

Cross-Channel Commerce 2011: **The Consumer View**

A consumer research study commissioned by Oracle

November 2011



SURVEY BACKGROUND

In the fall of 2011, Oracle Retail commissioned a survey to look at consumers' perceptions of their experience when they shop across different retail channels, including:

- How do consumers use multiple channels to shop and what are their priorities when they enter a store, go online or call a retailer to place an order?
- How are consumers using social media as another retail channel and what do they expect from retailers here?

This online study, conducted by an independent service, polled 2,169 U.S. and Canada consumers aged 18 years and older. It analyzed their use of channels including computers, mobile devices, brick-and-mortar stores, catalogs, and customer service representatives to gain more information about a product or to complete the purchase of a product or service. The survey also gathered data about consumers' experiences with these channels, as well as how they are incorporating social media into their online commerce activities.

Specific topics covered in the survey include:

- Consumers' use of multiple channels when browsing/researching and purchasing products and services, and what motivates them to use one channel or the other.
- The information consumers expect retailers to know about them, and how they expect that to impact their shopping.
- Consumers' use of social media and networks such as Facebook, Twitter and Google+ as part of online purchasing activities.
- Consumer reactions to using smartphones as a payment device.

What emerged are expectations that retailers will deliver product, price, promotion and service consistently across all channels, all the time.

EXECUTIVE SUMMARY

Consumers have long since settled in to shop at the desktop, acquiring well-honed habits for finding what they need then purchasing it online or setting intentions to visit a store. Even as online sales continue to grow, data finds consumers relying on stores for what no other channel can do: let them touch and feel the product and take it home today. Mobile applications are gaining purpose and popularity alongside the concept of the mobile phone as a credit card, gearing up to usher the consumer from channel to channel carrying coupons, purchase history, payment information, wish lists and shopping baskets.

No matter which channel they shop, what consumers want most are product availability, detailed information, consistent pricing and promotions and access to good customer service. What emerged are expectations that retailers will deliver product, price, promotion and service consistently at all channels, all the time. Online, consumers would like to see better product information that is easy to access, as well as readily available customer service people by phone or by instant messaging. In stores, consumers expect products to be there to try and buy, with the same pricing and promotions they found online.

KEY FINDINGS OF THE SURVEY INCLUDE:

Shopping across multiple channels is a well-entrenched behavior among consumers. 54% regularly employ two or more channels before they make a purchase. Stores remain the “go to” channel for consumers to get immediate and tangible access to products. The stakes are high for retailers to have the right product when customers walk in the door, with pricing and promotions that are the same or better than what shoppers found online. 75% said that they go to the store to see the product before they buy it and 44% go when they need the product right away. If items are not in, 51% said they expect a store associate to find an out-of-stock item online and have it shipped.

No longer a newcomer, mobile commerce is poised to connect consumers better than ever across retail channels. If security concerns can be overcome, consumers are likely to latch on to the device as a more convenient method of payment in stores while also housing mobile apps that make it easier to receive coupons and special offers, tote an online shopping basket and complete orders. Though 25% of consumers say they fear security breaches on their mobile device, 44% of consumers age 25 – 34 and 30% of consumers age 18 – 24 say they are or soon will use their mobile phone as a payment device in stores. When it comes to making purchases online, 45% of consumers age 18 – 34 who own a smart-phone will use it to purchase products online as often as a few times each week.



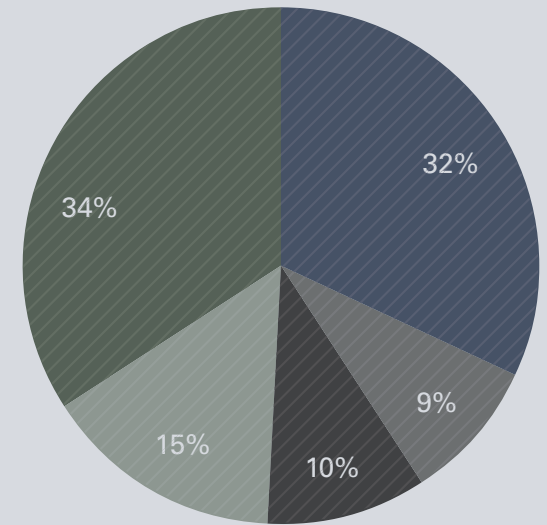
Commerce platforms are more than Web sites today.

