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IBM Retail

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Impact of Next Generation eCommerce and Digital Marketing

Delivering a "*Smarter Shopping Experience*"

AGENDA

Topic
The Smarter Consumer is Redefining Shopping
Technologies Enabling the Future of Shopping
Applying Digital Marketing

Making retail smarter

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The biggest challenge in Retail today is what's happening on the other side of the counter. Consumers are becoming Smarter!

Instrumented

Interconnected

Intelligent

Informed

Empowered

Engaged

Influencing

Brand Preference

Buying Decisions

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Consumers are redefining the shopping experience to fit their unique needs and timeframes

1 **Shopping Becomes Omnipresent**
- Shopping becomes engrained in all aspects of our lives due to persistent connectivity and ubiquitous access
- Consumer touch points continue to proliferate increasing availability

2 **Shopping Becomes Deconstructed**
- Consumers can start/stop and switch channels seamlessly
- New competitors arise; disintermediating consumers from retailers

3 **Shopping Becomes Collaborative**
- Retailers engage consumers in retail decisions (e.g. assortment, etc.)
- Consumer-to-community interactions become commonplace

4 **Shopping Becomes Contextual**
- Consumers demand relevancy and personalized service
- Availability of consumer information combined with real-time analytics enables superior experience

5 **Shopping Becomes Real-time Aware**
- Device and communication technology converge
- Consumer interactions become timely and proactive

6 **Shopping Becomes Experiential**
- Physical and digital worlds converge to provide an enhance experience
- Shopping becomes all about the experience; availability and fulfillment times are greatly reduced

The majority of consumers want to leverage an increasing number of technologies during their shopping process

% of Consumers willing to use the following technologies to research and make purchases

- Website
- Mobile technology
- Social Network
- Retailer website to co-create products
- TV (using a remote control)
- Social videos (YouTube, YouKu)
- Electronic games
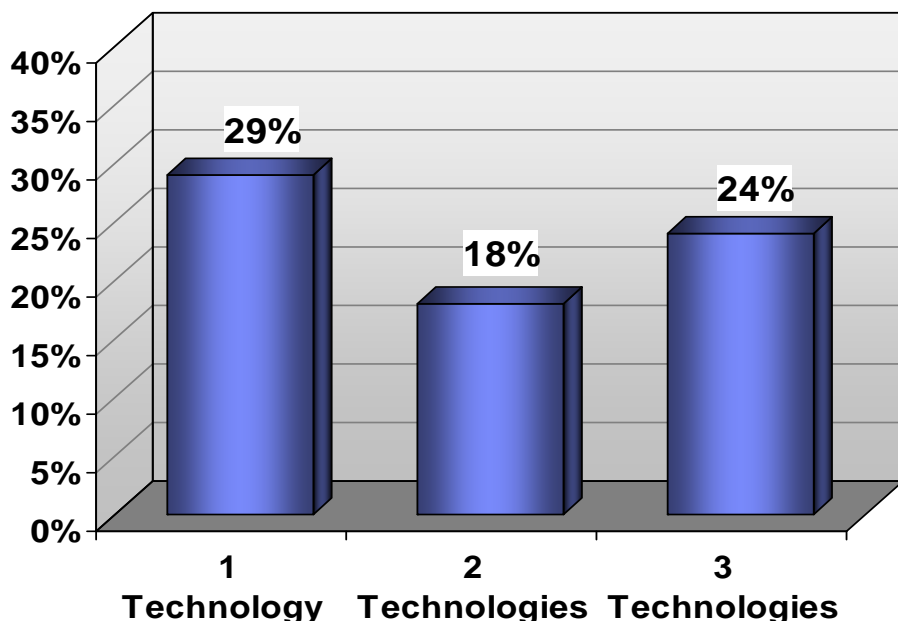
Mobile is quickly growing in importance During the in-store shopping process

Research In-Store

42% Proactively communicate promotions to me based on what I scan

41% Allow me to check prices from other physical and virtual locations

Service In-Store

32% Help me find the customer service desk or associate

31% Allow me to order out-of-stock items

29% identify myself in store or mobile for help

27% Provide the most efficient route through store

27% Allow me to take a picture/text to get product information

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Consumers are obtaining different value from each touch point and consequently are deconstructing the shopping process

Consumer

Shopping Continuum

Customer

Awareness · Browse & Research · Purchase · Receive · Service & Support

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33% of consumers who did not have enough information to purchase, the lacking information is within the retailer's control

Consumer

Shopping Continuum

Customer

Awareness → Browse & Research → Purchase → Receive → Service & Support

1. **Wanted to touch, see and experience the item**

2. **Wanted to price compare to determine best price**

3. **Product information was missing (quality and product attributes)**

4. **Missing independent product review information**

5. **Could not tell if the product was in stock**

Source: IBM Institute for Business Value Analysis, Retail 2012, n = 28,527, PM05 If you can't make a purchase after you researched in (research method) what information was missing?

