

IBM at World Retail Congress



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Table of contents

Executive summary & research methodology

Who is this 'smarter' consumer?

- Instrumented consumers
- Interconnected consumers
 - Today
 - Future
- Intelligent consumers

Conclusion

10 Years it took the internet to cross the 100 million users mark

2.2b Estimated people online via devices by 2013

1.2M Views on Youtube for the Elle and Blair Forever 21 Haul

200m Facebook users in 3 years, including the 60m who have gone mobile

1.5b Applications downloaded for the iPhone from 65,000 choices in Apple's App Store; all occurring in its first year in business

24m Unique Twitter visitors in September 2009. Twitter founded in 2006

2.0b Youtube videos viewed daily, according to Tech Crunch

1,000,000,000,000,000 Amount of data generated every hour by Google searches

We looked through three lenses at the world: generations, markets and segments



Sources: Generations: Wikipedia.org (Generation X, Y, Z, Jones and Baby Boomers); Teenage generations: www.creativethinking.com; Markets Source: IBM Institute for Business Value analysis; "Serving budget constrained Shoppers II", IRI 02/05/09; markets population source: communities dominate brands blog November 10, 2009

The Institute for Business Value surveyed 38,897 consumers across eleven countries to understand attributes of today's consumer

Markets surveyed		Segments surveyed		Ages surveyed	
United States	n=13,960	Department stores	n=5,143	Generation Z (15–19)	n=1,344
Canada	n= 3,998	Discount, dollar or club stores	n=4,680	Generation Y (20–30)	n=7,161
United Kingdom	n= 5,508	Specialty apparel stores	n=4,833	Generation X (31–43)	n=8,817
China	n= 3,011	Pharmacy & Health and Beauty aid (HBA)	n=4,771	Generation Jones (44–55)	n=7,215
Brazil	n= 3,011	Grocery	n=8,016	Baby Boomers (56+)	n=7,550
India	n= 2,599	Home Merchandise*	n=4,644		
Nordics	n= 3,220				
Australia	n= 2,599				

*Note: 'Home Merchandise' refers to stores in which one shops for TVs, games, appliances, hardware, home décor and/or home furnishings;

Source: IBM Institute for Business Value Analysis Retail 2010, n=32,087; http://en.wikipedia.org/wiki/Baby_boomers; http://en.wikipedia.org/wiki/Generation_Jones;

<http://www.jour.unr.edu/outpost/specials/genx.overvw1.html>; http://en.wikipedia.org/wiki/Generation_Y; http://en.wikipedia.org/wiki/Generation_Z;

Who is this 'Smarter Consumer'?

Instrumented



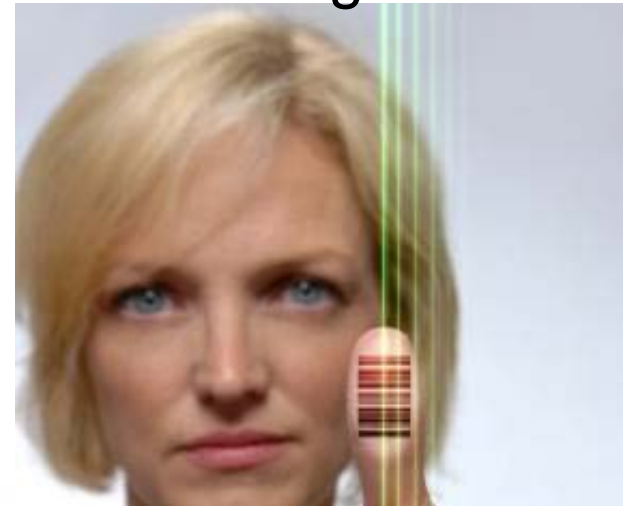
They have instantaneous access to information about retailers, products and other consumers' experiences through technology

Interconnected



They use multiple technologies to interact with other consumers and with retailers

Intelligent



They have clearly defined expectations of what they want from their retailer now and in the future

Who is this 'smarter' consumer?



The smarter consumer is:

Instrumented

They have instantaneous access to information about retailers, products and other consumers' experiences through technology

Consumers in different countries have varying levels of comfort in using technology to shop and purchase



Websites are widely accepted across countries

68%



Kiosks are popular across all countries

36%

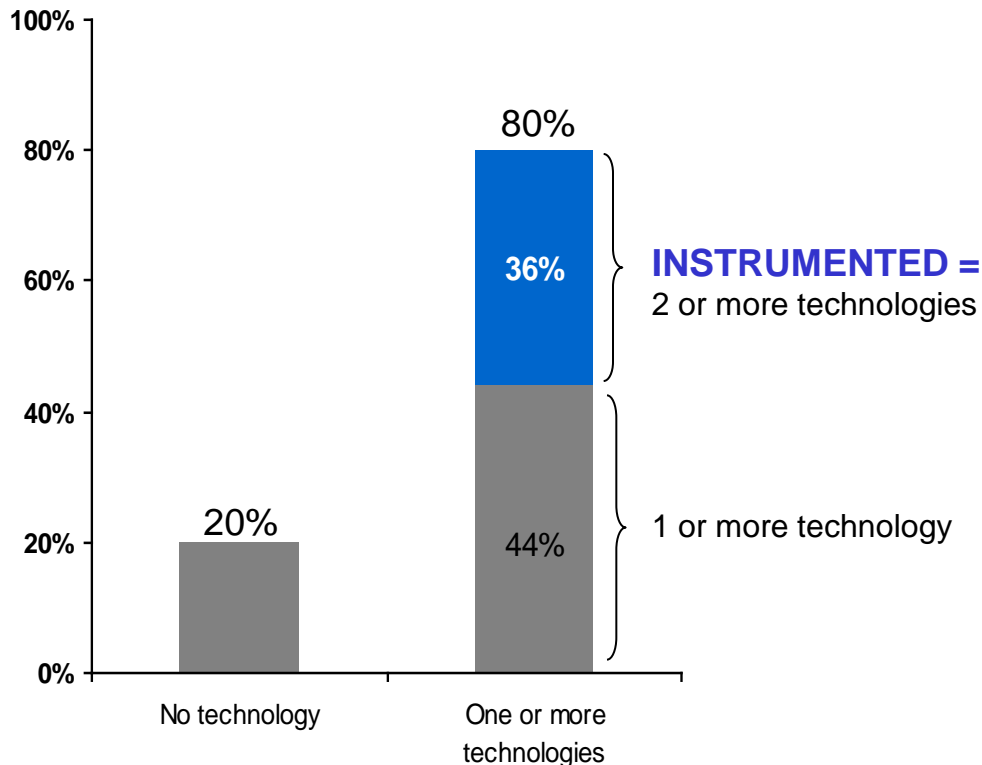


Mobile phones are much more widely accepted in the growth markets than mature markets

17%

We have defined 'instrumented consumers' as those willing to use two or more technologies for purchasing products