As consumers and stores use commerce sites to supplement what's on the shelf, merchants have an opportunity to leverage commerce platforms to support all aspects of their business. Consumers are leveraging Web sites to inform their shopping and get direct access to customer service. 37% want more detailed and visual product information, 29% want better search and 21% need easier access to a customer service representative via live help options such as click-to-call or live chat. Nearly 20% expect to redeem the same coupons and promotions in stores and online. An integral part of the cross-channel experience, retailers can leverage their commerce platforms to extend better access and information to customers, improve the inventory availability and sell-through, inform store associates and support marketing and promotions.

Facebook is a promotion-centric haven for customers.

Marketing teams will find a green field for launching promotions with new and returning customers at Facebook, many of whom are looking for coupons, promotions and special offers from retailers they or their friends already know and trust. 23% of consumers have clicked "like" for merchants on Facebook, and 20% of those that are Facebook members have made a purchase there.

Have you purchased a product via a retailer's Facebook page?



- I have purchased products via Facebook
- I would purchase products via Facebook
- I didn't know that I could do this on Facebook
- I would never purchase products via Facebook
- I do not use Facebook



* *Cross Channel Trends: Consumer Views of Shopping Online, via Mobile Devices and in Stores*, published by ATG (now Oracle), March 2010

** *Opportunity Calling: The Future of Mobile Communications – Take Two* published by Oracle, October 31 2011

RESEARCH HIGHLIGHTS

More than half of consumers regularly use two or more retail channels to shop, browsing and researching products online, using their mobile phone to check prices, or visiting a store simply to touch and feel a product before they buy. This is a game-changer for retailers, requiring them to integrate channels both operationally and from the customer's point of view. Among the top priorities are the ability to exchange and use, throughout the business and across all channels, the same information about customers, merchandise, pricing and promotions. Customers demand it. To a great extent, say consumers today, the cross-channel experience begins with price and availability.

When asked what they expect when they shop online and in stores with the same retailer:

- 73% said they expect online pricing to be the same as or lower than stores
- 35% said they expect to be able to redeem the same coupons and offers both online and in stores
- 30% said they expect to be able to return or exchange products in any channel regardless of where they bought it
- 22% said they expect to be able to access their online shopping cart, past purchases, wish list, loyalty points and status of orders no matter where they shop

Mobile commerce is a vital link between channels, especially for consumers 18 to 34 years old. 27% of consumers that own smartphones use them to browse or research products more than once a week, up from 13% of consumers in 2009.* But the device is poised to do more. Because smartphones are capable of doing things such as completing in store and online purchases, toting coupons and special offers, and notifying retailers when the customer enters a store, they are poised to serve as a common platform for the cross-channel experience. Consumers age 18 – 35 are moving faster than others to use their smartphones to pay in stores and online. That said, retailers and mobile service providers first must assure consumers that the mobile phone is safe to use as a payment device (68% believe information stored or transmitted on their mobile phone is not secure, according to a recent Oracle study**). As security measures improve, however, adoption will soar. Wholesalers and retailers should move aggressively to understand unique opportunities to connect with customers via their mobile phone and create a more seamless and personalized cross-channel experience.

When asked whether they use their mobile phone to complete purchases in a store and how secure they believe the mobile device to be:

- For those that have a smartphone, 44% of consumers age 25 – 34 and 30% of consumers age 18 – 24 say they are or soon will use their mobile phone as a payment device, though that number drops to 22% of consumers age 35 – 44 and to 9% of consumers overall
- For adopters, 52% say they would use a smartphone to pay in stores because it is faster and more convenient than getting out your wallet or using a credit card
- Security concerns are a barrier, as 25% of consumers worry that someone will steal payment information if they use their mobile phone to pay in stores and, in a similar study*, 68% of consumers globally say information stored or transmitted on their mobile phone is not secure
- When it comes to making purchases online, 45% of consumers age 18 – 34 who own a smartphone will use it to purchase products online as often as a few times each week, a number that drops to less than 6% among older consumers
- 11% of U.S. consumers use their smartphone to make an online purchase at least once a month, compared to just 5% of Canadian respondents

