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Future Consumer

How Shopper Needs and Behaviour Will Impact Tomorrow's Value Chain

Contents

Introduction

Our world is changing, consumers are changing. And the speed of change is rapidly accelerating. Consumer behaviour will be a primary factor in determining which direction this change will take.

The vision report titled "2016: The Future Value Chain," published in late 2006 by the Global Commerce Initiative (GCI), Capgemini and Intel, describes the trends and developments that will impact the consumer products and retail industry over the next 10 years, with consumer behaviour being a key driver of these changes.

This new report presents the results of Capgemini's "Future Consumer" research. This study was designed to test some of the main hypotheses stemming from the "2016" report, including:

- **Health and wellness** will be key factors influencing consumer behaviour.
- Consumers will increasingly consider **sustainability** aspects in their buying decisions.
- Consumers will become smarter in using **new technologies**.
- Consumers will expect to enter a **true dialogue** with companies, and will be willing to provide relevant information.
- Consumers increasingly will value **personalisation**.
- Physical stores will remain important, but the **online channel** will grow rapidly.
- Consumers will increasingly demand the option of **home delivery**.

The objective of the "Future Consumer" research was to gain a better perspective on consumer needs and behaviour over the coming years across eight product categories:

- Perishable food and beverages
- Non-perishable food and beverages
- Health and personal care
- Do-it-yourself (DIY)
- Electronics and appliances
- Fashion and apparel
- Sporting goods
- Books and music

The research involved more than 2,000 consumers in four countries: France, the Netherlands, the United Kingdom and the United States. Interestingly, we found significant commonalities among responses across the countries. This report highlights these results, as well as country-specific differences.

The executive summary provides an overview of key findings from the "Future Consumer" study, and the sections that follow offer more in-depth data and analysis of consumer needs and behaviour; buying, delivery and usage preferences; and the changes consumers would like to see in stores in the future.

We hope the findings of Capgemini's "Future Consumer" study will provide consumer products manufacturers and retailers with insights into changing consumer dynamics and will lead them to gain a better understanding of how to successfully anticipate evolving consumer needs.

Executive Summary

Retailers and consumer products manufacturers are right to emphasise that the consumer is boss and at the centre of everything they do. Consumers today increasingly recognise their own importance and, hence, influence over products and stores. It makes sense, then, to learn what shoppers will need and expect from the industry in the coming decade so companies can make the changes and improvements that will be necessary to better serve their customers.

The objective of the "Future Consumer" research conducted by Capgemini was to gain a better understanding of consumer needs and behaviour over the coming years. Of course, it is impossible to know how consumers really will behave in the future – they don't know this themselves. Nevertheless, it is important to understand the current preferences and intentions of consumers as a starting point for a new dialogue.

Building on the "2016" Study

The research for this study was focussed on the main consumer-related hypotheses from the vision report titled "2016: The Future Value Chain," published in late 2006 by the Global Commerce Initiative (GCI), Capgemini and Intel. That study assessed the future value chain for consumer goods and the forces that will shape it in 10 years time, and defined a unique vision of the total value chain from manufacture to consumption. A central element in this vision is the notion that consumers will drive the future value chain. In this context it is essential to have more factual evidence about the direction in which consumers will influence the value chain.

The research explored the importance of topics such as health and wellness, product traceability, environmental issues, and the use of new/emerging technologies, and how these factors may impact the way consumers buy, receive and use products and services in the future. Improved knowledge into consumer buying behaviour should help companies develop and execute more effective strategies in areas such as marketing and advertising, store formats, logistics and transportation, product installation and aftersales servicing.

> "Consumers have virtually unlimited choice and ever-rising expectations for performance, quality and value. They expect more from their shopping experiences and more from the brands and products they buy and use every day. They expect retailers and manufacturers to listen to them more carefully, and to learn from them more often.[1]"

A.G. Lafley, Chairman, President and Chief Executive Officer
The Procter & Gamble Company, Global Commerce Initiative Co-Chairman

Key Findings

How well did the hypotheses from the "2016" report hold up? The key findings uncovered through the consumer research tell the story:

Consumers are dissatisfied with their current shopping environments. The importance of better understanding consumer needs and demands in the coming decade was underlined by the fact that respondents were largely dissatisfied with their existing shopping options. For example, just 9% of consumers said they were satisfied with their perishable food outlets. At the high end of the satisfaction scale were book and music stores, yet still only 19% of consumers were happy with these outlets.

Online shopping will grow rapidly. Although physical stores will remain the channel of choice for most consumers in the coming decade (especially for food products), the importance of online shopping will grow. This is particularly true in the case of books/music and electronics: 38% of consumers said they expect to buy all or the majority of their books/music purchases online within the next five years; and 24% of respondents expect to buy all or the majority of their electronics over the Internet. The anticipated growth in online shopping may lead to the emergence of new delivery models. For example, while the bulk of consumers want their online orders to be delivered to their home, close to 20% said they would like a neighbourhood pick-up model, particularly for perishable food and DIY products.

Sustainability and other environmental issues will increasingly influence shopping behaviour. Sustainability aspects that were identified as most important to consumers in their future buying decisions were energy/water usage (named by 87% of respondents), waste reduction/management (85%) and sustainable manufacturing features (84%). Although sustainability was deemed to be important by most consumers, the majority were willing to pay only a small price difference for products that supported these features.

Consumers appreciate receiving personalised offerings, although this differs depending on the product category. More than half of respondents said they would value personalised offerings (such as special products and promotions that are focussed specifically on the individual consumer and not available to everyone) for books/music and electronics, but only about one-third would appreciate personalisation for perishable food.

Health and wellness will be a growing factor in consumer buying decisions. More than eight out of 10 respondents said health and wellness issues (including diet and obesity care) would be important or extremely important to them over the coming years.

The "Future Consumer" study was designed to build on some of the key findings from the "2016" vision report, published in late 2006 by the Global Commerce Initiative, Capgemini and Intel.

[1] "Industry Leaders Collaborate on Ten-Year Vision," Global Commerce Initiative and Capgemini press release, Oct. 25, 2006.

About the Study

Capgemini worked with SmartRevenue, a Ridgefield, Connecticut-based research firm, to conduct the "Future Consumer" study. SmartRevenue surveyed more than 2,000 consumers in four countries: France, the Netherlands, the United Kingdom and the United States. The composition of the consumer sample in each country was based on projectable national samples representative of the population from the standpoint of region, age and gender. Additional demographic factors examined included income, education, marital status and the presence of children.

Consumers are becoming increasingly aware of a wide range of new and emerging technologies that can be used during the buying process – at home, in stores and on-the-go. Many respondents were familiar with technologies such as web ordering, blogs/web forums, in-store kiosks, payment via mobile phone and mobile alerts. However, it may take time before some of these technologies gain significant traction. A smaller percentage anticipated using the different types of technology in the future, compared with the percentage who had heard of the technologies.

Overall, consumers are willing to share some types of information – but they are reluctant about sharing their contact details. About half of respondents said they would be willing to share with retailers and manufacturers information about their buying behaviour and lifestyle, but only 36% were willing to share contact information. Many consumers who were willing to share information expected something in return, particularly special promotions.

What do these findings tell us? They make it clear that consumer behaviour is evolving and that retail and consumer products companies need to anticipate these changes in order to be part of, or even influence, the changes.

Is your company ready? What changes will you need to make?

Companies must rethink their strategies in a number of areas, as mentioned in the "2016" report: Shopper Dialogue, Information Sharing, Integrated Logistics and Home Delivery, Synchronised Production, Sustainability, and Company Culture and Behavioural Changes. For many organisations, this will require a different mindset and different capabilities.

Companies will need to establish and maintain a true two-way dialogue with individual consumers and improve their face to shoppers – both in their physical and online stores. This will require more frequent format and merchandise assortment changes to keep up with the pace of consumer change.

They will need to be transparent in their information management and manage consumer data effectively. Businesses will find it necessary to extend their distribution chain to the consumer's home. And they will need to address sustainability in a serious manner. Most important, they will need to be open to new ways of working – driven by consumers.

Consumers behaviour will change in the future. Will your business be able to anticipate and adapt to this change?

Consumer Needs: The Importance of Health and Sustainability

> "There should be more organic, fair trade products, better ways to distinguish such products on the shelves and more knowledgeable clerks."

U.S. consumer

What will be important to consumers in the future? To what extent will issues such as wellness and sustainability play a role in the buying process? What will shoppers look for when they buy products and services? The answers to these questions provide insight into the needs of the future consumer.

Health and Wellness Will Drive Consumer Decisions

The research makes it clear that health and wellness will be the most important underlying need for consumers over the coming years: 85% of respondents considered health and wellness issues (including diet and obesity care) to be important or extremely important. Other health-related factors that were somewhat less important included product traceability and medical food guidelines. The ability to share and/or check product experience was the least important factor of those asked about, with 52% of the respondents considering this to be important.

The research uncovers some differences based on demographics. For example, women were more likely to rank health and wellness as important in comparison to men. Nine out of 10 women valued health and wellness, compared with eight out of 10 men. Furthermore, the older the consumer, the more likely they were to rank health and wellness as important. About 90% of consumers over 50 valued health and wellness, compared with 82% of those in the youngest age group (18-34).