Number of Instrumented Consumers



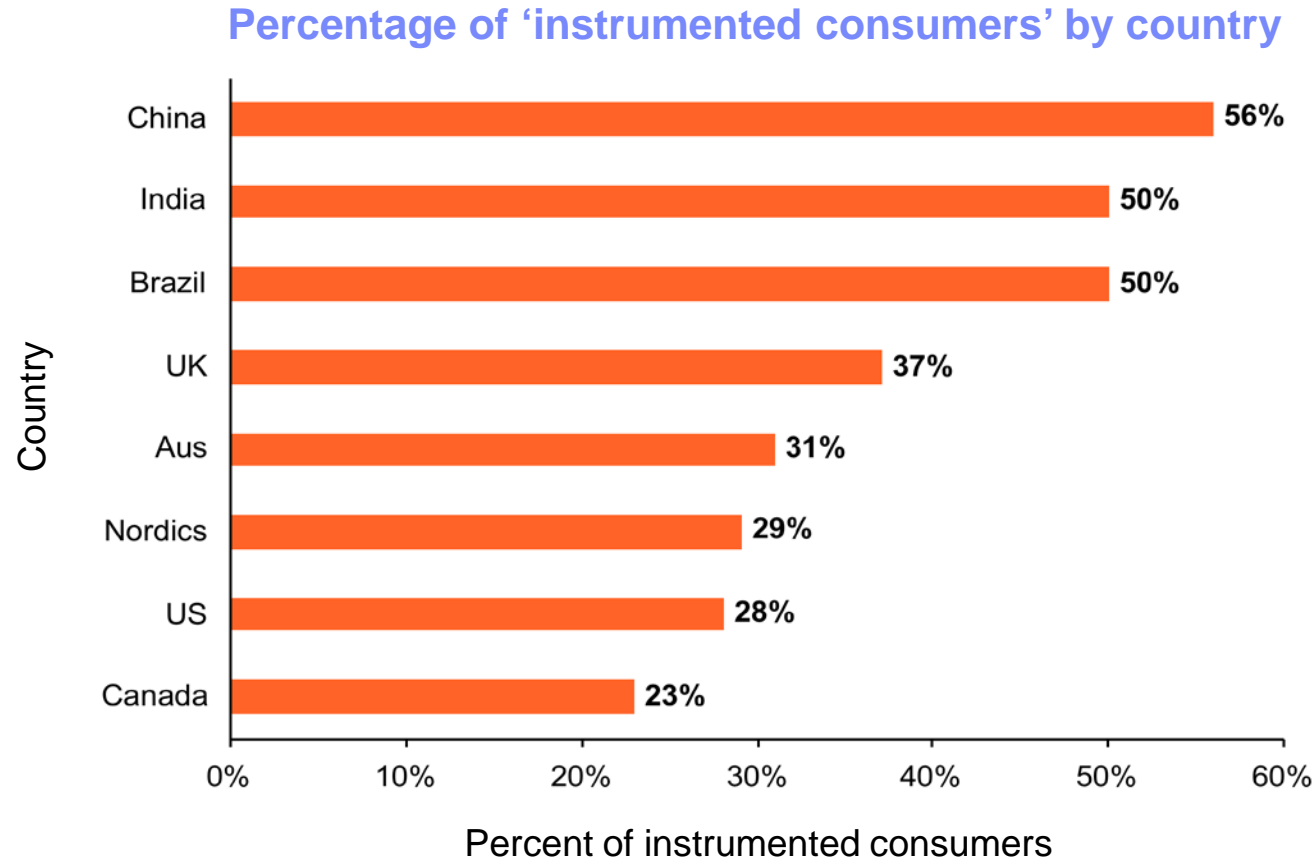
Technologies that consumers are willing to use to shop and to make purchases:

- Website
- Kiosk in store
- Mobile phone

*Note: Respondents selected 'all that apply'

Source: IBM Institute for Business Value Analysis, Retail 2010, n=32,087 Australi n = 2599, Nordics n= 3320

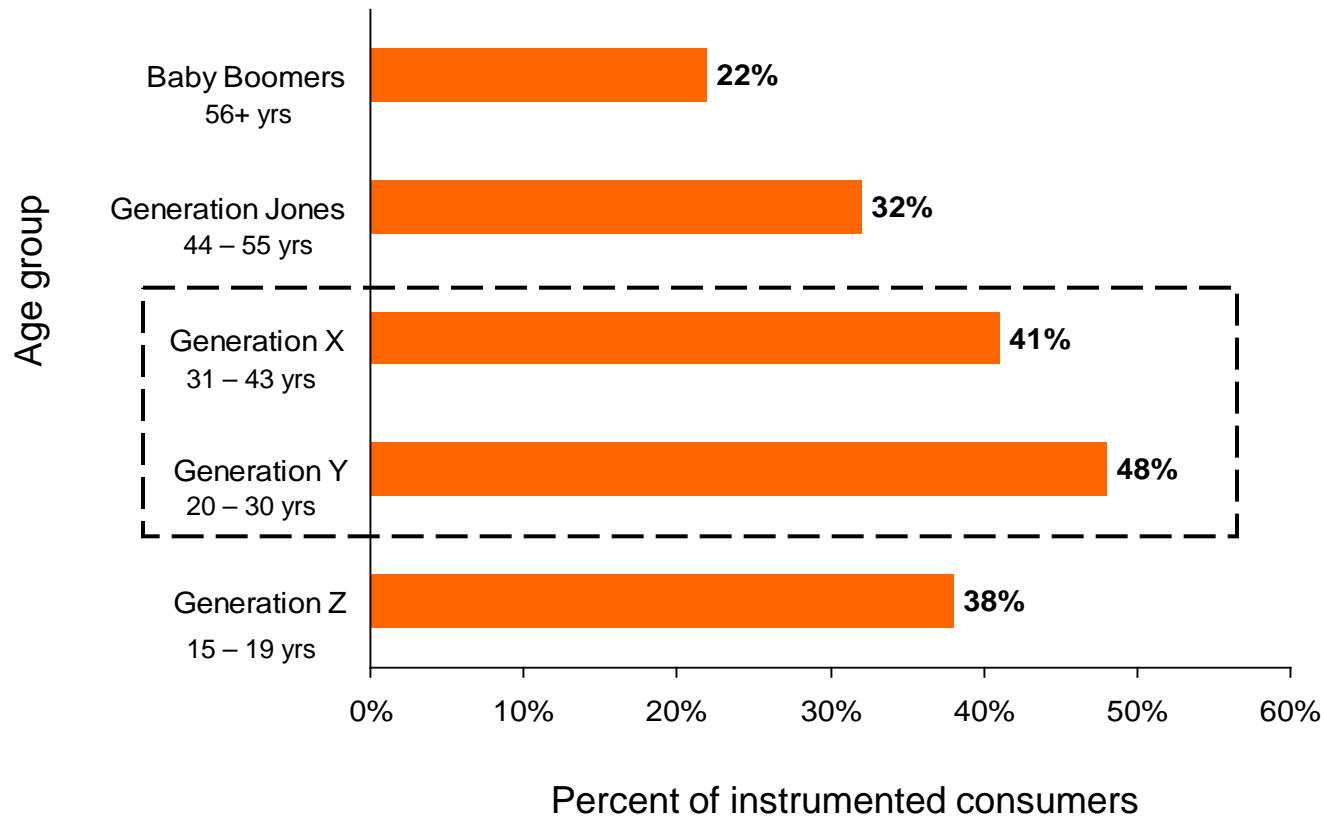
Consumers in growth markets are two times more 'instrumented' than those in mature markets due to newly supported technologies



Source: IBM Institute for Business Value Analysis, Retail 2010; US n=3974, Canada n=910, Brazil n=1513, UK n=2058, India n=1307, China n=1688

Generations X and Y are the most instrumented – the most willing to use alternative ways to shop and purchase

Percentage of 'instrumented consumers' by age group



Who is this 'smarter' consumer?