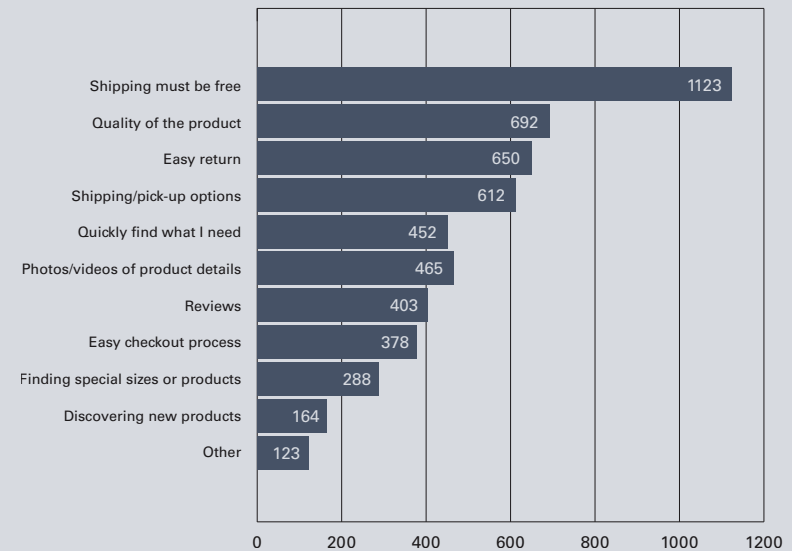
Check online first, buy later, is a mantra that affords the commerce platform a large dose of influence. Consumers look to Web sites for information before they buy, browsing and researching products then purchasing items in the store or, if time allows and shipping is free or nearly so, online. Retailers cannot underestimate the appetite among shoppers for more detailed product information and searchability, along with high quality images to convey the look and feel of the item. Store associates are equally hungry for information and they are using tablets to get fast answers, check product availability and keep pace with the customer. Commerce platforms will continue to expand to support more business operations and customer touch points, underscoring the need for current, detailed, searchable information that is delivered quickly in most any format.

When asked what they would improve about online shopping (respondents could select up to three), 37% put at the top of their list more detailed product information, 29% said they want better search and 21% say that they would like to have easier access to customer service via live help options on the Web site. When consumers were asked what causes them to abandon items in their online shopping cart, and what, in addition to price, matters most to them when they shop online:

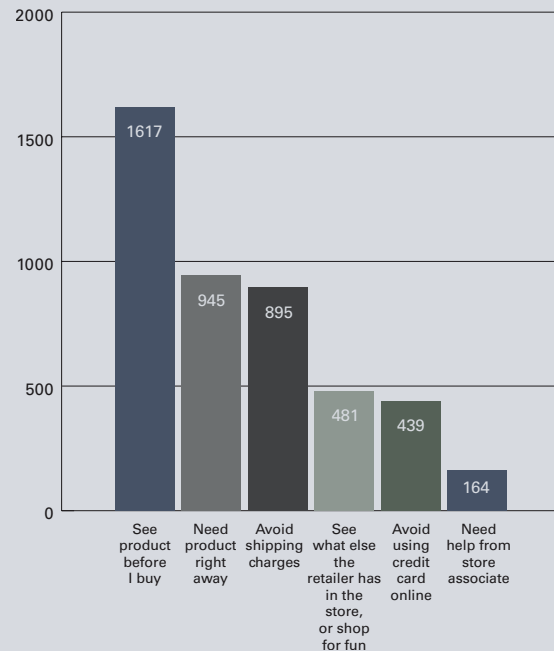
- 63% said they abandon items in their online basket because shipping charges are higher than they expected
- 52% said what matters most when they shop online is that shipping is free
- 32% said the quality of the product is a priority when they shop online
- 30% said an easy return policy is important to them when they shop online
- 22% of U.S. consumers prioritize customer reviews about the product, while just 14% of Canadians place this in their top three requirements for online sites
- 19% of consumers said they abandon items in their online basket when the checkout process is overly complicated or requires too many steps

Consumers use each retail channel for what it does best, mixing stores and media to achieve the most convenient and cost effective results to meet their needs.

What matters most when you shop online? (Select up to three)



What best describes the reasons you go to a (physical) store? (Select up to three)



The adeptness with which consumers leverage channels for what they do best has increased pressure on retailers to ensure that the right product is in stores when the customer reaches for it, and that the price and promotional offers are consistent with or better than what they found online. Stores remain the ideal showcase for retailers but expectations for product availability are heightened by the online experience, where items are located at the click of a button.