Shopping has always been a collaborative activity, but a person's influence is expanding far beyond their own social network
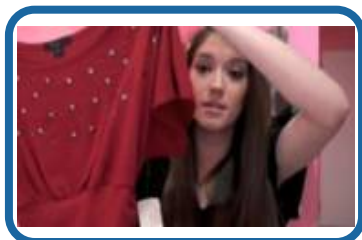
Haul Video

Group Buying

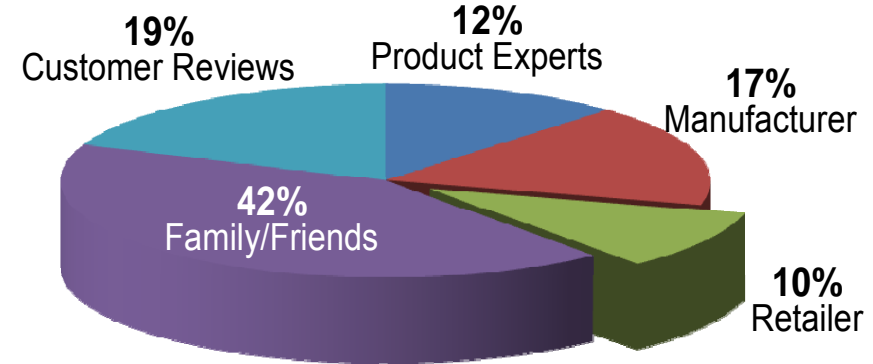# And it is imperative for retailers to identify who consumers trust when making buying decisions
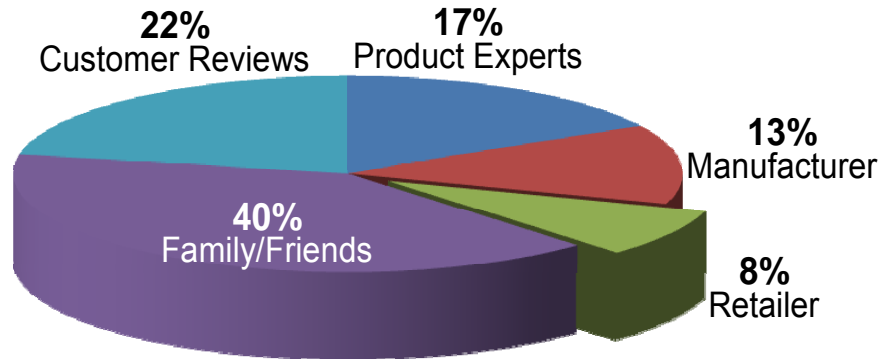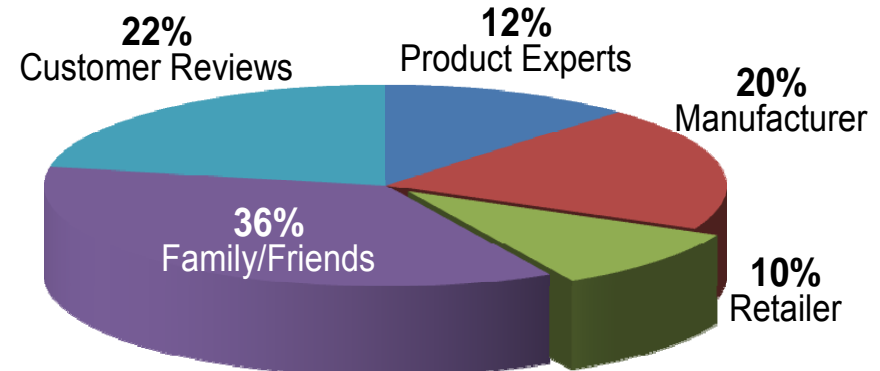
2010

Trust Ranking - Mature

- 22% Customer Reviews
- 14% Product Experts
- 10% Manufacturer
- 6% Retailer
- 48% Family/Friends

Trust Ranking - Growth

- 22% Customer Reviews
- 17% Product Experts
- 13% Manufacturer
- 8% Retailer
- 40% Family/Friends

2011

Trust Ranking - Mature

- 19% Customer Reviews
- 12% Product Experts
- 17% Manufacturer
- 10% Retailer
- 42% Family/Friends

Trust Ranking - Growth

- 22% Customer Reviews
- 12% Product Experts
- 20% Manufacturer
- 10% Retailer
- 36% Family/Friends
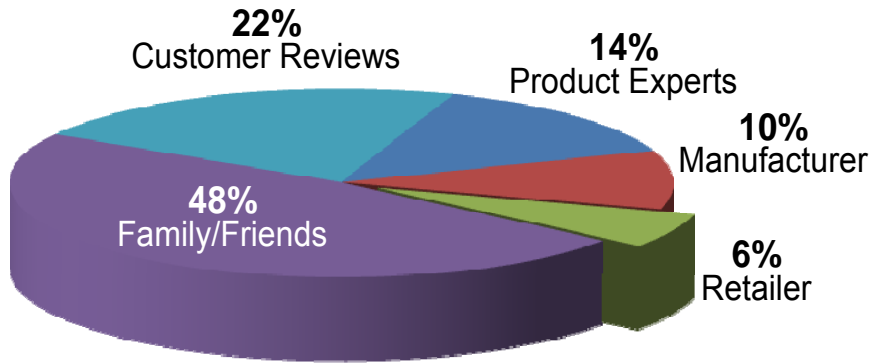
Source: IBV Retail 2012 Winning Over the Empowered Consumer Study n= 28527 (global)