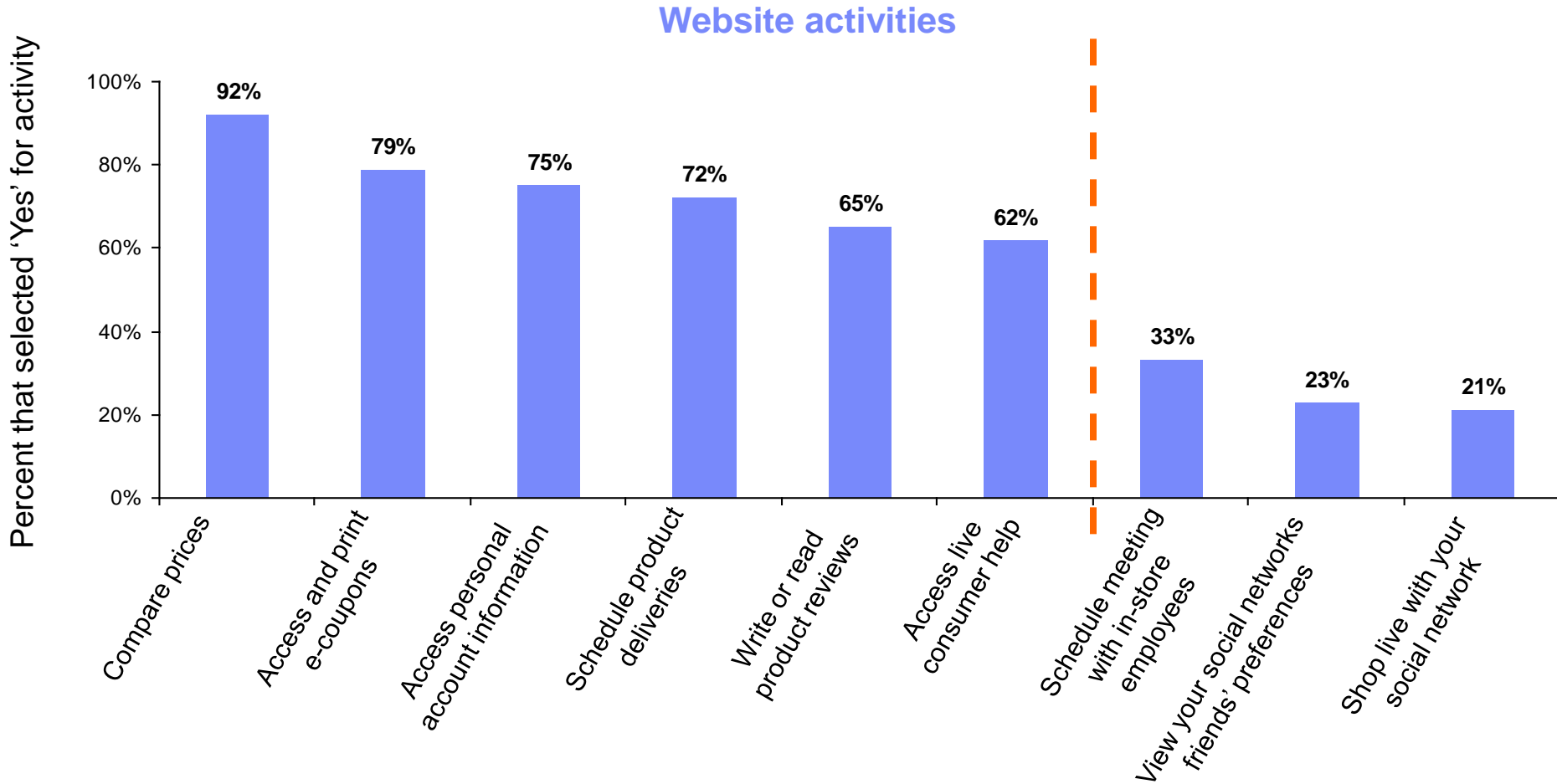


The smarter consumer is:

Interconnected

They use multiple technologies to interact with other consumers and with retailers

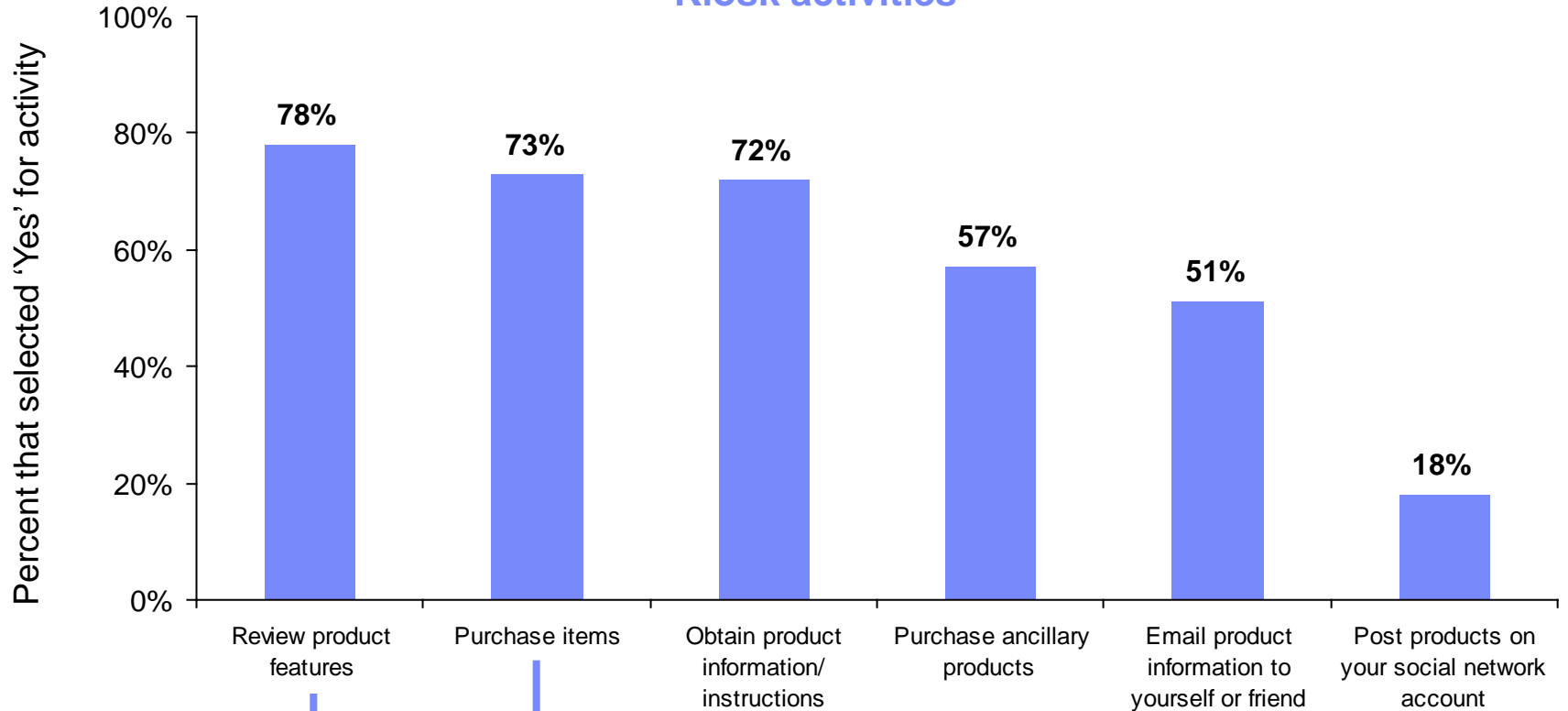
Web savvy consumers want to use websites for price comparisons, promotions, services and to some extent social networking