When consumers were asked why they visit stores (they could choose up to three) and what they expect when an item isn't there:

- 75% said that they go to the store to see the product before they buy it
- 44% said they visit a store when they need the product right away and 41% said they will go to a store to avoid shipping charges
- 51% said when the item isn't in stock they expect a store associate to find the item and have it transferred or shipped to them
- 21% said they would leave the store and find it themselves online if an item was unavailable
- 18% said that they check online or call first, to make sure an item is in stock before they visit the store
- 9% said that they expect to be able to use an in-store kiosk or tablet to find the item online

These findings underscore the need for optimal allocation, replenishment and inventory management practices to ensure that stores have the right item or items in reach when the customer visits. When that can't be done, retailers can bridge the gap by equipping store associates to quickly locate and deliver products to complete the sale.

Consumers like to ask friends for advice and share coupons at Facebook, Twitter and Google+. Marketing teams will find a green field for building loyalty and driving return visits among customers at Facebook, where 23% of consumers have clicked "like" for merchants and 26% say they look for coupons and special promotions there. Fewer consumers use Twitter but among those that do, men and consumers age 25 – 44 crowd are most inclined to Tweet about products and services. At the time of the survey, Google+ did not yet allow merchant or company pages but already 15% of consumers say they would interact with retailers there and 8% plan to look for coupons and special promotions.

When asked how they interact with merchants at Facebook, Twitter and Google+ (when it adds merchant pages):

- For consumers that use Twitter, 44% of those age 25 – 34 say they interact with friends about products they plan to buy, followed by 30% of Twitter users age 35 – 44
- Women (30%) will "like" merchants at Facebook more readily than men (17%), while over on Twitter men (7%) are more apt than women (3%) to Tweet with friends about a product that they plan to buy
- 23% of respondents say they use Twitter but fewer than half interact with merchants on Twitter
- 11% of consumers age 18 – 24 say they would create a "circle" to track their favorite retailers on Google+ and compare products and services with friends there, compared to fewer than 7% of those age 25 – 54 and less than 3% of those 55 and older

Which of the following best describes what you expect a retailer to know about you? (Select all that apply)

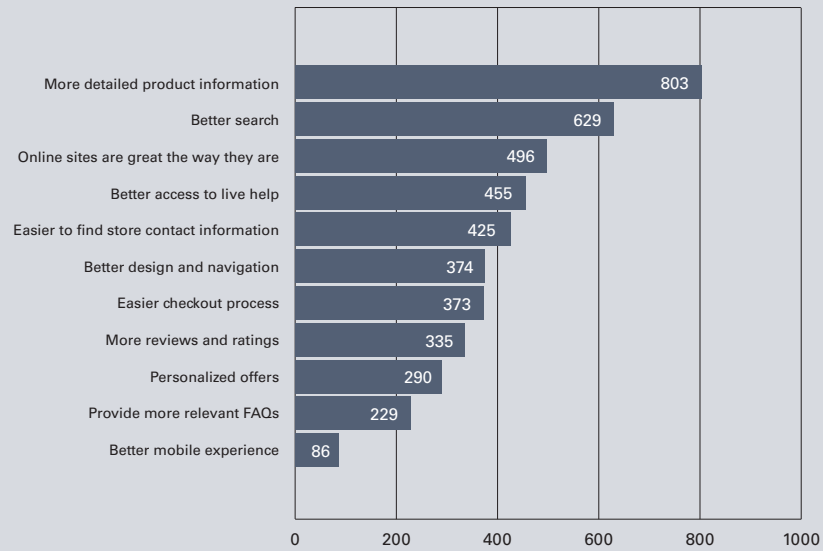
Younger consumers are more likely to expect retailers to know their history. While nearly 40% of consumers value anonymity, nearly 20% of shoppers expect retailers to know them and make recommendations based on what they've already purchased — whether online or in stores. Younger consumers age 18 – 24 are more likely to expect retailers to know a lot about them and to use that information to help them shop.