Consumer demand personalized interactions and timely service no matter if the interaction is self-service or assisted-service

"Know Me"

Personalize Promotions

(#1 influence of purchase decision)

– Top consideration when determining where to shop
– Most likely to increase my spend
– The area retailers need to improve most

Personalize Shopping

(Most important factors)

– Recognize me in the store or online
– Remember preferred payment method
– Provide preferred receipt type

Personalize Assortments (Most important loyalty drivers)

– High quality/low price private label products
– New and unique products
– Manufactured or grown in my country

"Serve me"

Checkout: Top area for retailer innovation to provide better service

Convenience: Top Priorities

• Providing the right products and appropriate variety of brands
• Prior in-stock knowledge before going to store
• Loyalty programs that can be used at other retailers

Customer Service: Most important loyalty drivers

• Make it feel like a pleasure to help me
• Have knowledgeable employees about products/services
• Allow me to return products without hassle or questions asked
• Easy way to order items not in stock

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Identifying presence and location will become essential in enabling timely and relevant consumer interactions

- Identify shoppers presence as they enter or leave the store

- Identify proximity to a retail store

- Identify what aisle or department the shopper is located

- Ability to interact with store personnel, systems and devices

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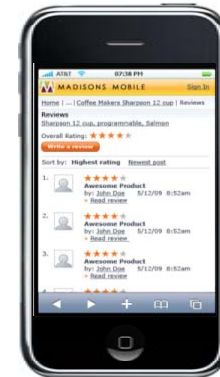
The convergence of the physical and digital worlds will enable shopping to become more experiential
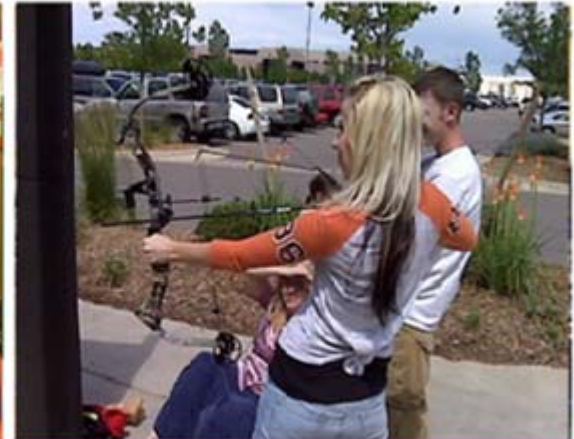
Physical

Digital

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Context is Key

Context is Key

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Victoria Secret
Sue, Victoria Secret is offering you a 15% discount for the next 24 hours.

=

Context is Key

Maintown Mall
It's raining. Take
advantage of our
shuttlebus to
remote parking lots

SAMSUNG

+

=

Ubiquitous Presence Services

A customer enters the shop

Customer's presence is automatically noted

The customer is recognized as a VIP customer

Shop assistants automatically informed of the arrival

The shop asks customer if he/she wishes to interact

Customer agrees to interact with shop

The shop assistant is informed of customer's decision

All devices in shop are alerted that a specific customer is willing to interact

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The Lines Between <u>Virtual</u> and <u>Physical</u> are Blurring … Disappearing

Outside Store

Inside Store

Shopping List

Aisle 3

Aisle 11

Aisle 9

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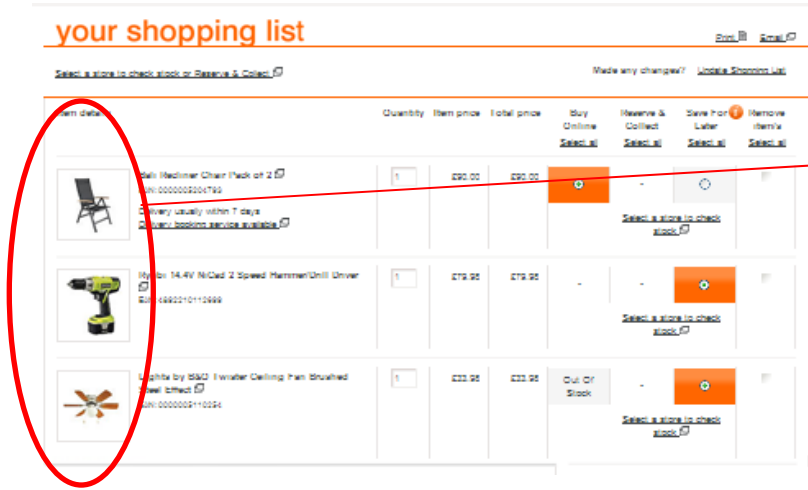
In-Store Augmented Reality

- A mobile application, on a smart phone or a Tablet PC, used inside bricks-and-mortar retail stores.