Source: IBM Institute for Business Value Analysis, Retail 2010; population who selected website technology, n=21904

Consumers are willing to use kiosks primarily to review product features, purchase items and obtain product instructions

Kiosk activities



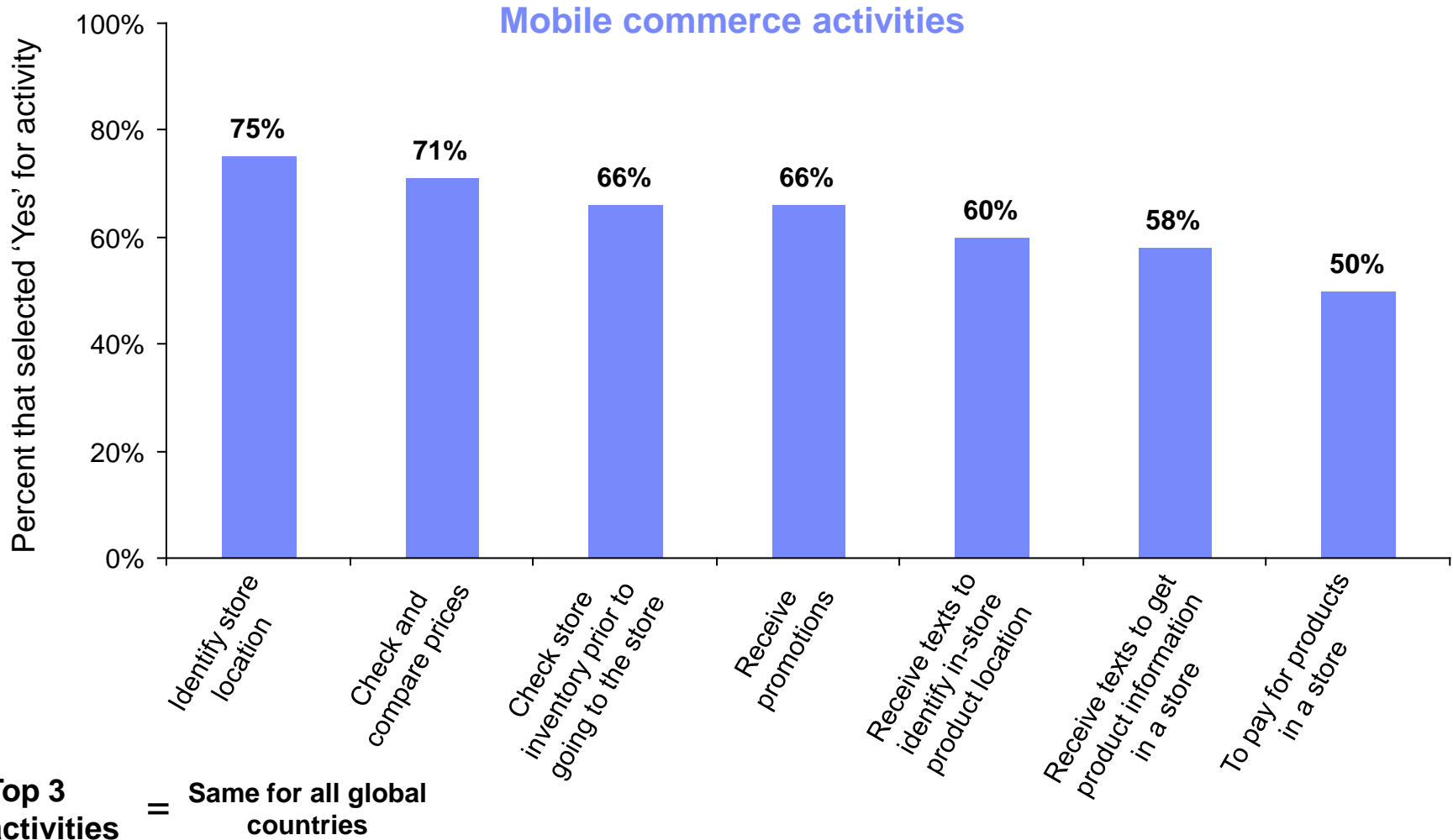
#1 activity = US, Canada, Brazil, China, Nordics & Australia