When asked what they expect retailers to know about them:

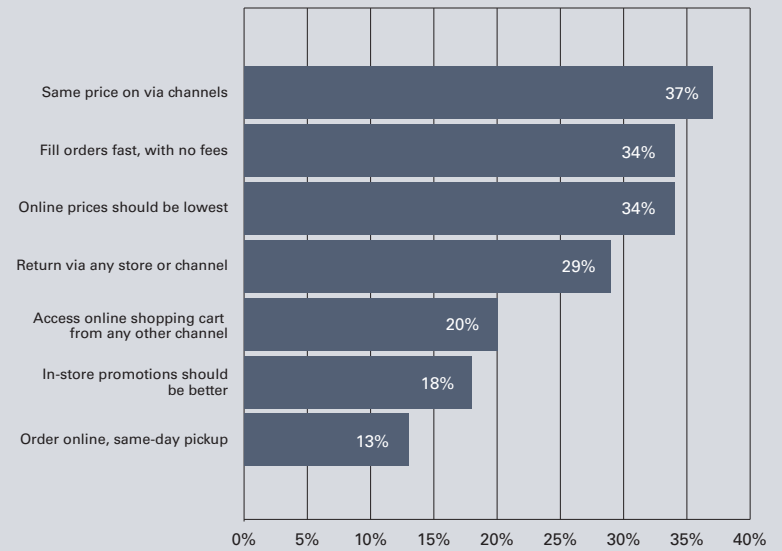
- 43% do not want retailers to track their purchase history while 20% expect retailers to know what they purchased in the past, including in stores, online and via catalogs
- 24% of consumers age 18 – 24 and 20% of those age 25 – 34 expect retailers to know what they put in their online shopping cart but did not yet buy, compared with fewer than 10% of older consumers
- 22% of consumers expect retailers to send them promotions that reflect their past purchases, likes and dislikes
- 20% of consumers age 18 – 24 expect store associates to know their past purchase history and use the information to help them shop new selections, a number that drops to 14% for those age 25 – 34 and fewer than 10% for older consumers



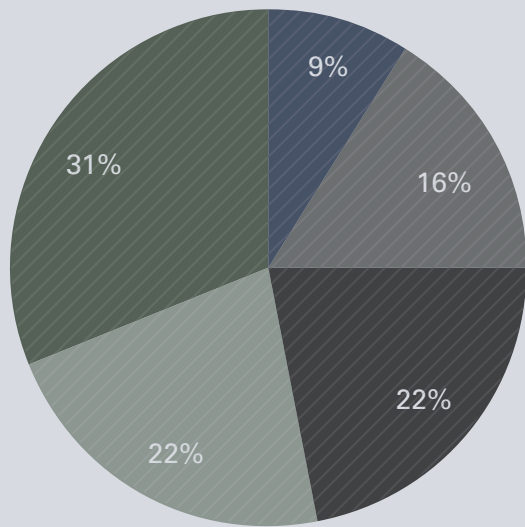
What improvements would you like to see in online shopping sites? (Select up to three)



What best describes your expectations when you shop online and in stores with the same retailer? (Select all that apply)