- Uses image processing technologies to recognize the products while panning the isle or shelf with the camera.
  - A giant step forward from barcode-based recognition

- Uses Augmented Reality to superimpose layers of information on top of the seen isle view.

- Used as a channel for retailer to provide the shopper with special prices, coupons and combo-deals, ranking and recommendation, complementary products, etc.

- Connects with existing applications – Unica Interact and Unica Marketing, WebSphere Commerce, etc. – where customer profiling, recommendation decisions and offer management takes place.

- Extends these products to in-store retail, which still holds over 92% of entire retail volume

Locating Products - New Twist to Old Problem

- Locate products not by tagging the products but by tagging the displays, shelves, baskets, etc in which they are located

- Leverage the customers mobile device to improve the customer shopping experience rather than investing in in-store solutions/devices

- Better understanding of customer patterns in the store not by tracking the customer but by tracking the cart he is pushing or the basket he is carrying
  - No need to put RFID tags on loyalty cards, nor to install cameras to do video analytics to track customer movement, nor to install expensive systems in shopping carts

Customer Mobile App

Employee Mobile App

Product Location

RFID

SALE

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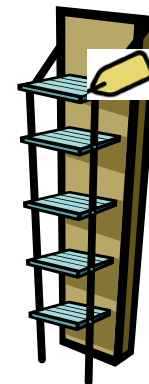
Smarter Customer Assistance

Proactive Multi-Channel

Augmented Reality

Mobile Help Button
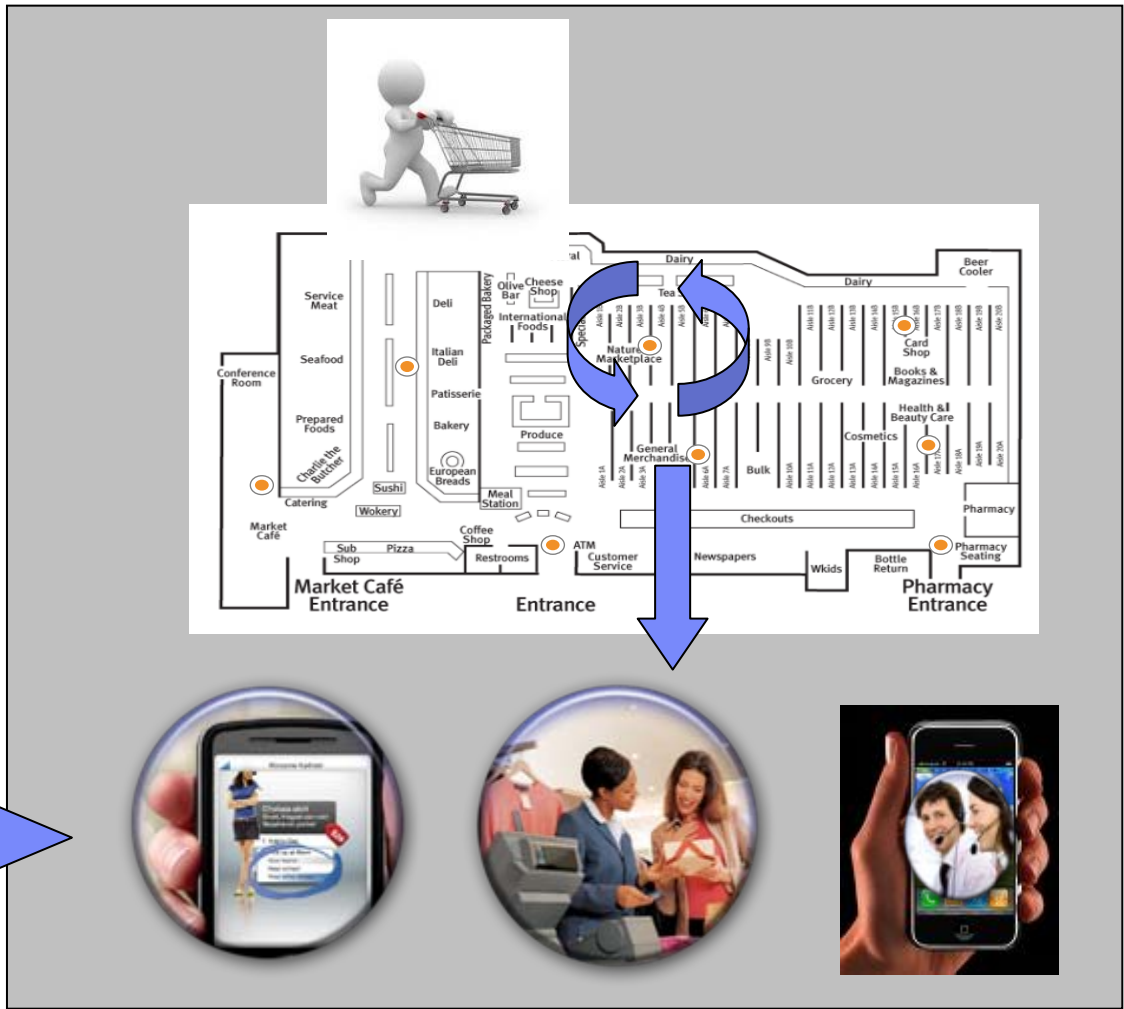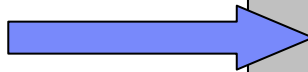
Crowd Driven Mobile App Development
Major Retailer Lets Customers Influence the Shopping Experience