Consumer Needs

The Impact for Retailers and Manufacturers

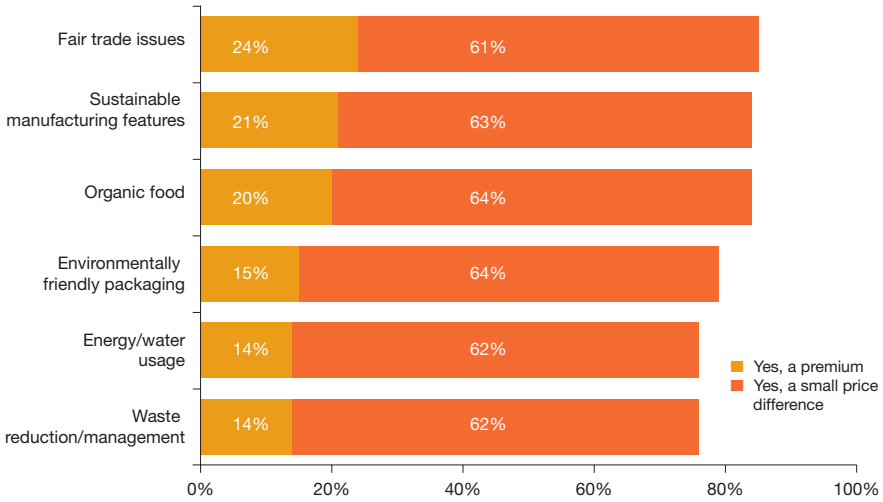
- Find the most critical underlying consumer needs that you can address with your offerings. Bear in mind that the most important consumer needs are related to health and wellness issues.
- Look to develop and market your basic products as concrete solutions and services that address the underlying consumer needs – in addition to just selling the basic products themselves.
- Sustainability should be addressed in a serious manner – and you should communicate about it. Consumer perceptions on how you deal with sustainability issues will be important for both public opinion and personal buying behaviour. But be aware of the economics: Consumers are not willing to pay much extra for sustainability.

Sustainability Important in Buying Decisions

The research shows that consumers will strongly consider sustainability aspects in their buying decisions over the coming years. Although all aspects of sustainability were identified as important or extremely important by a significant number of respondents, there were some differences in the degree of importance. The most important factors were energy/water usage (named by 87% of respondents), waste reduction/management (85%) and sustainable manufacturing features such as limiting the use of scarce, non-renewable resources (84%). Organic food ranked as the least important aspect of those asked about, named by only 46% of respondents.

The importance of environmental and sustainability issues came through in consumer comments about the improvements they would like to see in order for stores to better meet their future needs. Several consumers from the Netherlands and France mentioned "more respect for nature" and "more ecological and reduced packaging" as necessary changes for food products.

Willingness to Pay a Higher Price for Products That Support Sustainability Requirements
(% who answered "yes, a premium/yes, small price difference")



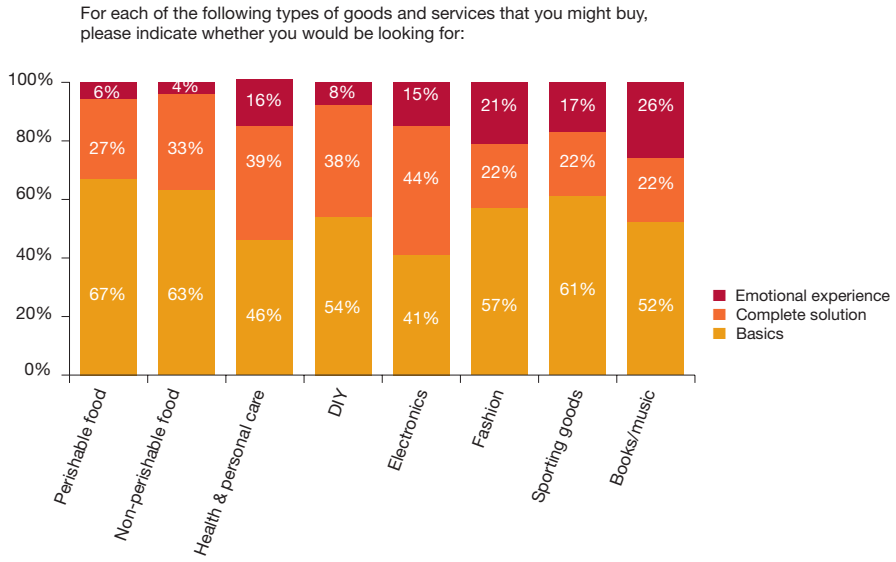
Source: Capgemini

Although consumers identified sustainability aspects as important, the majority of respondents were willing to pay only a small price difference for products that supported these features. Most were not willing to pay a premium. Furthermore, consumers' willingness to pay extra did not necessarily match the importance ranking they applied to the various sustainability features. For example, although energy/water usage was identified as the most important aspect of sustainability, consumers were less willing to pay extra for it than they were for fair trade (providing better trading conditions and fair wages to economically disadvantaged producers and farmers), sustainable manufacturing and organic food.

Demographic factors played a role to some extent. Although income was irrelevant in terms of ranking the importance of sustainability aspects, respondents with an income higher than US$100,000 were more willing to pay a premium for these features. Age was also a factor, with older consumers more likely to rate sustainability aspects as important, compared with younger respondents. However, there was no difference in their willingness to pay a higher price for sustainability features.

It is interesting to note how consumer needs are evolving. But what do these changes tell us? In the future, consumers will look for products and services that emphasise sustainable aspects. If current concerns about issues such as global warming become more pronounced, consumers are likely to pay even greater attention to sustainability. Manufacturers and retailers can anticipate this development by offering products and services that meet sustainability requirements, but they need to do so without increasing the accompanying prices.

Just the Basics or Something More?
(% saying)



Source: Capgemini

It's Not Just About the Basic Products

The "2016" report found that "the industry will experience a shift [from basic products] towards services and solutions, leading companies to rethink product development with an emphasis on these aspects. The outcome of the consumption experience, rather than the features and functions, will become much more important to the shopper."[2] The consumer research confirmed this finding. Consumer demands are likely to grow in the coming years as shoppers look for more than just the basics (for example, staple grocery items such as bread or milk, and personal care items like toothpaste). In many categories,

[2] "2016: The Future Value Chain," Global Commerce Initiative, Capgemini and Intel, p. 17.

they will want complete solutions (for example, where a number of items or ingredients are already combined) and an emotional experience (where additional services and/or information are included or an environment is created) as well as the product itself.

Generally consumers agreed that the basics would be enough for food products. However, they would be more likely to seek an emotional experience when buying fashion and books/music. Complete solutions would be sought in the electronics category as well as in health and personal care and DIY. This trend will likely impact the approach that retailers and manufacturers take to marketing and advertising in the future as well as to how products are developed and how they are merchandised in the store, whether physical or online.

The research found variances by age. In general, younger shoppers were more likely to want an emotional experience. When buying books/music, 30% of consumers between 18 and 34 were looking for an emotional experience, compared with 22% of the respondents older than 50. Conversely, older consumers were more interested in just the basics.

Consumer Needs: What Makes Markets Different

Differences depending on nationality were apparent in the data focussed on consumer needs. For example, French consumers valued health and wellness the most; Dutch respondents the least. Another difference was especially pronounced for product traceability: 84% of French consumers considered this to be important, compared with 47% of Dutch respondents.

There were also country variances in consumer responses regarding sustainability and the environment. French consumers seemed to be the most concerned about these issues, while U.S. respondents were in general the least concerned about sustainability. For example, 88% of French consumers said sustainable manufacturing features would be important to them in their future buying decisions, compared with 68% of U.S. consumers. For Dutch consumers, organic food was not a major concern, but fair trade aspects were.

U.S. consumers said they would pay more for environmentally friendly packaging (recycled content, biodegradable, reusable), organic food, and energy and water usage, but not for fair trade issues. UK consumers were willing to pay more for sustainable manufacturing, fair trade and organic food. Dutch consumers were the least willing to pay more in every category except sustainable manufacturing and fair trade. French consumers were also willing to pay more for fair trade and sustainable manufacturing.

It was also clear that in some cases nationality can make a difference when looking at basic products versus solutions. For example, consumers in France said they would seek an emotional experience when it came to buying sporting goods, while consumers from the UK and France want an emotional experience when buying health and personal care products. And consumers in the Netherlands will seek an emotional experience when buying electronics.

French consumers between 35 and 49 years old were most likely to say they would seek an emotional experience in all categories except electronics and DIY. U.S. males were most likely to say they would want just the basics in fashion, while French women were most likely to say they would seek an emotional experience in the fashion category.

Consumer Behaviour: Using Technology, Expecting a Personalised Approach

"I'd like mobile alerts to tell me when my favourite authors have a new book released."

UK consumer

Consumer buying behaviour over the coming years will be influenced by factors such as new and emerging technologies, information sharing, personalisation and innovation. The success or failure of retailers and manufacturers in the future will depend at least in part on their ability to understand and maximise these factors to benefit their customers.

Consumers Will Use New Technologies

Consumers today are increasingly knowledgeable and that trend is expected to continue, due largely to the prevalence of web-enabled and other new technologies. To what extent consumers are currently aware of these technologies and their willingness to use them is valuable insight for companies as they try to get a better handle on consumer buying behaviour.

Consumers will have more possibilities for ordering products and making payments. In addition, new and emerging developments will provide information on products and services as well as advice.

The research shows that consumers are familiar with many of these technologies. However, there is a large difference between the most well-known technology (web ordering, which 89% of respondents said they have heard of) and the least known (ordering via television, which was familiar to just 14% of consumers).