UK

India

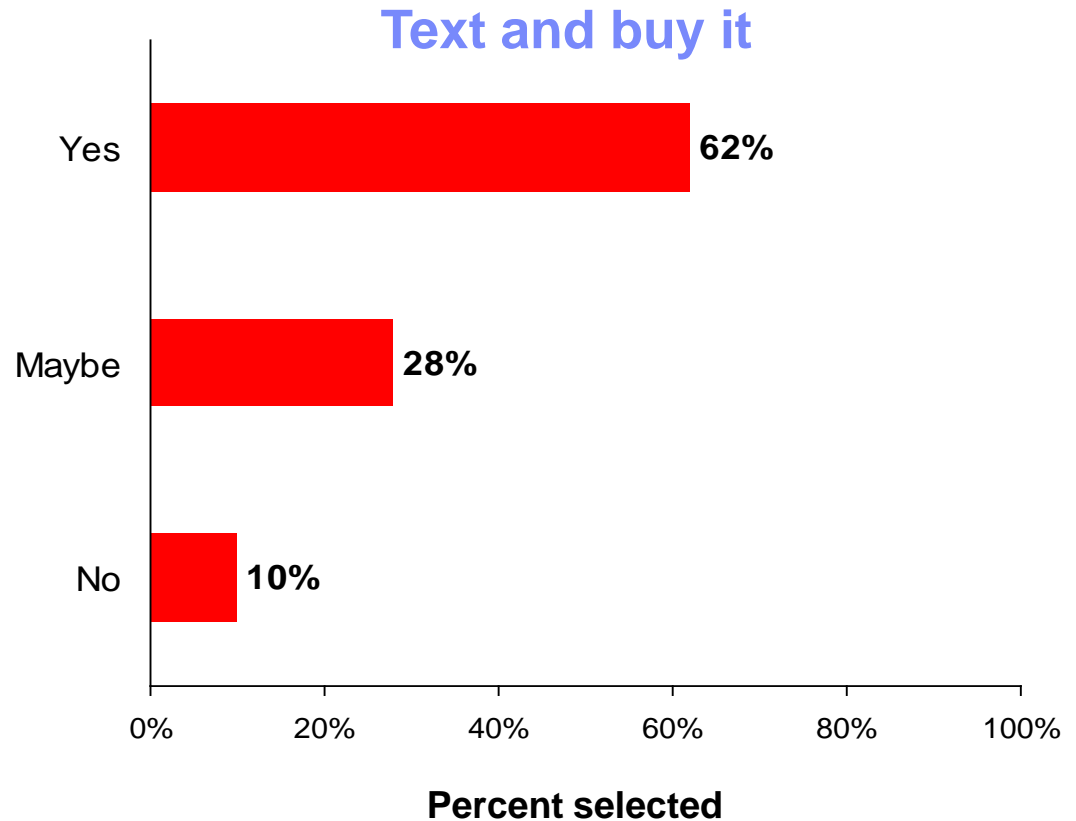
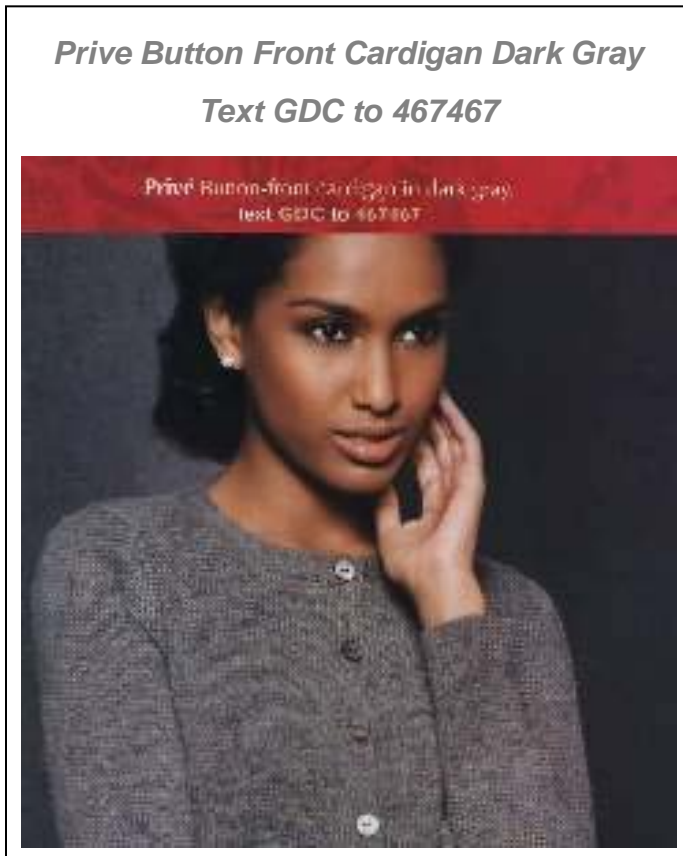
Source: IBM Institute for Business Value Analysis, Retail 2010, population who selected kiosk technology, n=11423

While only 13% of respondents said they want to use their mobile phone for shopping, this group is willing to do a variety of activities



Source: IBM Institute for Business Value Analysis, Retail 2010; population who selected mobile phone technology, n=4039

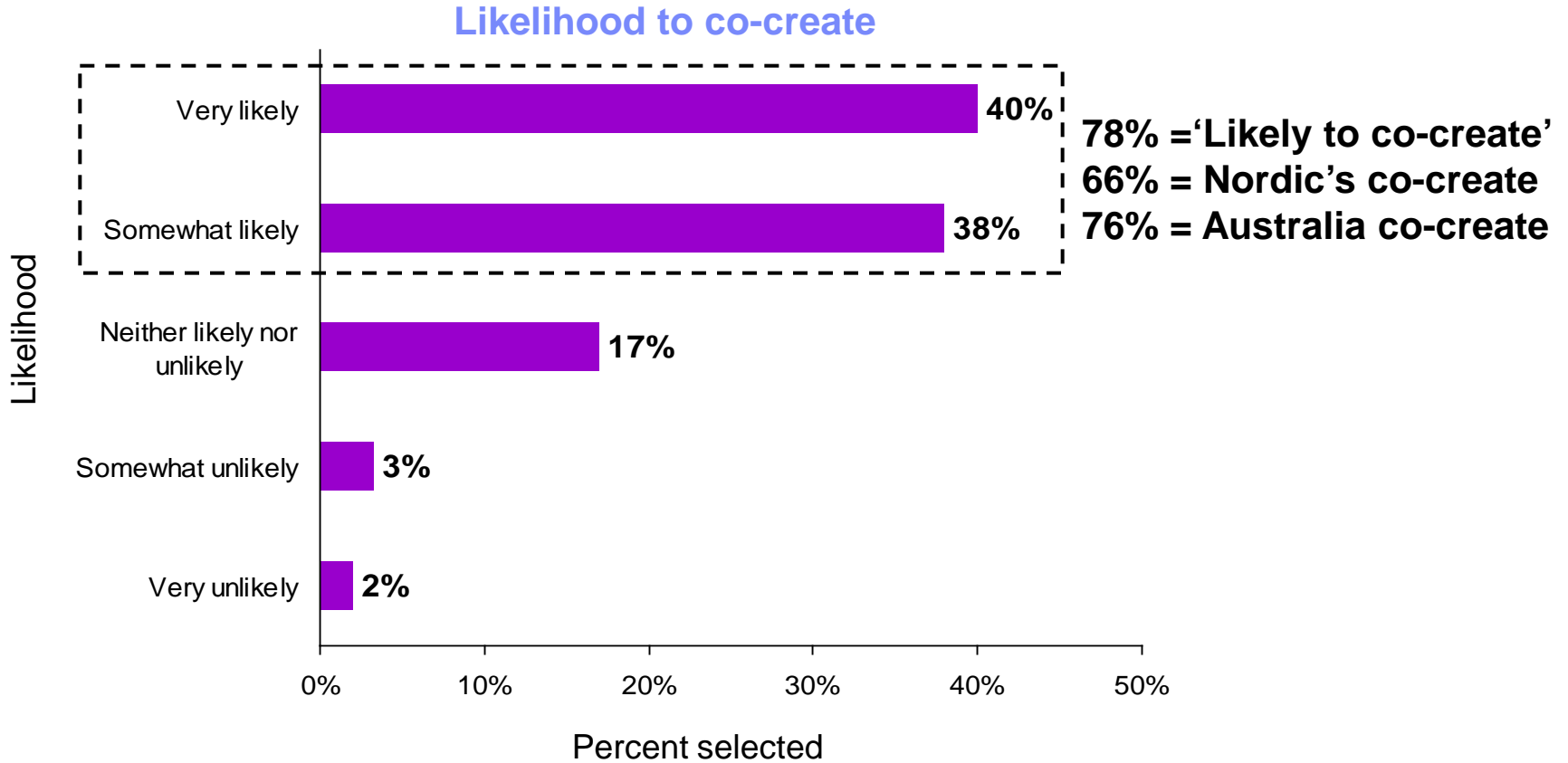
For those who want to use their mobile phone for shopping, the majority are willing to buy items through texting



 Generation Y is the most willing to buy items through texting.