- Large number of developers with lots of ideas
  - Employees, partners, customers
- Constant creation of new apps, decreasing time to market for innovative solutions
- Crowd supports apps and runs in "constant beta" model
- Feedback from customers seen by which apps are adopted and most used
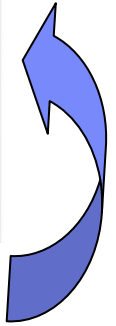
Employees, partners, customers develop mobile apps for Retailer
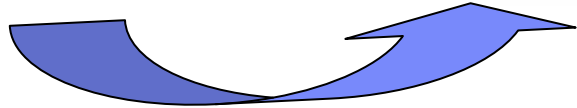
Enables Retailers to bring branded mobile apps to the market faster and cheaper!!

qCrowd: Analytics-Guided Social Engagement

Use social analytics to identify and engage crowd on social networks to collect deeper, more accurate, up-to-date 360° situational insight for Retailers

- **Monitor and analyze social media to identify target crowd and build profiles of crowd**
- **Formulate and generate right questions to ask the crowd**
- **Parse, analyze, and synthesize answers collected from the crowd**
- **Applicable to a wide variety of business scenarios across industries**
  - Active marketing and customer intelligence
  - Location-based intelligence
  - Smarter social commerce

"information iceberg"

Use analytics + social engagement to harvest hidden information
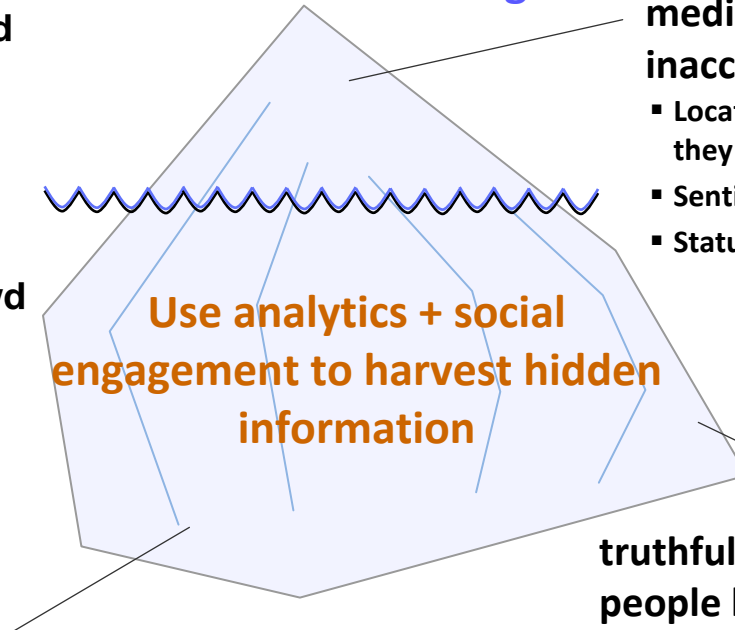
information revealed in social media including rumors and inaccuracies
- Location-based information (e.g., where they were, at, and plan to go)
- Sentiment about products or services
- Status update (e.g., got robbed)

truthful information known to people but yet to be revealed
- What really happened?
- When did it happen?
- Have other people had the similar experience?
- How could we make things right?
- Who did not know this yet?

information not extracted due to imperfections in analytics

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In order to deliver this experience, marketers need to:

- Easily obtain deep insights
- Justify budgets
- Identify and acquire new potential customers
- Take advantage of new digital channels
- Recapture customers
- Execute one-to-one marketing programs
- Reinforce a consistent, personalized message
- Respond quickly and in real time

Digital Marketing is a tool to address all these needs…

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Marketing is most widely quoted business term, along with customer, innovation, and etc.; marketing has many artistic elements