Consumer Behaviour

The Impact for Retailers and Manufacturers

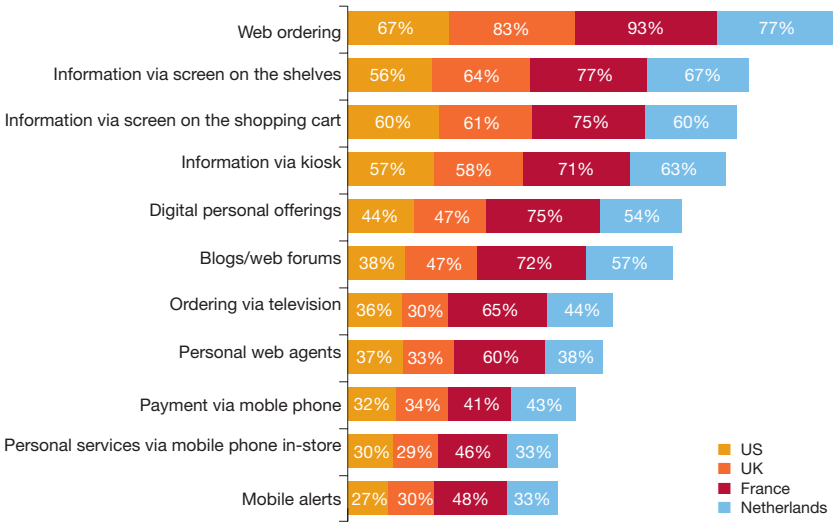
- Take advantage of the emerging technologies that consumers increasingly will be using, such as mobile or in-home technologies. These tools will have significant impact on purchase decisions, and should play a key role in your marketing and communication activities.
- Be transparent in your information management. It is of vital importance to accurately provide relevant information whenever and wherever consumers need this – via whatever channel.
- Manage consumer information in an effective and trustworthy manner. Consumers are willing to share information, but only when they know this is respectfully translated into relevant offerings and promotions – fully in accordance with their preferences and needs.
- Establish and maintain a true two-way dialogue with individual consumers. This will enable you to understand their needs and preferences. If possible, involve your consumers in product development. Also, you should personalise and innovate your offerings according to individual needs and preferences – and be able to deliver. Consumers will not only appreciate this, ultimately they will expect it.

Being aware of a technology is one thing, but using it is another. Obviously it may take time before some of these technologies gain significant traction. In general, a smaller percentage of consumers anticipated using the different types of technology, compared with the percentage who had heard of the technologies.

Men were more likely to have heard of the different technologies and to say they would use them in the future, compared with women. Age also had an impact on awareness and likelihood to use. Consumers in the 50 and older group were the least likely to have heard of the different technologies. For example, 54% of the respondents over 50 were aware of mobile alerts, compared with 73% of respondents between 18 and 34. With the exception of digital personal offerings, information via kiosks and information via screens on shopping carts, consumers age 50 and older were also the least likely to say they would use technologies for buying in the future.

New and emerging technologies are likely to impact the retail and consumer products industry as these tools increasingly factor into consumer buying behaviour. These technologies can play a key role in marketing and advertising and have the potential to influence purchase decisions. They also may improve the efficiency of the buying process, which ultimately may result in improved customer relations.

Likelihood To Use Various Types of Technology
(% saying "likely/extremely likely")



Note: Base = all consumers who said they were aware of the technology
Source: Capgemini

Sharing Information: The Key to Unlocking Hidden Value

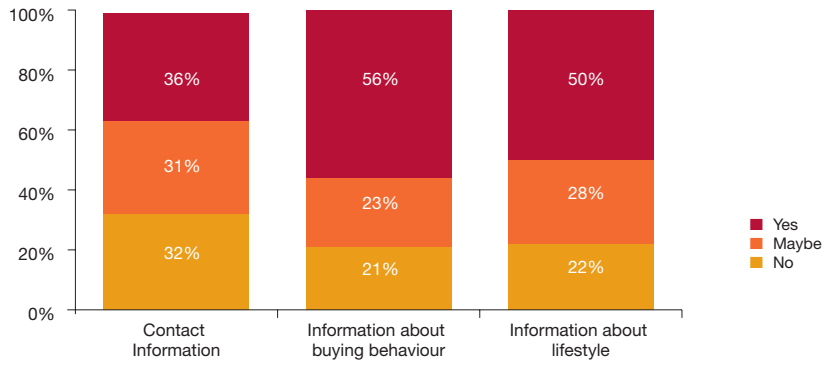
The ability to access shopper data such as contact details and information about buying behaviour and lifestyle is critical for retailers and manufacturers as they attempt to understand consumer preferences in order to provide the greatest value to their customers.

The research shows that half of consumers were willing to share information about their buying behaviour and lifestyle with retailers and manufacturers. Consumers were more reluctant to share contact information.

In general, males were somewhat less willing than females to share information. For example, 53% of men and 60% of women said they would share information about their buying behaviour with companies.

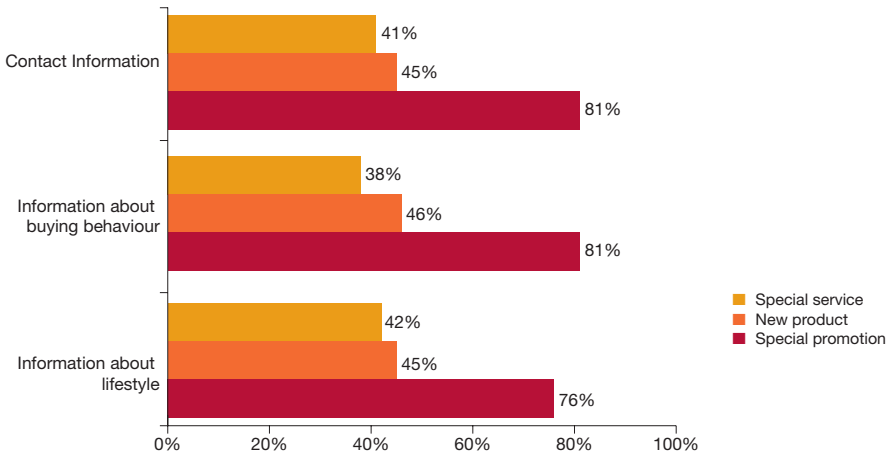
There is one catch when it comes to data sharing. Many consumers who were willing to share information expected something in return. Shoppers were overwhelmingly in favour of receiving a special promotion in exchange for sharing information (named by 79% of respondents). New products (named by 45%) or special services (40%) were less popular.

Willingness to Share Information
(% saying)



Source: Capgemini

Expectation in Return for Sharing Information
(% saying)



Source: Capgemini

More than half of respondents said they would value personalised offerings for books/music and electronics.

Expecting a Personal Touch

Many consumers indicated that they were interested in receiving relevant personalised products, services and promotions, particularly those that would not be available to everyone, such as their own design on a mobile phone or other product. There were, however, differences by category. For example, more than half of respondents said they would value personalised offerings for books/music and electronics, but only about one-third would appreciate personalisation for perishable food.

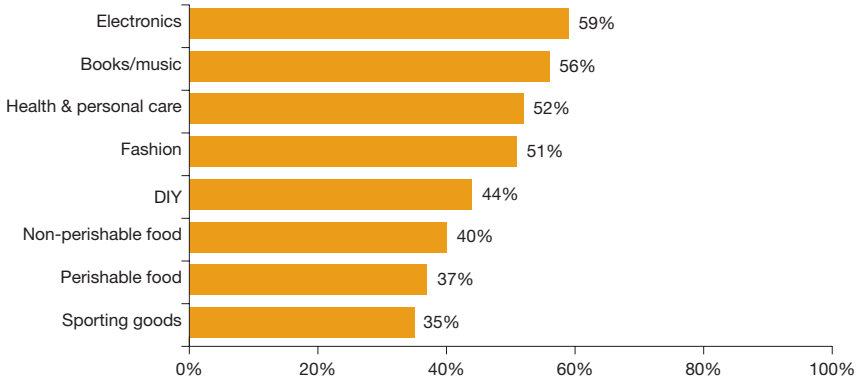
With the exception of electronics and sporting goods, women were more likely than men to appreciate personalised offerings. This was particularly true for health and personal care, fashion and books/music.

Companies that want to offer personalised products or services need to understand exactly who their shoppers are in terms of age, nationality, income, lifestyle and other factors. However, personalisation can be a double-edged sword given today's privacy concerns. Companies must be certain they know who is open to this kind of approach and who is not in order to avoid alienating potential buyers. Accurate customer data will be essential in this respect.

The Value of Innovation

In addition to personalisation, consumers indicated that innovation in new products and features will be important to them in the future. However, the degree of importance varied depending on the category. This makes sense because not every product category is suitable for the same degree of innovation.

Degree Consumers Would Appreciate Receiving Personalised Offerings
(% saying "would appreciate/would greatly appreciate")



Source: Capgemini

Innovation was valued most in the electronics category (where 71% of respondents said innovation was important/extremely important) but less so for perishable food (39%) and non-perishable food (41%). However, investments in innovation by companies will continue to be necessary in order to deal with competition, even for those categories where consumers are less demanding of innovative products.

In terms of gender differences, women were more likely to say that innovation would be important in foods, health/personal care, fashion and books/music. Men were more likely to look for innovation in electronics and sporting goods.