Source: IBM Institute for Business Value Analysis, Retail 2010, population who selected mobile phone technology, n=4039; picture source Glamour, December 2009, Dillard's ad using Shoptext

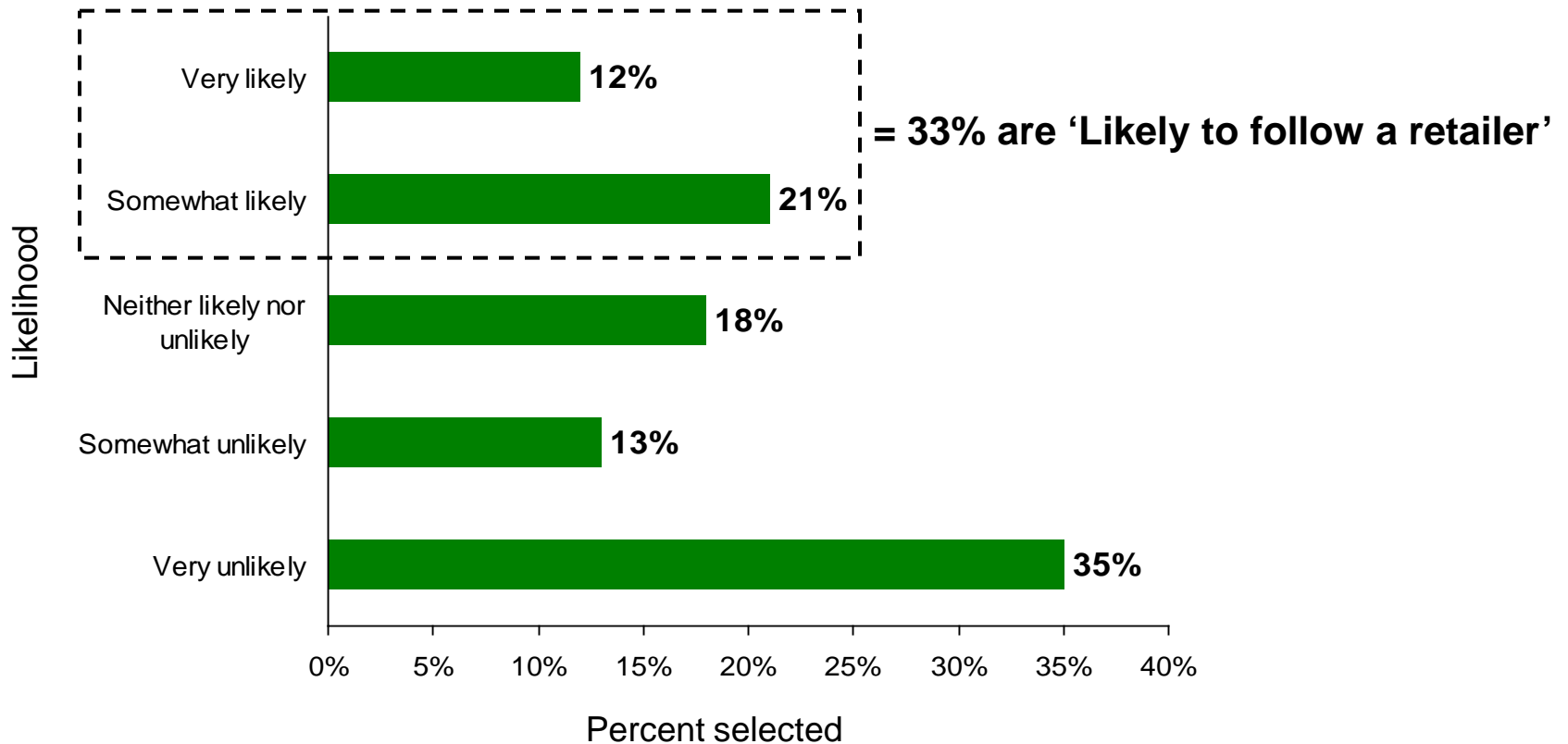
78% of consumers are willing to co-create -- help retailers determine product variety, store layouts, and service ideas



Source: IBM Institute for Business Value Analysis, Retail 2010, total population=32,087; Instrumented likely to co-create n=9976; Advocates likely to co-create n=8745

When questioned about social networks, 33% of consumers said that they are likely to 'follow' a retailer ...

How likely are you to 'follow' a retailer on a social network, such as Facebook or Twitter?



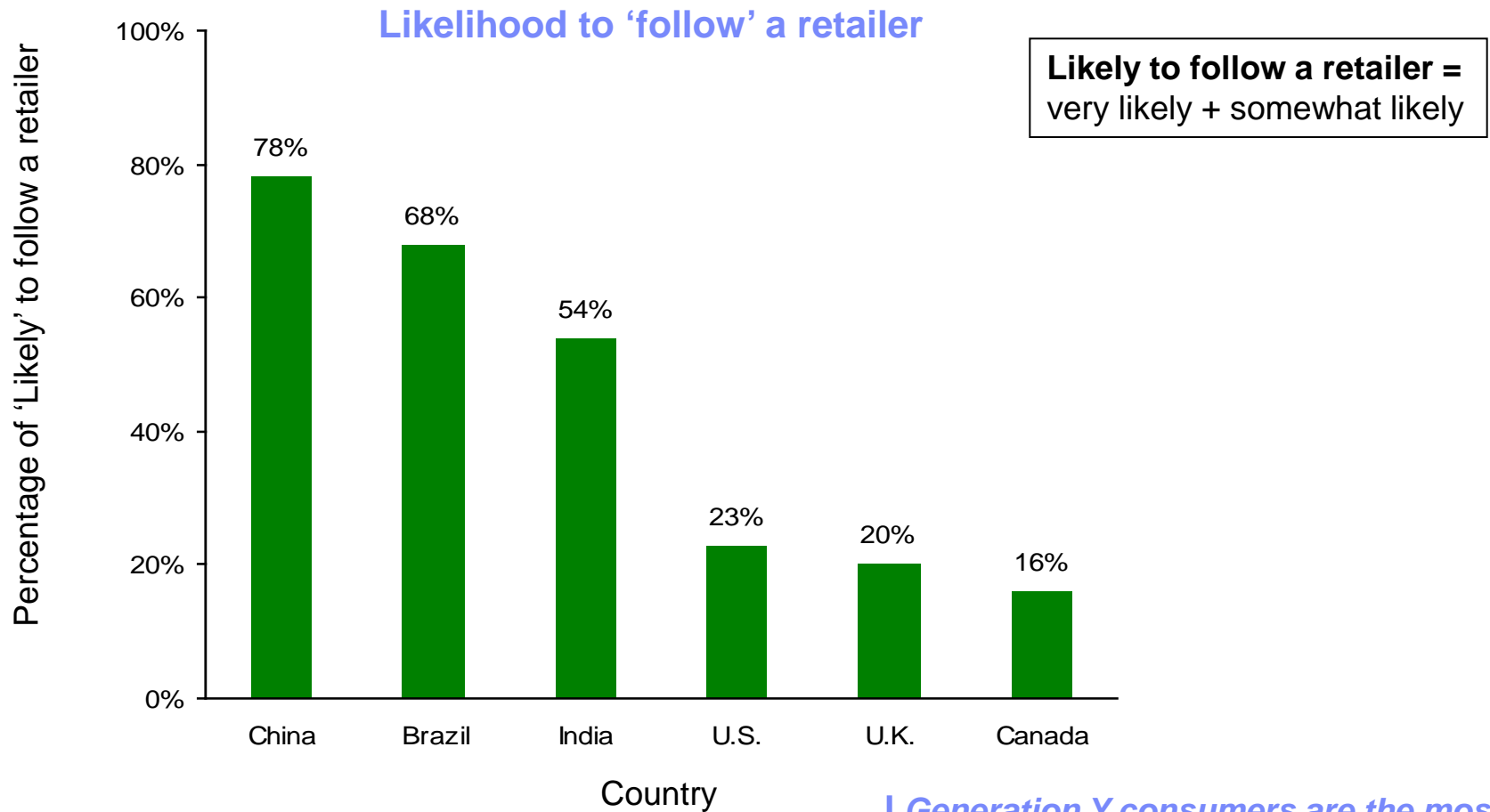
...but there is a value exchange required for those willing to follow a retailer