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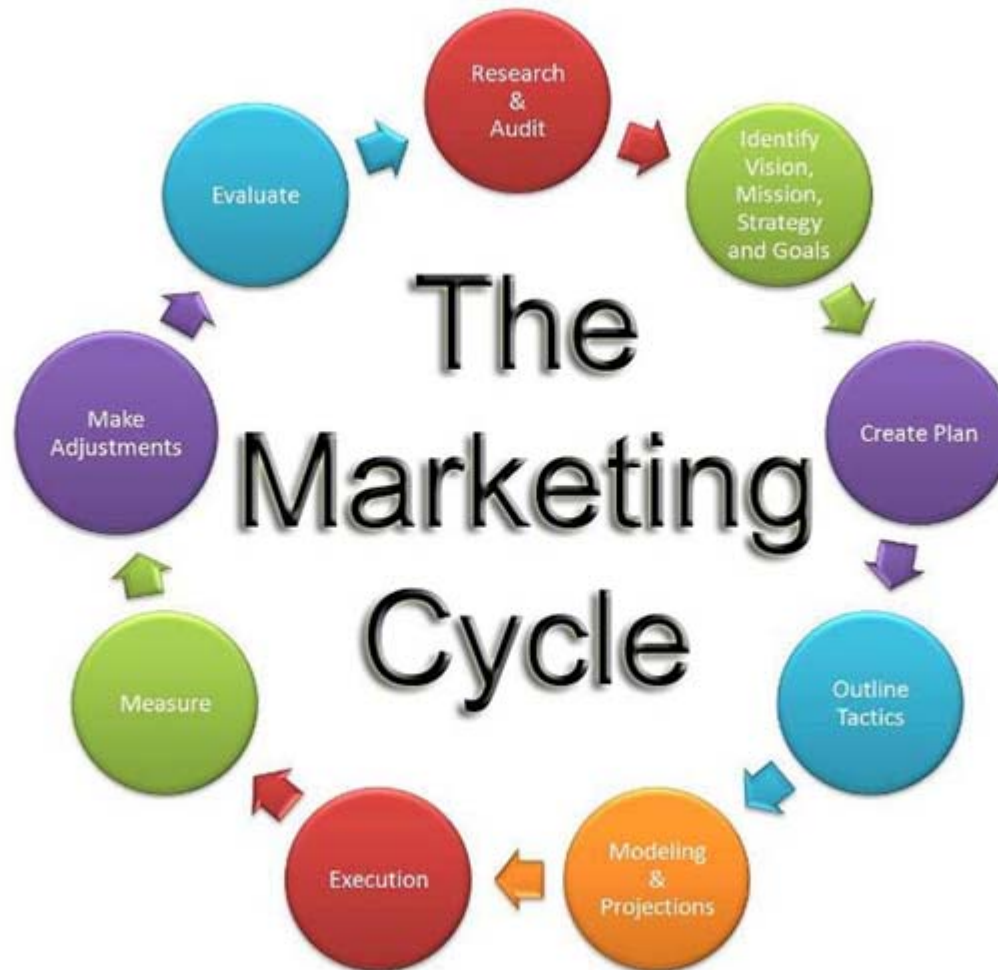
How "Free Lunch" program combined Art and Science via mobile marketing

From *Offline* to *Online*,
with *Immediacy*, *Simplicity*
and *Context*

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Provide content that is easy to see and navigate to boost simplicity

Gump's mobile search results offer click-to-action buttons to simplify completing actions
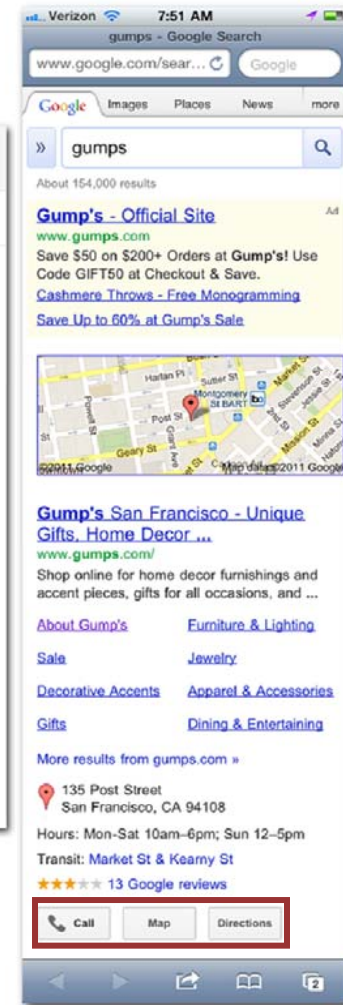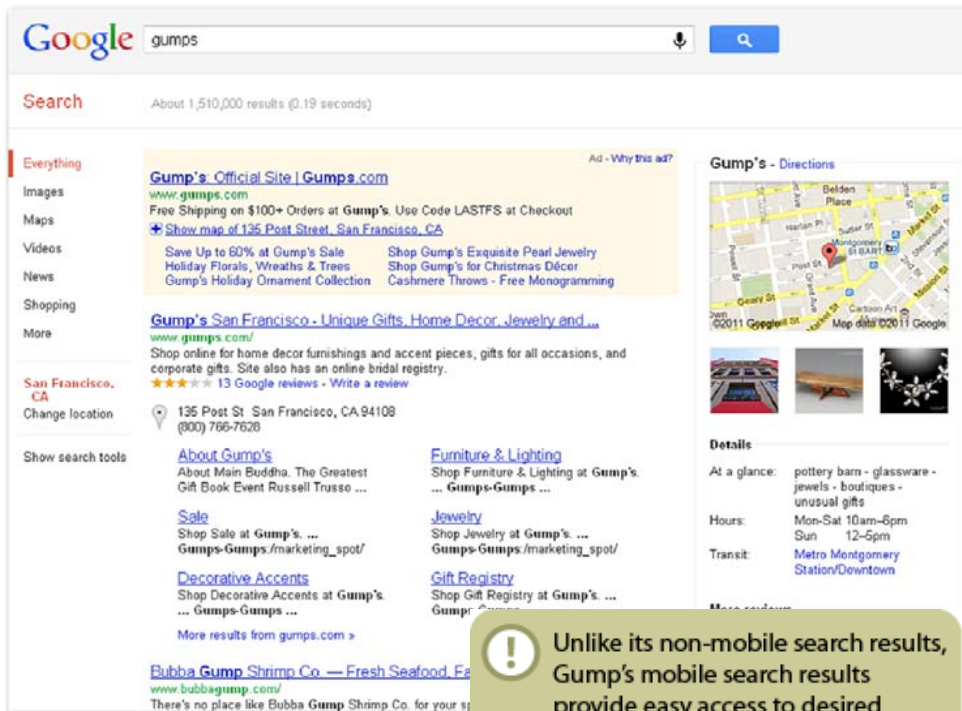
Unlike its non-mobile search results, Gump's mobile search results provide easy access to desired location-based content including click-to-call, click-to-map, and click-to-directions buttons.