What will this mean for retailers and manufacturers? For one thing, companies will likely look to new sources such as partners to deliver innovation. For example, according to the "2016" report, "more new product/service ideas will be developed in collaboration with small and medium-size innovators. In some cases government will stimulate innovation by providing innovation subsidies for this sector."[3]

And consumers themselves will likely play a greater role in driving innovation in the industry value chain. Noted the "2016" study, "Customer-driven product development will be enabled by improved qualitative consumer insights and direct customer feedback. Consumers increasingly will be pulled into the R&D process, in much the way they are involved today in bringing innovations to new-generation iPods®, gaming and LEGO Mindstorms."[4]

Consumer Behaviour: What Makes Markets Different

In general, U.S. and Dutch consumers were less likely than those in France and the UK to have heard about the various new and emerging technologies. French consumers appear to be the most eager to use the technologies in the future. Only for information kiosks and payment via mobile phone did Dutch consumers in all age categories give responses that were at or above average.

Regarding information sharing, French consumers were the most willing to share all the different types of data, but were also the most likely to want to receive something in return. French respondents were also the most likely to appreciate personalised offerings. Dutch consumers were the least likely to want personalisation.

Some countries value innovation more than others. French consumers were more likely to rate innovation highly, particularly in the sporting goods category, while Dutch consumers were the least likely to say that innovation would be important to them.

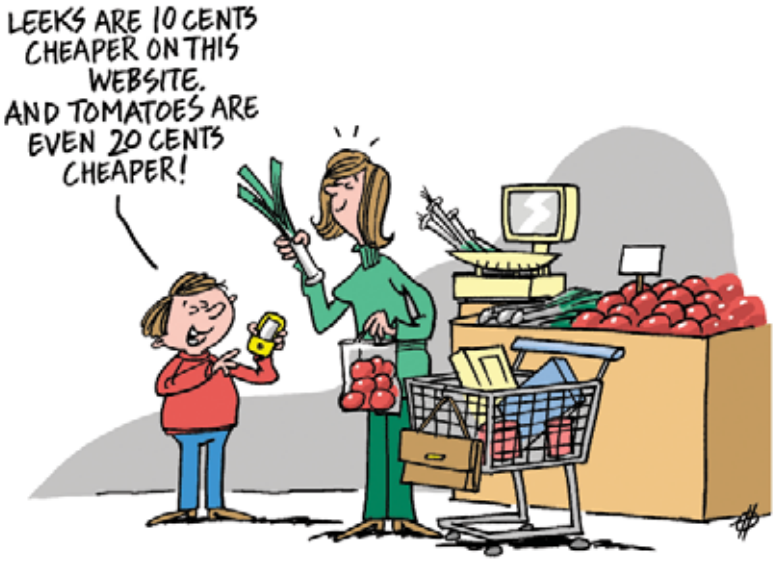
[3] "2016: The Future Value Chain," Global Commerce Initiative, Capgemini and Intel, p. 16.

[4] "2016: The Future Value Chain," Global Commerce Initiative, Capgemini and Intel, p. 18.

Buying the Goods: Consumers' Growing Preference for the Online Channel

"I am a customer at the real stores for some products because of the possibility to test them and for the service when something breaks. But with other, less expensive or less complicated things it doesn't make much of a difference and one can buy online."

Netherlands consumer



Although physical stores will remain an important outlet for consumers, the online channel will continue to grow in the next decade for buying as well as for doing research prior to purchase.

This is not surprising given the exponential increase in the Internet penetration rate, which stands at about 70% in the U.S. and more than 50% in the European Union.[5] These rates are expected to continue to grow by leaps and bounds thanks to driving forces such as low-cost Internet access devices, more widespread use of DSL and broadband connections, and an increase in the number of wireless Internet access points.

Online Becomes Mainstream

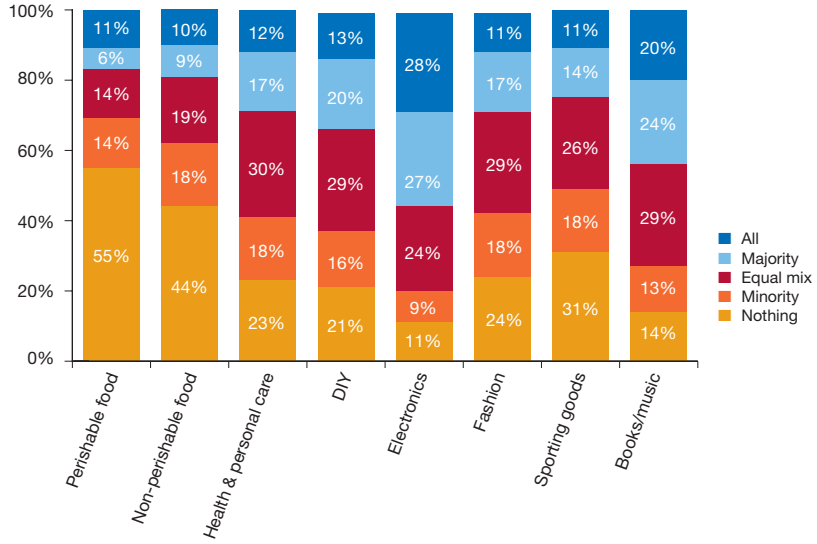
Consumers are increasingly using the online channel for advance planning, research and buying. However, the extent to which consumers plan to use the web in the coming years is largely dependent on the product category.

For example, consumers said they expect to purchase books/music and electronics via the online channel more than other categories in the future. Consumers were also more likely to say they would research these categories online. More than half of respondents said they expected to conduct all or the majority of their product research in the electronics category via the Internet in the future, and 44% said they will research products online in the books/music category.

Some products will continue to be purchased primarily in stores in the coming years, especially food, health and personal care and DIY.

[5] Internet World Stats, Miniwatts Marketing Group, Nielsen/NetRatings.

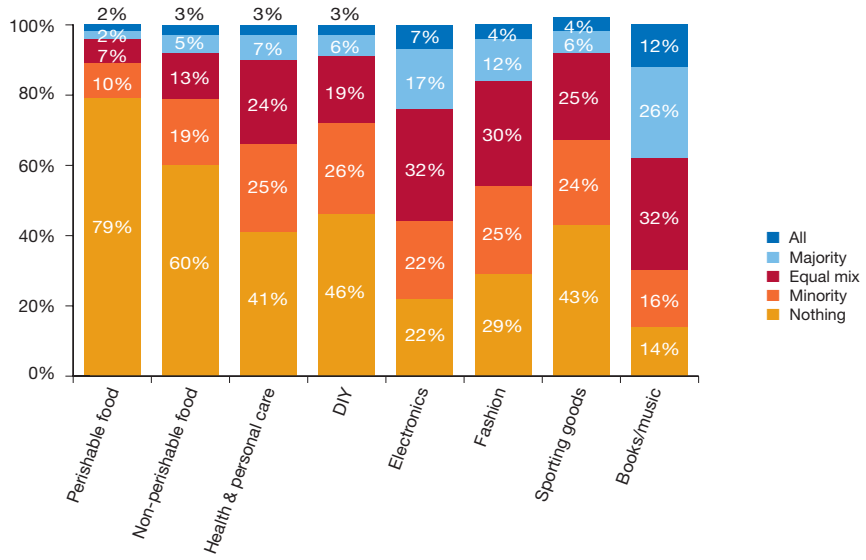
Conduct Product Research Online
(% saying)



Source: Capgemini

Online Buying Most Popular for Books/Music and Electronics
(% saying)

Please indicate for each of the types of goods and services that you might buy, how much would you buy online in the future:



Source: Capgemini

Buying the Goods

The Impact for Retailers and Manufacturers

- Integrate your online and offline channels. The online channel will increasingly be used in conjunction with offline channels (stores). This mix of channel usage (in different phases of the buying process, for different moments, in different situations, etc.) should provide a consistent consumer experience. Look for the right level of online/offline synergies – but also leverage the different characteristics of each channel.
- Anticipate and drive increased online purchase volumes. Make sure your online facilities are meeting consumer expectations and easily facilitate the buying process.
- Carefully choose your brand and channel differentiation in terms of five key attributes: access, experience, price, product/assortment and service.

It is not just the young generation who expect to buy online; the numbers are similar for all groups until the age of 65.

Surprisingly, the research shows that it is not just the young generation who expect to buy online; the numbers are similar for all groups until the age of 65. Regarding health and personal care and non-perishable food, most consumers who will buy online are between the ages of 35 and 49.

In general, women were more likely to say they would buy DIY items, books/music and electronics in a physical store, but food, health/personal care and fashion online. Male consumers said they would buy more electronics and books/music online, compared with female consumers.

Price, Product and Service Will Matter Most

There are some underlying factors that will drive consumers' buying patterns in the future. To understand the impact of these factors, consumers were asked to rate the importance of five key attributes over the coming years in deciding how and where to buy products and services:

- Access: Ease and simplicity of store layout/traffic pattern, availability of goods on the shelf, easy navigation on the website.
- Experience: Being treated with dignity and respect in a pleasant and inspiring atmosphere.
- Price: Fair, honest, consistent prices.
- Product: Consistently good quality of products, adequate assortment/range.
- Service: Good execution of service basics, such as returns policy, treatment of customers.

All five attributes were considered critical by consumers. The top-ranked attribute was price, mentioned by 91% of consumers as important or extremely important. Price was followed closely by product and service. In relative terms, access and experience were mentioned less often, but still each had a score above 80%.