Most important reasons for 'following' a retailer	
Rank	Reason
1	Being able to trial new products (free samples)
2	Receiving preferred consumer status*
3	Influencing product development or changes
4	Providing feedback to retailer on customer service or store experience
5	Learning news or industry trends
6	Interacting with other consumers
7	Sharing feedback and reviews with people in my social network

Note: *'preferred status' referred to things such as access to special promotions or advance sales notices

Source: IBM Institute for Business Value Analysis, Retail 2010, n=32,087

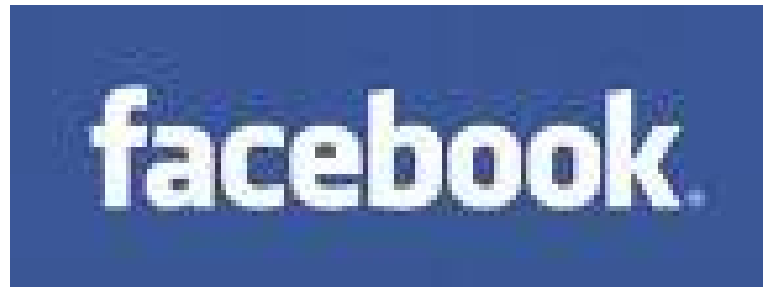
Consumers in the growth markets are three times more likely to follow a retailer on a social network than those in the mature markets



Generation Y consumers are the most likely to follow a retailer on a social network; Baby Boomers are least likely.

Tomorrow's opportunity will be found through alternative channels

iPhone Screenshots



Who is this 'smarter' consumer?

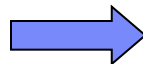


The smarter consumer is:

Intelligent

They have clearly defined expectations of what they want from their retailer now and in the future

*Survey
Respondents
Answered*



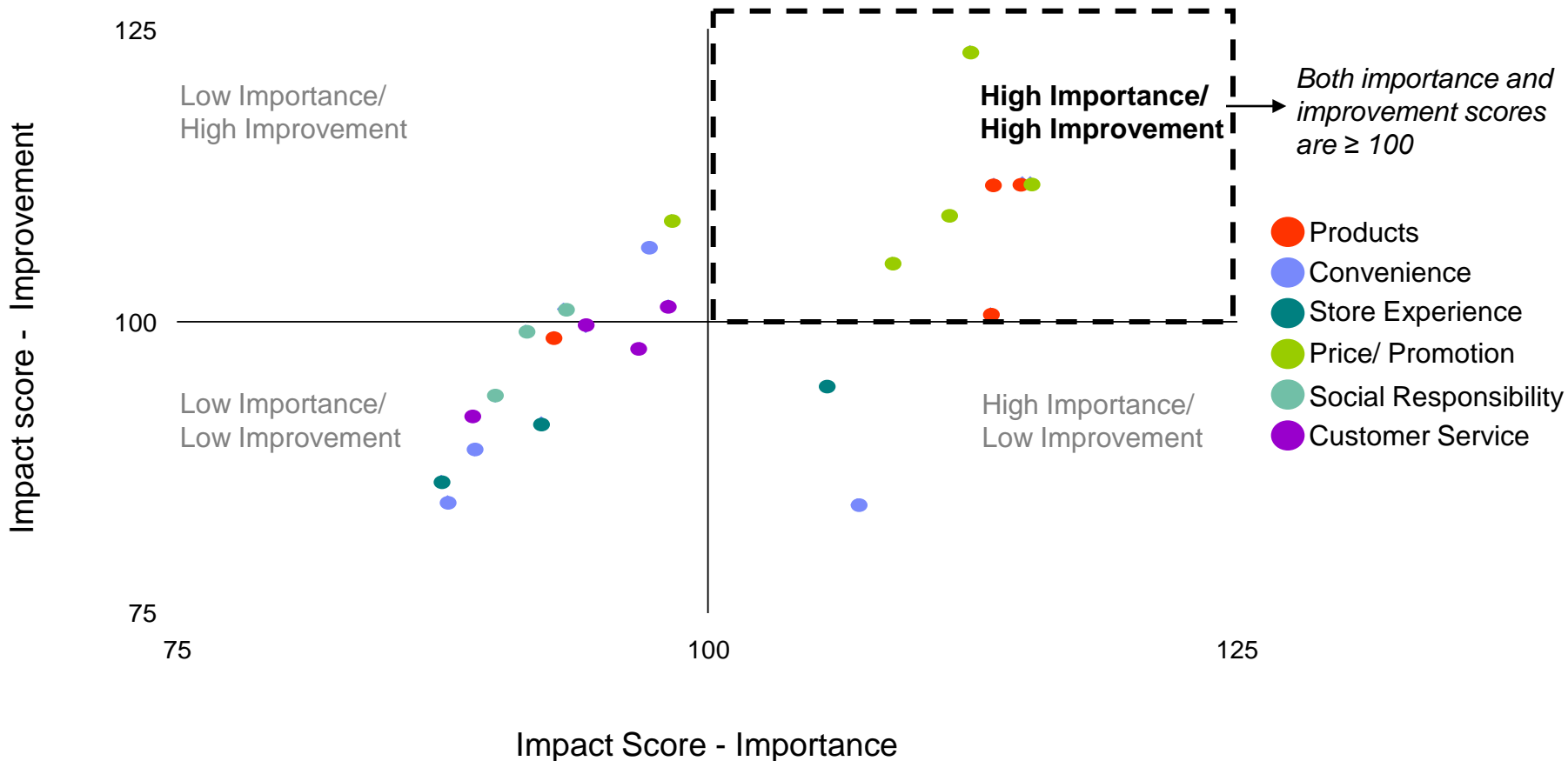
- *What is most and least important to them when deciding where to shop?*
- *What areas need the most and least improvement by retailers?*

We analyzed the relationship between what consumers believe to be most important and what areas retailers need to make the most improvement