Source: Google search

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Coupon distribution via app embedded ads; it can be combined with searching, email and other marketing tools

Fill in phone number for coupon application

Sending coupon to the mobile phone via SMS

Using coupon in physical stores

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Customer service phone calls or coupon SMS/MMS can be directly linked to an ad

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Location based ads can reach customers via multiple channels

KFC promotes new product through phsical offline media channels, such as subway posts and etc.

Use Weibo to communicate the new products

Users can click on the ad to jump to the product page

Embedded KFC ads in applications

Leveraging LBS navigation to find the nearest KFC restaurant

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Leverage smart phone features, such as touch screen, gravity sensor and others to maximize interactive creativity

Pictures show at finger tips

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Retailers extend mobile to social media and cross-channel marketing

- Opportunity to combine Mobile with CRM & Social CRM

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Cross-channel marketers optimize promotions and maximize marketing ROI

- Focus on timely and relevant customer services across channels
- Achieved 30% drop in unsubscribes

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Example: Use cross-channel customer analytics (i.e. Profiles) for personalized context
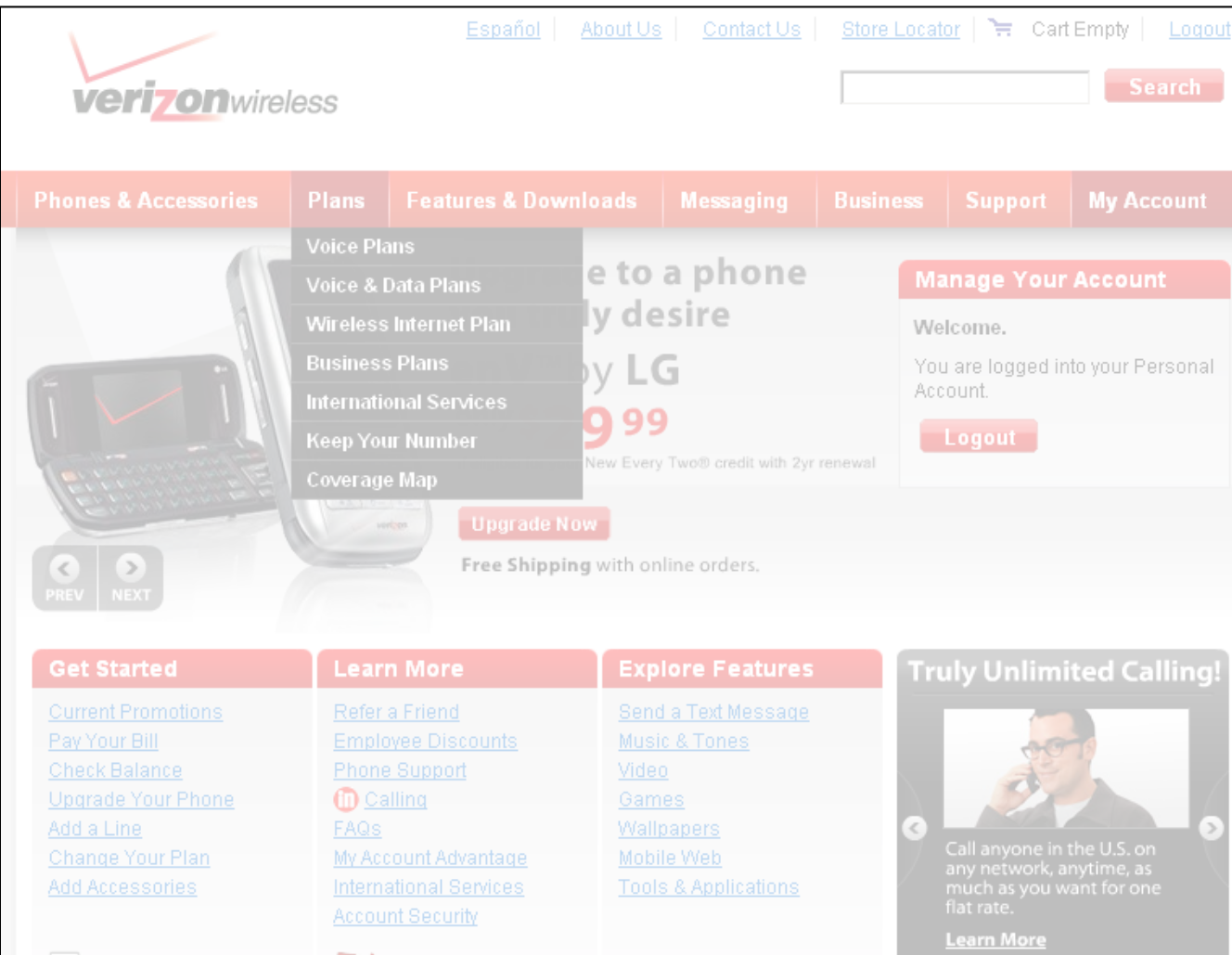
Key Web Events

