



Overview

Consumers are transforming the retail environment by leveraging the latest technologies to receive instant access to product details and price information. They are spending their money on merchandise and services they value most and stipulating how they want to interact with retailers. IBM surveyed more than 30,000 consumers in the United States, Canada, United Kingdom, Brazil, India and China to determine how they choose where to shop, what shopping methods they prefer and what they will demand from retailers in the future.

IBM Institute for Business Value

Meeting the demands of the smarter consumer

It's a buyer's market

Consumers are getting smarter as they incorporate new technologies into their daily lives and information becomes more readily available. To put it another way, they are becoming more instrumented, interconnected and intelligent. They know:

- Which retailers have the best prices and products
- How they want to interact with both retailers and other consumers
- What matters most to them as they decide where to shop
- What retailers need to improve
- Where they want to spend their money.

The balance of power has shifted accordingly. Today, it's a buyer's market.

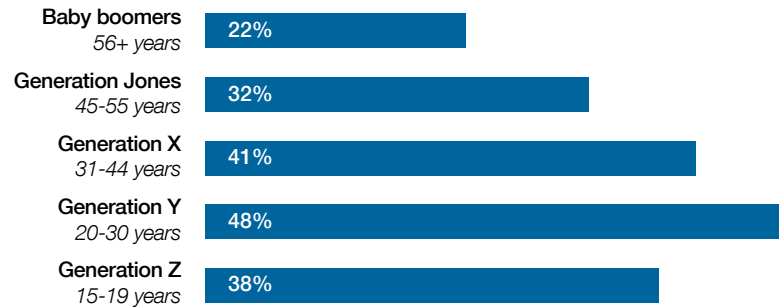
Consumers are instrumented...technology has made them smarter than ever

Thanks to the Internet, mobile devices, digital TV and in-store kiosks, many consumers now have immediate access to a wealth of information about retailers and their products. They are using this information to decide what to buy and where to buy it.

Generations X and Y (see Figure 1) are particularly receptive to using new technologies to enhance their shopping experiences, while consumers living in the growth markets are even more enthusiastic than those in mature markets. More than 50 percent of Brazilian, Chinese and Indian respondents are willing to use two or more technologies to comparison shop and ultimately purchase. That may come as no surprise; after all, there are nine times as many mobile phone accounts as there are automobiles in the emerging world.¹



Percentage of “instrumented consumers” by age group



Source: IBM Institute for Business Value analysis, Retail 2010, n=11,450.

Figure 1: Generations X and Y are the most willing to use alternative ways to shop and to purchase.

Consumers want to use different technologies depending on their shopping purpose or objective. For example, the survey shows that they want to use:

- Web sites primarily to compare prices, print coupons and access their personal accounts
- In-store kiosks to review product features, pay for goods and get product information
- Mobile phones to locate the nearest store, compare prices and check that the items they want are in stock before they go to the store.

Consumers are interconnected...wanting to connect to retailers and fellow consumers in new ways

Consumers listen to other consumers – some of whom they don’t even know – and the dialog influences the decisions they make.

Thirty-three percent of respondents told us that they are somewhat or very likely to “follow” a retailer on a social networking site. But a value exchange is required. For instance, consumers want to follow retailers that will provide them with new samples to try, preferred customer status for special promotions or advanced sales, as well as allow them to influence product development and new service offerings. Younger consumers are even more likely to follow a retailer, as are those living in the growth markets. In fact, Indian, Brazilian and Chinese respondents are three times more likely to follow a retailer on a social networking site than American, Canadian and British respondents.

Interconnected consumers are eager to assist

Fortunately, most consumers – whether or not they use social media – are more interested in providing constructive suggestions than they are in voicing criticism. Seventy-eight percent of respondents are willing to collaborate with retailers to co-create new products and services that meet their needs. This emerging trend was evident from respondents in all markets and all ages. Baby boomers (56 years of age and older) did prove slightly less willing to co-create than younger generations. The interesting fact is that those who want to get involved are prepared to devote time each week co-creating with their retailer.

For more information

Authors

Melissa Schaefer
maschae@us.ibm.com

Laura VanTine
katzl@us.ibm.com

IBM Institute for Business Value

iibv@us.ibm.com

Consumers are intelligent...they know what they want

Instrumented and interconnected consumers are increasingly intelligent consumers. They have more clearly defined ideas about what they want from retailers than ever before. We analyzed the relationship between what consumers said is most important to them when deciding where to shop and what areas they feel retailers need to improve upon the most (see Figure 2).

1	Offers me discounts specifically for the things that I buy
2	Has products available consistently
3	Offers me various options to provide me with greater value
4	Offers better quality products
5	Has everyday low prices
6	Has great sales
7	Offers a variety of products

Source: IBM Institute for Business Value analysis.

Figure 2: The seven areas that matter most to consumers and where they also think retailers most need to improve.

Regardless of age or geography, consumers' top priority is personalized discounts. In addition, consumers demand product availability, better value, quality and variety. Based on respondent feedback, a retailer that fulfills these top priorities can then distinguish itself by providing a loyalty scheme with easily obtainable rewards, shopping aids (e.g., price-comparison and product-locator tools) and knowledgeable store employees and by showing that it values its staff (e.g., by giving them health insurance).

Consumers reward retailers that get it right by increasing purchases and loyalty

Consumers are ready to reward those retailers that get it right; 61 percent said that they would spend more with their current retailer if it made the improvements they suggested. Consumers in Generations X and Y are particularly willing to do so, as are consumers shopping for specialty apparel and home merchandise. IBM's research shows that consumers who feel positively about a retailer really do generate more economic value.

Smarter consumers are making smarter decisions

Smarter consumers know what they want when they go shopping, and they expect to be heard. For retailers that want to succeed in the future, they will have to keep pace with these smarter consumers by providing new shopping channels, participating in their social networks and using analytics to meet their demands. But smarter consumers are not only more demanding, they are also more willing to collaborate. They are ready to contribute to the development of new products and services and will reward those retailers that listen by giving them more of their spend.

Embrace this buyer's market by partnering with today's smarter consumers to capture value and increase loyalty.



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Route 100
Somers, NY 10589
U.S.A.

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1 Ahonen, Tomi T. “The Digital Divide in Numbers: TVs, PCs, Internet users, Mobile around the world.” *Communities Dominate Brands blog*. November 10, 2009. <http://communities-dominate.blogs.com/brands/2009/11/the-digital-divide-in-numbers.html>