Products	<ul style="list-style-type: none"> ▪ Offers a variety of products ▪ Consistently has products available ▪ Offers better quality products ▪ Provides product information such as where a product originates or product make up (caloric, allergens, materials used [organic])
Convenience	<ul style="list-style-type: none"> ▪ Makes shopping easier by having tools you can use to check prices, locate products and self-checkout ▪ Has convenient hours, parking, location ▪ Allows me to shop in multiple ways (e.g. in store, online, via mobile phone) ▪ Provides services that make my life easier
Store Experience	<ul style="list-style-type: none"> ▪ Provides a consistent experience in store, online or through a mobile phone ▪ Provides a pleasant and enjoyable atmosphere in which to shop ▪ Provides a store/ website layout that makes it easy to find things
Price/ Promotion	<ul style="list-style-type: none"> ▪ Has everyday low prices ▪ Has great sales ▪ Offers me discounts specifically for the things that I buy ▪ Has a frequent shopper program with easily obtained rewards ▪ Offers me various options to provide me with greater value
Social Responsibility	<ul style="list-style-type: none"> ▪ Contributes a percentage of what I spend to local causes (e.g. local schools, local charities) ▪ Works to minimally impact the environment ▪ Values its employees
Customer Service	<ul style="list-style-type: none"> ▪ Has knowledgeable store employees ▪ Has store employees willing to help me in my shopping process ▪ Makes it easy for me to find help ▪ Has store employees that understand my preferences

Consumers' priorities point to Price/Promotion and Product improvements as the areas that require the greatest focus

Intelligent Consumers' Priorities



Offering personalized discounts and ensuring product availability are the top areas where retailers need to focus

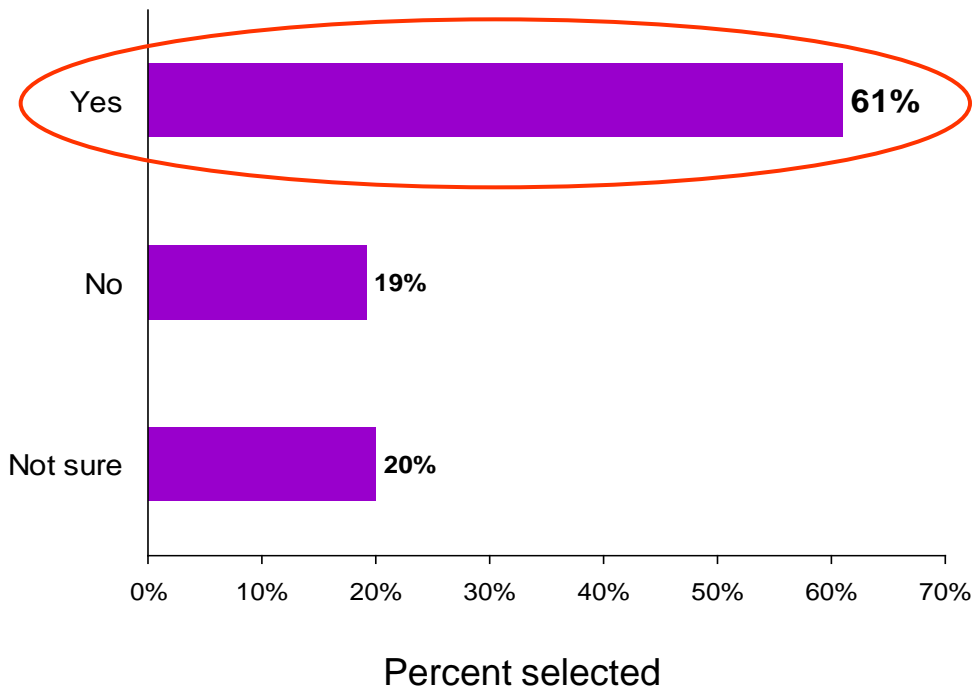
Category	Area 	Importance Score 	Improvement Score
Price / Promotion	Offers me discounts specifically for the things that I buy	112.43	123.10
Products	Consistently has products available	113.53	111.76
Price / Promotion	Offers me various options to provide me with greater value	111.54	108.95
Products	Offers better quality products	114.88	111.92
Price / Promotion	Has everyday low prices	115.22	111.85
Price / Promotion	Has great sales	108.73	104.93
Products	Offers a variety of products	113.38	100.63



*Areas in which the **Improvement score and Importance score** are **both over 100** are the areas that retailers need to focus on first...*

The good news is that consumers are ready to reward retailers who get it right

Likelihood to spend more with retailer if improvements are made



- **All countries** said they would be likely to reward retailers for their improvements
- **Each generation** had 50% or more of consumers state they would likely reward retailers for their improvements
 - Greatest percentage is for Gen Y (70%) and Gen X (67%)
- **By segment:** Specialty Apparel (67%) and Home Merchandise (66%) are most likely to spend more with their retailer if improvements are made

Source: IBM Institute for Business Value Analysis, Retail 2010, n=32,087; % Yes: US n=13960, Canada n=3998, Brazil n=3011, China n=3011, UK n=5508, India n=2599, Generation Z, n=792, Generation Y, n=4988, Generation X, n=5891, Generation Jones, n=4338, Baby Boomers n=3681, Department Stores n=3218, Discount, Dollar, Club n=2848, Specialty Apparel n=3238, Pharmacy/HBC n=2941, Grocery n=4397, Home Merchandise n=3048

Leverage smarter consumers to turn today's shoppers' market into a retailers' market... by being *instrumented*

Consumer trend



Instrumented:
Consumers want to shop with multiple technologies



Interconnected:
Consumers are already networked



Intelligent:
Consumers know what they want

Emerging reality for today's retailers

Embrace the channels and technologies that instrumented consumers want to use



Leverage smarter consumers to turn today's shoppers' market into a retailers' market... by being *interconnected*

Consumer trend



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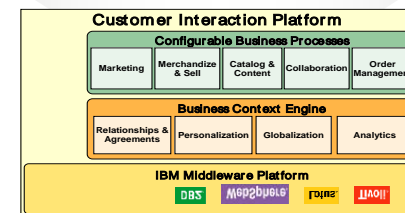
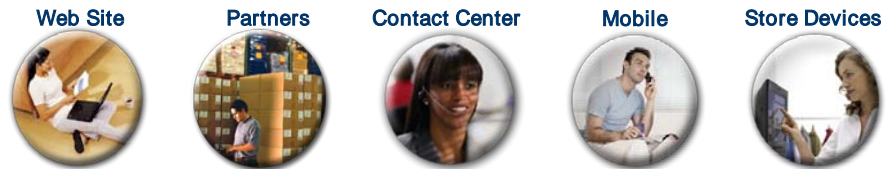
Interconnected:
Consumers are already networked



Intelligent:
Consumers know what they want

Emerging reality for today's retailers

- Enable the consumers preferred channels
- Allow the 2-way dialog with consumers
- Consider technology as a differentiator



Leverage smarter consumers to turn today's shoppers' market into a retailers' market... by being *intelligent*

Consumer trend



Instrumented:
Consumers want to shop with multiple technologies



Interconnected:
Consumers are already networked



Intelligent:
Consumers know what they want

Emerging reality for today's retailers

- Bring analytics to the forefront
- Create personalized offers and experiences
- Integrate fulfillment channels to reflect a unified shopping experience



THANK
YOU

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- Melissa Schaefer, Institute of Business Value (IBV) Global Retail Leader
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