- Contact Us Details
- Store Locator
- Promotion Response
- Browse Phones
- Review Rate Plans
- Read FAQ for Free IN-Network Calling
- Review International Plan
- Review Number Portability

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Customer can be presented with retention offer
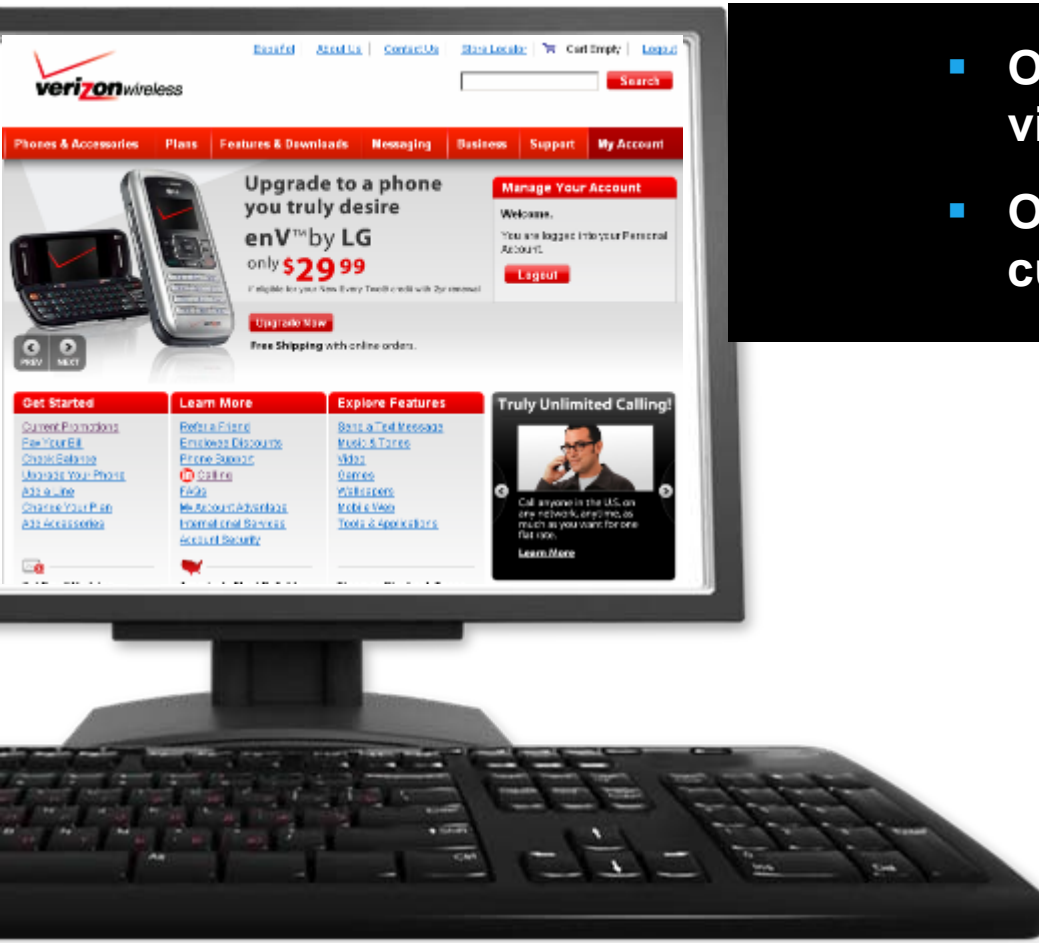
- **Offers can be delivered on site, via SMS, or email**

- **Offer can be targeted based on customer value and risk**

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