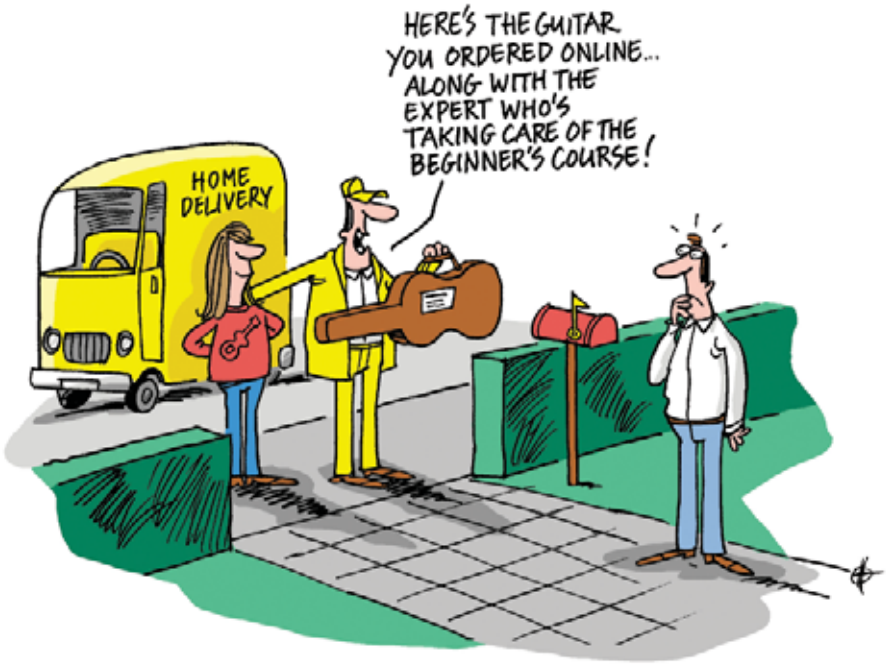
A few variances appeared when looking at demographic backgrounds. Older respondents rated each attribute more highly than did younger consumers. And women also rated each attribute as more important, compared with men.

Buying The Goods: What Makes Markets Different

Online research and buying preferences varied somewhat depending on nationality. Consumers from France and the UK were more likely to indicate they would buy online. French consumers were also more likely to research online, especially for fashion and sporting goods. Respondents from the UK said they would buy their electronics and books/music from the Internet, while U.S. consumers said they would still buy these products mainly in physical stores.

Getting the Goods: Home Delivery Expected to Grow

> "Fresh produce should be delivered to customers on a daily basis."
>
> **UK consumer**



Will consumers want more home delivery in the future? Or will they prefer a centralised neighbourhood pick-up location instead? How quickly will they want to receive products? The answers to these questions can provide valuable insight as retailers and consumer products manufacturers develop future strategies in areas such as logistics and transportation.

The research makes it clear that consumers will no longer be prepared to act as the "picking and delivery" agent for many of their shopping needs in the future. This will become increasingly true as the online channel continues to grow for many types of products. Consumers who buy via the Internet indicated a strong preference for home delivery, regardless of product category. Preferences ranged from two-thirds wanting home delivery for perishable food to more than 80% preferring it for books/music.

However, respondents also expressed interest in having some type of centralised neighbourhood pick-up system for certain types of goods. This was most true for non-perishable food and the DIY category.

The research also found that some consumers believe retailers have not yet gotten the online ordering/pick-up/delivery formula quite right. Said one U.S. respondent: "Stores need to come up with a delivery system that allows people to order online and go to the store and have the order all ready and bagged or have it delivered to your home."

Getting the Goods

The Impact for Retailers and Manufacturers

- Extend your distribution chain all the way to the consumer's home. Anticipate for a home-direct distribution model, which will have different supply chain requirements, including packaging units, delivery volumes, delivery pricing and delivery times.
- Consider new integrated approaches for streamlining neighbourhood services. This could encompass further integration of different services (such as postal services, health care, social services, parcel services).

Women Prefer Home Delivery

Although factors such as age, education and income did not play a significant role in consumers' preferences, gender did matter, with women preferring home delivery more than men in many categories. For example, 80% of women respondents said they would prefer to receive deliveries of health and personal care products at home, compared with 71% of men.

The interest in home delivery may help drive one of the findings from the "2016" study, which predicted the emergence of a home-direct value chain model, where a significant percentage of goods, across many categories, would move from production directly to the consumer's home.[6] Based on the findings of the consumer research, this type of model might appeal to some consumers, at least for products purchased over the Internet. A home-direct approach would not exist as the only value chain model but rather as one alternative, in which manufacturers, retailers, logistics service providers, local postal services and specialised local companies would play an important role, with each one having the opportunity of becoming the "delivery agent."

Taken a step further, delivery of products and services to the end consumer could well see a merging of delivery agents from many different sectors. Health care, postal, parcel, social services (home meal services) and horticulture are just some of the examples where a combined delivery service could meet consumer, industry and environmental needs.[7]

Delivery Time Tied to Product Life

Whether consumers in the future will prefer home delivery or neighbourhood pick-up, one thing is clear: They will want to receive their goods quickly. For all categories except sporting goods, more than half of respondents said they would want products delivered/picked up by at least the next day.

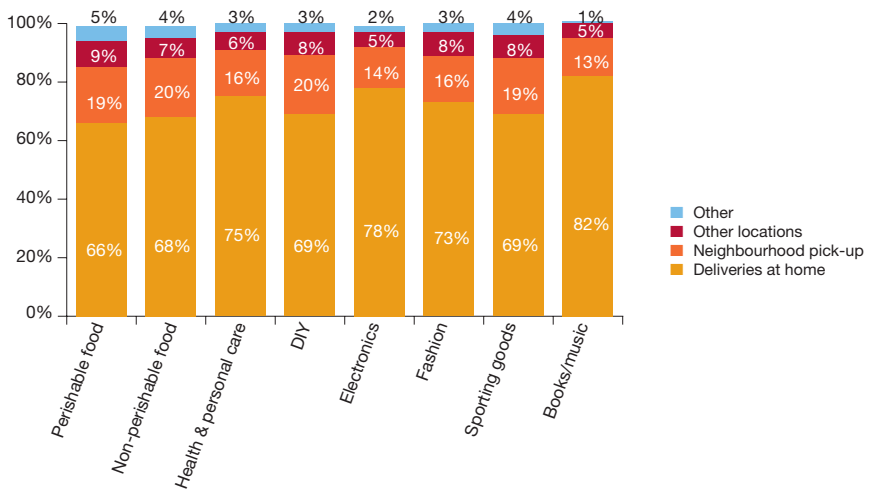
Consumers' preferred delivery/pick-up schedule was largely related to the storage life of the product. For example, nearly half of consumers said they would prefer a two-hour delivery window for perishable food. Suggested one UK consumer: "Fresh produce should be delivered to customers on a daily basis."

[6] "2016: The Future Value Chain," Global Commerce Initiative, Capgemini and Intel, p. 25.

[7] "2016: The Future Value Chain," Global Commerce Initiative, Capgemini and Intel, p. 24.

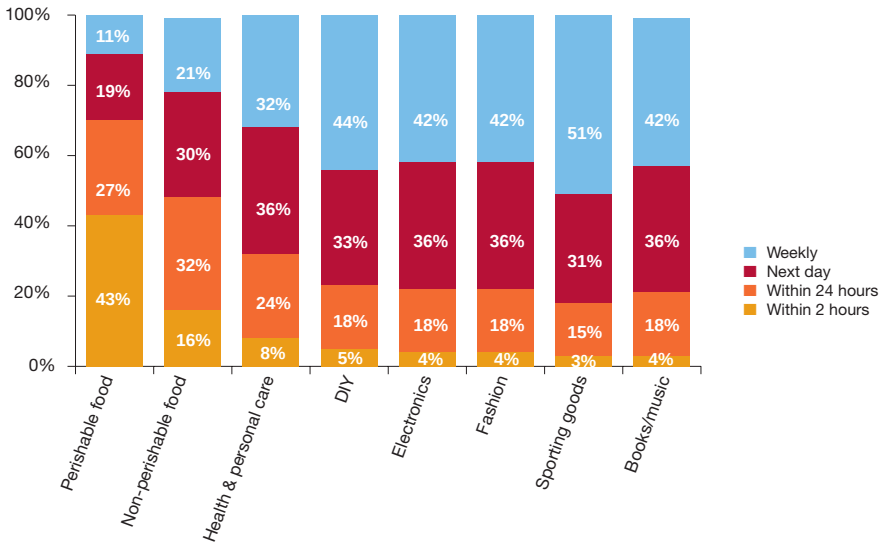
Receiving the Goods: Preferred Delivery Options
(% saying)

For each of the following products and services that you might buy via the Internet, please indicate which delivery option you would prefer:



Source: Capgemini

Preferred Delivery Schedule When Buying Online
(% saying)



Source: Capgemini

For all categories except sporting goods, more than half of the respondents said they would want products delivered/picked up by at least the next day.

> “I’d like to see more local sourcing to minimise transportation.”
>
> **U.S. consumer**

A 24-hour time frame for non-perishable food was preferred by about one-third of respondents, with others willing to wait until the next day or for a weekly schedule. A consumer from the Netherlands noted that especially for food, “online ordering and delivery should be on the same day, preferably at an agreed-upon time.” The majority of respondents considered the next day or a weekly time frame acceptable for other product categories.

However, even in non-food categories, consumers saw benefits to receiving products quickly. Said one respondent from the U.S. referring to the DIY category: “Fast delivery is important, so if one thinks of a project one would like to quickly do, the materials arrive almost immediately.”