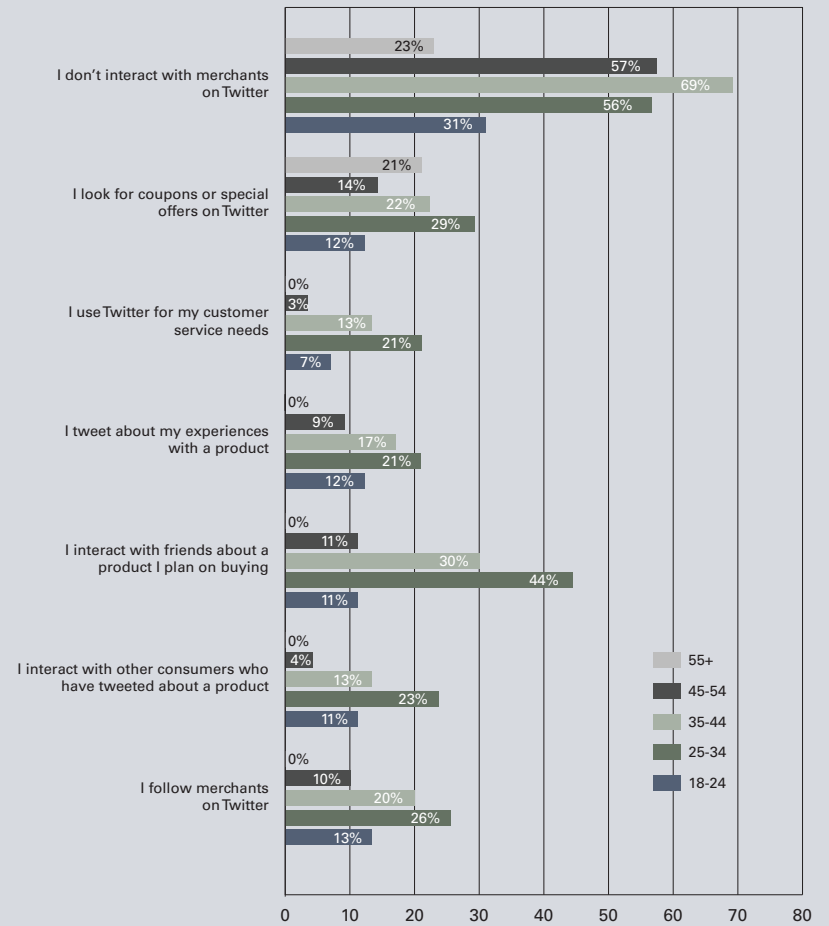


What are the primary reasons you would use your mobile device to pay for products in stores?

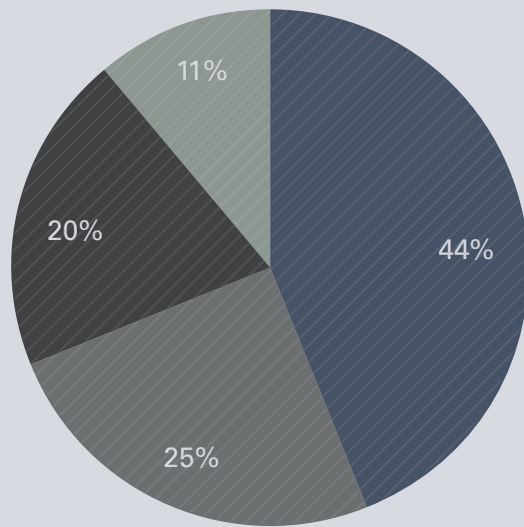


- I have an electronic record of the transaction
- I don't like to carry cash
- It's more convenient than getting out my wallet and credit card
- It's faster
- It's more secure than using a physical credit card

For those that use Twitter, when asked do you interact with merchants on Twitter?



When you can't find an item in the store, what are your expectations? (Select one)



- Store associate will find it online or at a store
- I'll leave and find it online
- I'll check online to make sure the store has it
- I'll use a kiosk to find it myself

METHODOLOGY

Responses to Oracle's cross-channel survey were generated from a pool of 2,169 respondents, age 18 and older, living in the continental United States and Canada. Survey respondents were profiled across more than 500 attributes, such as demographics, lifestyle, and behavioral characteristics. Respondents were further differentiated by characteristics such as browsing and purchasing frequency online, to ensure the sample represented was active on the Web. The study was commissioned by Oracle, and deployed by independent online market research firm, MarketTools, during the fourth quarter of 2011. This survey has an error rate of +/- 3% for each 1,000 respondents.

ORACLE RESEARCH

ADDITIONAL ORACLE RESEARCH THAT IS AVAILABLE INCLUDES:

Cross-Channel Commerce: A Consumer Research Study

In late 2009, ATG (acquired by Oracle in 2010) commissioned a survey to look at two key questions: (1) how frequently are consumers using multiple channels to browse, research, and purchase a broad range of products and services? And (2) what are consumers' reactions to the experiences they find in different channels? This online study, conducted by an independent service, polled 1,054 U.S. consumers of ages 18 years and older. It analyzed their use of channels — including computers, mobile devices, bricks-and-mortar stores, catalogs, and customer service representatives — to gain more information about or to complete the purchase of a product or service. To access this research, visit: oracle.com/us/products/applications/atg/atg-resource-library-333344.html

Younger Opportunity Calling: The Future of Mobile Communications — Take Two

Oracle conducted an online survey of more than 3,000 mobile phone users around the world in July 2011 to examine their mobile phone use habits, interest in new mobile technologies and expectations for service providers. To access this research, visit: oracle.com/goto/communications

The Future of Retail: Through the Eyes of Digital Native

In July 2011, Oracle commissioned a survey to examine the views of digital natives, aged between 19 and 23 in the UK, France and Germany, to current shopping needs and their expectations of these needs in 2025. The goal was to identify how this generation interacts with retail today, the role of technology in facilitating these interactions and how they perceive this will change by 2025. To access this research, visit: oracle.com/globalretail

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