consumer products companies plus hundreds more. A team of approximately 10,000 consultants and technologists throughout the world helps these clients reap the benefits of industry-specific solutions such as All-Channel Experience, Demand-Driven Supply Chain, Business Information Management and Global ERP Integration. More information is available at www.capgemini.com/products and www.capgemini.com/retail.

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About Capgemini

With more than 120,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2011 global revenues of EUR 9.7 billion

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at

www.capgemini.com/DigitalShopperRelevancy

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