Older consumers and those in rural locations were more interested in receiving goods on a weekly schedule from most types of outlets. Urban consumers, by comparison, tended to want deliveries in a shorter time frame. For example, 40% of respondents from urban areas said they would want to receive books and music the next day, compared with 30% of consumers in rural locations. The same is true for fashion products but less so for perishable and non-perishable food; rural consumers, like others, want to receive food products quickly.

Impact on Logistics and Transportation

Consumers’ demands for short delivery times, combined with increased home delivery and higher transport and energy costs, will likely lead the industry to consider new approaches to logistics and transportation. Those might come in the form of integrated and geographic-centric logistics, rather than retailer brand-centric logistics, for example.

More efficient transportation and logistics was on the minds of some consumers. Said one U.S. respondent to the survey: “I’d like to see more local sourcing to minimise transportation.”

Getting the Goods: What Makes Markets Different

In general, respondents from the UK were the most interested in home delivery, while those in the Netherlands and, to a lesser degree, France were open to a neighbourhood pick-up approach. In the non-perishable food category, for example, 77% of UK respondents said they would prefer home delivery, compared with 62% of Dutch consumers. Conversely, 27% of respondents from the Netherlands said they would like neighbourhood pick-up, compared with only 15% of those from the UK.

Consumers in France and the Netherlands were especially keen on the two-hour delivery window for perishables, although a significant number of respondents in all countries said they simply were not comfortable buying perishable food products online.

Usage and Servicing: Consumers Will Seek On-Site Services

"I really want to have products delivered to my home with local professional assistance if required."

UK consumer

Visibility into the research, buying and delivery stages of the value chain allows retailers and manufacturers to improve their understanding of consumer shopping behaviour. However, tracking what happens after a consumer gets a product home can be more difficult. How will the product be used? What kinds of accompanying services will consumers want? Getting a better handle on this missing information can impact tactics and strategies in areas such as product installation and aftersales servicing.

The consumer research found that there will be an increasing appreciation for services around the product, particularly on-site guidance, installation and assembling. Approximately 60% of respondents said those services will be valuable or extremely valuable in the future in influencing their buying decisions. Less valuable to many consumers will be service contracts, pay-per-use services (for example, metered or measured Internet or music download services where customers are charged according to each usage instead of a flat fee), replenishment contracts (such as automatic monthly reorder systems for mineral water) and pre-cooked meals. Of course, these services are very much category dependent.

Demographic Differences Stand Out

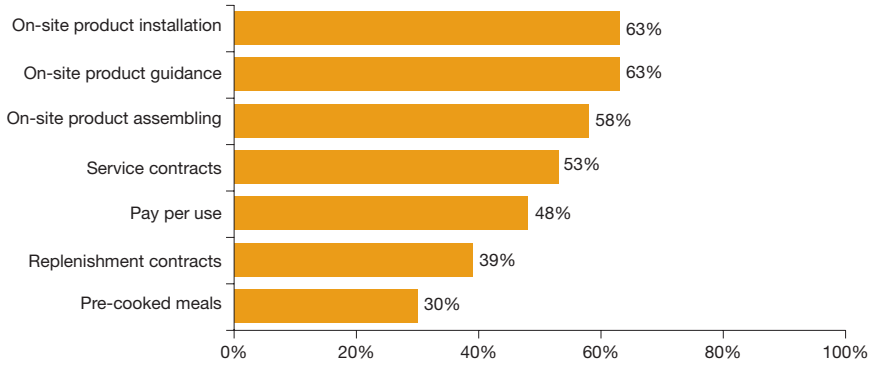
Variances based on demographic factors were apparent. For example, women were more likely to rate each service as valuable in comparison to men. In some cases, the difference was particularly pronounced. In the UK, for instance, 74% of women said they

Usage and Servicing

The Impact for Retailers and Manufacturers

- Consumer satisfaction doesn't end with the sale. Investigate how consumers are using your product(s) – how easy is it to use your products and offerings, and how satisfied are consumers with using them?
- Depending on the outcomes (and your product categories), you should look for ways to service your consumers before, during or after the product usage, for example by offering on-site guidance, installation and assembling services, interactive instructions, community links with other users, and disposal services.

Value of Services When Buying Products Over the Coming Years
(% saying "valuable/extremely valuable")



Source: Capgemini

would value on-site product guidance, compared with 63% of men. And 72% of Dutch women respondents see value in on-site assembling, compared with 55% of the male respondents from the Netherlands.

Age also proved to be a factor in some cases. Except for pre-cooked meals and pay per use, older consumers were more likely to rate each service as valuable, particularly in the case of on-site product guidance, installation and assembling. For example, two-thirds of respondents in the 50-plus age group said they would value product assembling, compared with 53% of those in the 18 to 34 age group.

The youngest consumers (18 to 34) were more likely to rate pre-cooked meals as valuable. For example, 37% of UK respondents in that age group said they would value pre-cooked meals, compared with 20% of UK consumers in the 50-plus group.

Education and income level also played a role in consumers' view of some services. For example, consumers with higher incomes and a higher education level were less likely to find service contracts valuable.

Respondents were particularly likely to mention the need for more on-site guidance when talking about changes they would like to see in the DIY and electronics categories.

Desired Services Vary by Category

Consumer comments demonstrate that not all product categories are viewed the same when it comes to services. Respondents were particularly likely to mention the need for more on-site guidance when talking about changes they would like to see in the DIY and electronics categories. Said one UK respondent, referring to DIY stores: "I really want to have products delivered to my home with local professional assistance if required."

That sentiment was echoed by another consumer from the UK, again referring to DIY stores: "Stores should develop regional 'how-to' guidelines for DIYers with help from local planning authorities. And they should have specialists who can be hired for guidance."

Consumers were also looking for both in-store and aftersales assistance in the sporting goods category. Said one respondent from France: "Particularly for heavy equipment, stores should provide information about safety, demonstration, place of manufacture, maintenance and aftersales service once you get it home."

A few consumers also mentioned the importance of services related to product and packaging disposal or reversal as part of a growing focus on sustainability and environmental issues that was apparent throughout the research. Consumer suggestions included being able to return empty packaging to the store, particularly for non-perishable food and health and beauty care products.

Usage and Servicing: What Makes Markets Different

Regarding usage and servicing, there were considerable variances from one country to another. For example, almost 70% of French respondents said pay per use would be a valuable service for them in the future, compared with only 34% of those in the U.S. and 38% in the UK.

In the case of service contracts, almost two-thirds of French consumers and 60% of Dutch respondents said they would be valuable, but just 40% in the UK and 47% in the U.S. said this would be a valuable option. Replenishment contracts were of interest to almost half of French consumers, but to only one-third of respondents in the Netherlands.

U.S. consumers showed the most interest in pre-cooked meals, with 40% viewing them as a valuable service. In the other countries, less than 30% of respondents said pre-cooked meals would be valuable to them in the future.

What Needs to Change?

> The possibility of creating a compilation CD yourself with an appropriate cover and at an affordable price; a CD for 15 to 20 euros is much too expensive, but at 10 euros, you would be more likely to buy it.

French consumer

If you think stores do not need to change to keep up with consumer needs and demands over the next decade, think again. Consumers are dissatisfied with their current shopping environments (both online and physical stores). For example, just 9% of respondents said they were satisfied with their perishable food outlets. At the high end of the satisfaction scale were book and music stores, yet still only 19% of consumers were happy with these outlets.

Consumer concerns fell into four primary areas: products, stores/outlets, packaging/labels and prices.

Products: Product issues included demands for more variety/more brands, innovation and improved quality. Product sourcing, product availability and natural/organic items were also topics on the minds of consumers.

Stores/outlets: Consumers focussed their comments about stores largely on the online channel, better service, delivery issues and improved accessibility (for both physical and virtual stores). Many respondents were looking for more products online and an improved online experience.

Said one French consumer: "Make a sort of virtual store layout online in order for us to orient ourselves and allow us, like in a supermarket, to be attracted by other products; have a search engine for people who want to target specific items."

Consumers also expressed a desire for new types of technology that could make the shopping process easier. In the UK, one respondent wanted "mobile alerts to tell me when my favourite authors have a new book released."

And a respondent from France asked for "a connection with our refrigerators in order to know what we have on hand in real time and automatically suggest to us what we need from the supermarket."

Packaging/labels: Packaging concerns centred around less packaging, environmentally friendly packaging and easier-to-understand, accurate labels providing more information, particularly about product sourcing. Said one UK consumer: "Remove some of the unnecessary amounts of outer packaging."

Prices: Of course, many consumers lamented today's high prices in all the product categories and wished for lower or more fair prices in the future. Said a French respondent: "I'd like to see reasonable purchase prices in comparison with the prices paid to the producers." Added another consumer from France: "Go back to prices like they were at the time of the franc."

Following is a look at some of the specific changes consumers would like to see in the different retail categories in the coming decade. Their comments help underline the findings that have been presented in the previous sections of this report.

Perishable Food: Health and Nutrition Dominate

Health and nutrition issues dominated the consumer comments about the perishable food category. Consumers said they want healthier products and more nutritional information. A consumer from France would like to see "less packaging and more information about the composition of the product and nutritional value."

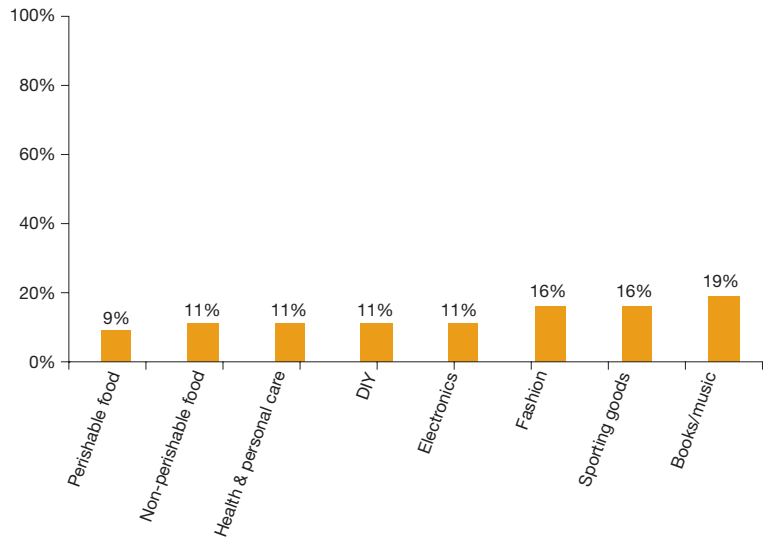
Some consumers wanted to be able to buy more perishable products online, but only if the items were fresh and they had the ability to see the product on the screen before buying. However, many others said they would not be comfortable buying perishable items such as produce over the Internet. "[Perishables] is the most enjoyable part of shopping for me," said a respondent from the U.S. "Online ordering takes the sensory experience out of it."

Consumers in other countries agreed. Said one respondent from the Netherlands: "I would never buy these products [perishables] online, simply because I want to see these things before I buy them, so real stores are fine."

Environmental and ethical issues also factored into consumer comments about the perishable food category. One U.S. consumer was looking for items that are "organic, 'sustainably' produced, non-chemical; only offer the real stuff."

And a UK respondent would like to see "more organic and fair trade produce become the norm rather than speciality; also more focus on seasonal goods to reduce the miles food travels, and more information on sourcing."

'Can't Get No Satisfaction'
(% saying currently satisfied)



Source: Capgemini

> “Show how the product works; in other words, don’t just say the ointment is good for the skin, but explain why and how.”
>
> **Netherlands consumer**

The growing interest in local produce came through repeatedly in consumer comments. “Fresh produce should be from local businesses and farms, in turn helping the local economy,” said a UK consumer.

Concerns about the cold chain and traceability were also expressed. Said a French respondent: “Increase the communication about the traceability of the products/produce and find a way not to break the cold chain during delivery.”

Non-Perishable Food: Less Packaging, More Convenience

There was much evidence that consumers are considering environmental and ethical factors in their shopping decisions in the non-perishable food category. One U.S. consumer asked for “more organic, fair trade products, better ways to distinguish such products on the shelves and more knowledgeable clerks.”

Packaging issues, including less packaging and better product and nutritional information on labels, were also mentioned. Said a French consumer: “Less packaging or the possibility to return packaging to the store, clear and precise labelling telling me where the product came from, a nutritional information table, and packaging that isn't as tall (hard to store in pantries).”

Convenience and innovative product solutions were also on consumers' wish list of changes. A consumer from the UK suggested that the industry “produce food in kit form, allowing certain ingredients to be omitted during cooking such as salt, preservatives, fats and oils.”

Health and wellness concerns arose as well. “We should have more brands available online and indicate important things like the amount of calories, fat, salt, etc., online as well,” said a UK respondent.

Health and Personal Care: Provide More Information

Comments concerning health and wellness as well as environmental and ethical issues were particularly prevalent for the health and personal care category. Consumers asked for more natural ingredients, no animal testing, and more and better information.

In the Netherlands, one respondent said: “Show how the product works; in other words, don't just say the ointment is good for the skin, but explain why and how.” And a U.S. consumer noted that, “We need to concentrate more on the physical natural health of skin rather than slathering artificial products on it.”

Some consumers were looking for technology to provide them with better, more personalised information in this category. Said a respondent from the UK about purchasing health and personal care products: “There should be the opportunity to have an immediate, face-to-face consultation with a pharmacist using the Internet or VoIP [Voice-over Internet Protocol] video phone.”

Many respondents wanted the ability to test products in some way before purchasing them. "I want to be able to smell and test certain items in the store (e.g., lipstick) and perhaps receive a free card with a perfume sample," said a Dutch respondent. "It would be interesting for online purposes to be able to upload a picture of myself and then test eye shadow, lipstick, etc."

Convenience and personalisation were also common themes. One U.S. consumer suggested that retailers offer customised product solutions: "This is one area where having so many choices has become overwhelming. I love the idea of complete packages based on personal needs. Sort of like a personal shopper who knows that I need sensitive toothpaste for me and my husband, fluoride and great flavour appeal for the kids, a vitamin supplement for women because of my age and health, and a different supplement for my teen-age son who runs track and swims."

Consumers also expressed concern about the amount of packaging used for many health and beauty products. Said one French respondent: "Less packaging for the beauty products or the ability to return the empty packing to the store for re-use."

Do-It-Yourself: Order Online, Pick Up at the Store

Comments regarding the need for more and better information and a more knowledgeable staff were particularly pronounced for the DIY category. And many respondents noted that the information and directions should be in the country's native language, which, they said, was not always the case today.

A large number of consumers indicated a preference to order DIY products online but pick them up at the store. And they suggested ways that DIY retailers could better integrate the Internet to improve the in-store experience. Said one U.S. respondent: "Online help in planning and researching materials is needed." And another U.S. consumer noted: "Stores need to have a site that suggests everything you would need for a particular project and allows you to order the items you need out of those suggestions and have them delivered or available for pick up in the store right away."

Others suggested that DIY websites offer users the possibility of designing home projects virtually so they could see how a finished project would look before they bought the items. They suggested providing parameters for different types of projects, different size houses or apartments, and so on, which could be input in order to see a realistic result.

Innovation was another common theme. "Keeping up with the latest market trends is really important," said a U.S. consumer. "If I'm going to do a big home project, I don't want it out of style by the next season. But smaller, decorative or seasonal projects could be the most current style or fad."

The importance of having a knowledgeable staff was echoed over and over. Said a UK respondent: "There should be in-store help from staff about how to complete DIY projects, which tools would be needed, etc. Also, there should be a way of ordering items as you need them – for example, if you're in the middle of a project and need something but the nearest store is miles away and you don't have time, you could order online and have it delivered almost immediately."

Consumers also voiced environmental concerns. In the UK, one respondent wanted to see "less use of corrosive, harmful chemicals/manufacturing processes where possible; also reducing obsolescence and increasing the lifecycle of products; and recycling/minimising packaging to reduce waste."

> “I’d like to see online interactive models with my measurements that can model the item I would like to buy.”
>
> **U.S. consumer**

Electronics: ‘Knowledge for the Novice’

Better information and a more knowledgeable staff were consumers’ top concerns regarding the electronics category. “Knowledge for the novice please!” said a consumer in the U.S. “My kids know more than me and, therefore, I am intimidated making purchases in this category. Maybe you should market to kids and teens and strive to educate us less technical-based bookworms!”

Many consumers said they weren’t getting the knowledgeable in-store help they needed. “Electronics stores consistently are understaffed. There are too many options and they are confusing; there needs to be someone available to explain at all times,” said a U.S. respondent.

At the same time, however, consumers want employees to be less obtrusive. Noted a Dutch consumer: “Don’t approach customers immediately when they’re just looking at something. I don’t want salespeople who appear out of nowhere asking ‘Can I help you?’”

Consumers also want the ability to compare prices, quality, features and specifications, including customer reviews. This was particularly true for self-described “non-techie” shoppers. “Comparisons between different models need to be made easier – we shouldn’t have to trawl through a hundred separate articles,” said a UK consumer.

Reviews were mixed regarding the online vs. physical channel in the electronics business. A common sentiment was expressed by a Dutch respondent: “I am a customer at the real stores for some products because of the possibility to test them and for the service when something breaks. But with other, less expensive or less complicated things it doesn’t make much of a difference and one can buy online.”

Fashion: Looking for Personalisation

Product comments led the list of changes consumers wanted to see in the fashion category. In particular, greater personalisation and the ability to better preview products online were key issues. Said a U.S. consumer, expressing a sentiment echoed by many other respondents: “It would be nice to have three-dimensional models of varying sizes ‘model’ the clothes from different angles so online consumers could have a better view of what their own body structures would look like in the clothes they are considering purchasing.”

A frequent complaint was that the models in store brochures and online sites are too thin and don’t look like “normal” people. “I’d like to see online interactive models with my measurements that can model the item I would like to buy,” said another U.S. respondent.

A similar sentiment was expressed by a Dutch consumer: “Not everything should be focussed on size 34, but it shouldn’t become a store for plus-size women either; the fashion trend has to change completely!”

A respondent from the UK noted that the technical capability to provide this type of service already exists: “Online stores could have a flash/java

mannequin where you could make a little figurine of yourself and see what clothes look good or go together."

One French consumer even asked for "smart clothing," saying, "I would like clothing capable of informing the washing machine which program to select or whether clothing items cannot be washed together and a way to warn the person."

Ethical concerns were voiced by some consumers. "Stores should carry more fashions that are made locally," said a UK consumer. "I would pay more for a locally made product that was employing people for a decent wage than for something that I know has been made by people who are being exploited."

Sporting Goods: 'Newer Products for Higher Performance'

Product-related issues were important to consumers when it came to sporting goods. One U.S. consumer summed it up: "Newer products for higher performance are critical."

Better product information was also a common theme. "Honest reviews on products would be nice, both in store and online," said a respondent from the UK.

Another UK consumer suggested smaller, more specialised formats: "I would prefer fewer sporting goods superstores and more specialists with customer support and knowledge." Still another thought there was a need for more community-focussed sporting goods stores that promoted local sports teams.

Many consumers said they weren't comfortable buying sports shoes online, but would consider buying sports clothing over the Internet. However, some indicated that they would like the online option of a central pick-up point for a reduced shipping cost.

Many consumers wanted more focus on sports and less on fashion. Noted a Dutch consumer: "One does not need a lot of luxury when it comes to sports, so don't sell any additional bells and whistles."

Finally, high prices were a common complaint. Said a consumer from the UK: "Prices are an issue; in most sports shops no sports shirt is worth 50 quid."

Books/Music: The Internet Makes Inroads

The Internet has made significant inroads into the book and music business and many respondents wanted to see that continue. Said one UK consumer: "Make all new books available as an MP3 or iPod download. This eliminates de-foresting, reduces energy costs, print runs, transport, etc."

However, other consumers saw a way to use the online channel without losing physical bookstores. "Being an avid reader, I buy most of my books from a local used bookstore," noted a U.S. respondent. "So for me, an idea would be an online swap shop that delivered used books to my home and allowed me to send my used books to them for resale."

In fact, despite the gains made by the Internet in this category some consumers in all four countries still lamented the gradual extinction of independent specialist book and music stores. "It's hard to find an old-fashioned record store anymore," noted one Dutch respondent.

Consumers also offered suggestions on how to provide more personalisation in the category. A French respondent thought consumers should have "the possibility of creating a compilation CD yourself with an appropriate cover and at an affordable price; a CD for 15 to 20 euros is much too expensive, but at 10 euros, you would be more likely to buy it." Others suggested doing something similar with iPod downloads in the store.

Some consumers were frustrated by what they said are high prices in the book and music category. A consumer from the Netherlands noted that she often buys books and music abroad or through auction sites such as eBay because of the lower prices.

At a Glance: What Consumers Want

	Product Category							
Type of Change Needed	Perishable Food	Non-Perishable Food	Health & Personal Care	DIY	Electronics	Fashion	Sporting Goods	Books/Music
Products	▪ Fresher products ▪ More variety ▪ Improved quality ▪ More local/ organic/healthy choices	▪ More variety ▪ More organic/ healthy choices ▪ Fewer chemicals ▪ Improved quality	▪ More variety ▪ Better products ▪ More innovative products ▪ Natural products/no animal testing ▪ Fewer chemicals ▪ More personalisation	▪ Better/easy instructions ▪ More variety ▪ More user friendly products/ instructions ▪ Improved quality ▪ Fewer harmful chemicals	▪ Innovative products ▪ More variety ▪ Improved quality ▪ More user friendly products/ instructions	▪ More personalisation ▪ Products for "normal" size people ▪ More variety ▪ Improved quality ▪ Local products	▪ More variety ▪ Newer/high-performance products ▪ More sports/ less fashion focus	▪ More variety
Stores/Outlets	▪ Faster delivery ▪ Better access/ layout ▪ Better service	▪ Faster delivery ▪ Better access/ layout ▪ More products online ▪ Improved service	▪ Better access/ layout ▪ Faster delivery ▪ More products online ▪ More knowledgeable staff	▪ More knowledgeable staff ▪ Faster delivery ▪ More products online/pick up at store ▪ Better access/ layout ▪ Better service	▪ Better information ▪ Better service ▪ Faster delivery ▪ Knowledgeable staff ▪ More products online ▪ Better access/ layout ▪ Compare products	▪ Better information ▪ Better access/ layout	▪ Better information ▪ Better service ▪ Fewer superstores/ more specialist stores	▪ More products online ▪ More personalisation ▪ Faster delivery ▪ Better access/ layout
Packaging/ Labels	▪ More accurate information ▪ Less packaging ▪ Environmentlly friendly packaging	▪ Less packaging ▪ Environmentally friendly packaging ▪ More accurate information	▪ More accurate information ▪ Less packaging	▪ Less packaging	▪ More accurate labels	▪ More information on labels	▪ More information on labels	▪ More accurate information
Price	▪ Lower/fair prices ▪ Lower shipping/ delivery charges	▪ Lower/fair prices	▪ Lower/fair prices	▪ Lower/fair prices	▪ Lower/fair prices	▪ Lower/fair prices	▪ Lower/fair prices	▪ Lower/fair prices

Conclusion and Recommendations

Consumer needs are indeed changing, and the way they behave in the future will be different from what we are used to as an industry today. The research has shown clearly that the underlying consumer hypotheses from the "2016: The Future Value Chain" report are valid.

This means that – in line with the opportunity areas identified in the "2016" study – companies need to anticipate these changes across a number of dimensions:

Shopper Dialogue

Establish and maintain a true two-way dialogue with individual consumers. This will be the most valuable means to really understand your consumers. Anonymous consumer surveys will not be sufficient. Consumers will expect to have a true dialogue with companies – as long as it is relevant and brings them value. They will expect customised communication – and in return they will provide valuable information about their true needs and preferences.

Improve your face to the shopper – both in physical stores and online. This will require more frequent format and merchandise assortment changes to keep up with the pace of consumer change. Consumers are not satisfied with their stores (both brick-and-mortar and online) and shopping experiences. Current shopper concerns relate to things like product issues (quality, availability), accessibility and navigation, packaging and information labelling (for example, in relation to health and wellness, which is the number one consumer driver) as well as price perception.

Take advantage of emerging technologies. Consumers will increasingly use all kinds of new, especially mobile, technologies during the buying process. These technologies will play a key role in marketing and communication and have the potential to significantly influence purchase decisions.

Information Sharing

Be transparent in your information management. Consumers appreciate companies that can accurately provide relevant information how and when they need it. Consumers increasingly research their purchases across various channels – and they expect this information to be readily available, adequate and consistent.

Manage consumer information (personal profiles) effectively. Consumers are willing to share information – as long as they can trust that this information is being treated in a respectful manner and is translated into relevant offerings and promotions, fully in accordance with consumers' wishes and needs (for example, in cases when a consumer is not open to a personalised approach).

Synchronised Production

Personalise your offerings – and be able to deliver. Consumers are increasingly expecting and appreciating personalised products and services. In some cases, this requires different scenarios to effectively and efficiently synchronise the actual individual demand with the capabilities to produce, customise, assemble, fulfil and/or service these demands.

Integrated Logistics/ Home Delivery

Extend your distribution chain to the consumer's home. Consumers will increasingly order online, and they expect these orders to be delivered to their homes. This home-direct distribution model places some different requirements on the consumer products and retail supply chain, compared with the store-distribution model (for example, regarding delivery times), which companies need to anticipate.

Consider new integrated approaches for streamlining neighbourhood services. A significant proportion of consumers are prepared to use neighbourhood pick-up facilities for online orders. Consumers also indicated that they want additional services around the product (such as on-site guidance and installation). Based on a broader set of consumer needs, this could provide a basis for further integration of different services (for example, postal services, health care, social services, parcel services) into a new neighbourhood services and distribution model.

Sustainability

Address sustainability in a serious manner – and communicate about it. Consumers are concerned about things like global warming and CO_2 emissions – and they will take this into account when making buying decisions. A company's ability to offer its products and services in a sustainable manner will be input for both public opinions and personal judgements. But be aware that consumers are not willing to pay much extra for products that meet their sustainability requirements.

Company Culture and Behavioural Changes

Be open to new ways of working – driven by consumers. Consumers appreciate the value of innovation and they are increasingly willing to take an active part in this process. Make sure that your solution and product development is driven by true consumer needs – and if possible involve consumers in your R&D process using new technologies.

Addressing these challenges will not be possible in a single step. This will be a long journey – and nobody really knows exactly where it will lead. But companies that start this journey well prepared, will find this out themselves – and consumers will help point them in the right direction.

How Capgemini Can Help

The “Future Consumer” report poses the question, “Will your business be able to anticipate and adapt to changes in consumer behaviour over the coming years?” Capgemini is prepared to help consumer products manufacturers and retailers answer that question using a number of focussed tools, approaches and accelerators:

- Capgemini believes the best way to respond to these challenges is through high-performance group creativity and collaboration. We have designed our **Accelerated Solutions Environment (ASE)** to fuse those two core principles in a way that unleashes group genius and yields breakthrough solutions and action plans in days rather than months.
- Capgemini’s **Transformation Consulting (TC)** helps companies adapt and respond effectively to the challenges of a constantly changing world. We help companies fundamentally transform their core purpose and/or business model, to realise their corporate vision in light of these challenges.
- Capgemini’s **Customer Relationship Management (CRM)** solutions drive business results for our clients by enriching the customer experience through marketing, sales and service transformation. We are able to help companies effectively manage and co-ordinate customer interactions across channels, departments, lines of business and geographies to maximise the value of every customer interaction and provide a unique customer experience.
- Capgemini’s **Supply Chain Management (SCM)** solutions assist consumer products and retail companies as they move from “push-oriented” supply chains to “pull-oriented” demand chains, which are driven by consumer demand.

www.capgemini.com/industries/retail
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About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools.Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration.

Capgemini employs approximately 75,000 people worldwide and reported 2006 global revenues of 7.7 billion euros.

More information about our services, offices and research is available at **www.capgemini.com.**

The "Future Consumer" study was written by Kees Jacobs, Loes Heinemans and Priscilla Donegan.

For more information on the "Future Consumer" study and how Capgemini can help you apply the findings to your own organisation, please contact:

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