The Connected Consumer 2012: Evolving Behavior Patterns

A consumer research study

August 2012

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convenience

The web serves as the Grand Bazaar of our times where anything is available and the prices are as varied as the merchants who sell their wares.

REFLECTIONS: INTRODUCTION

The e-tailing group is excited to take a second look at the Connected Consumer. When paired with our initial survey conducted in mid-2011 the findings demonstrate evolving consumer behavior in light of mobile, social and PC growth as new channels and new devices continue to escalate in importance.

This latest research effort takes on a new dimension as we utilize “man on the street” video to introduce the retail community to their customers. Hearing their voices, their approaches to both researching and buying product, along with their paths-to-purchase provides a perspective that has once again reinforced the e-tailing group’s promise to advocate for shoppers as has been our focus for 16 years. To hear the shoppers’ stories, visit www.yourtube.com/oracleretail. This project would not have been possible without the generosity of Oracle and their continued embrace of this topic, for which we are most grateful.

The faces of the omni-channel customer are as diverse as those that walk through your retail doors or stroll through every neighborhood. Matching our interviews with our research paints a clear picture of the connected consumer. We will tackle the “who, what, where and why” of shopping behavior and will examine the evolving role of the store and mobile as essential ingredients and conduits to cross-channel shopping. Despite the traffic and revenue inroads already being seen from mobile, the PC with its extended growth and utilization is still a significant factor, serving as the foundation for all other experiences.

The web serves as the Grand Bazaar of our times where anything is available and the prices are as varied as the merchants who sell their wares. However, while shoppers frequent scores of stores, reality is that despite the myriad of options, many still gravitate to Amazon. Shoppers of course vary, but the **deal seeker** mindset prevails and will continue to be a force for the unforeseeable future. Secondly, **researchers** are demanding comprehensive information as they review product images, embrace peer reviews and look to understand the features and specs of every product under consideration, facilitated by the power of the web. The web’s **convenience** has proven to be unparalleled. Reasons are plentiful and likely to expand as more shoppers experience the web and become tomorrow’s connected consumers.

Retailers must be ready now as control has clearly shifted to consumers. A series of e-tailing group recommendations fueled from interviews and years of client and consumer insights are forthcoming for each major section. Ideally they will jumpstart your efforts to connect with your customers on all fronts.

deal seeker

FOOD-FOR-THOUGHT

This is an opportune time to try and understand what makes the connected customer tick and what retailers can do to ensure that their brands are top-of-mind when customers start and finish their browse and buy agendas.

Questions for merchant consideration include:

- Who is the connected customer?
- How do they leverage the web to inform their buying behavior?
- Where will your shoppers ultimately buy and why?
- How are customers browsing and buying differently by category?
- Are all purchases driven by price?
- What impact is mobile and social having on customer browse-and-buy behavior?

The Study

SURVEY OBJECTIVE

The purpose of this study was to understand evolving consumer browsing and buying behavior given changing Internet, mobile, social and cross-channel options.

SURVEY SUMMARY

It was important that survey respondents own smartphones as much of the evolving behavior revolves around these devices. We also were cognizant of the role that tablets play and the increased revenues retailers are reaping as a result of growing consumer adoption. Given these device ownership requirements, the composition is somewhat wealthier and more highly educated than the overall population.

SURVEY SAMPLE

1,033 consumers completed an online questionnaire in April 2012

- 50% male/50% female
- Shopped online four or more times in the past year
- Typically spend $500 or more online annually
- 100% own a smartphone
- 48% own a tablet device
- 29% are Amazon Prime members

demographics

The Details: Top Line Findings

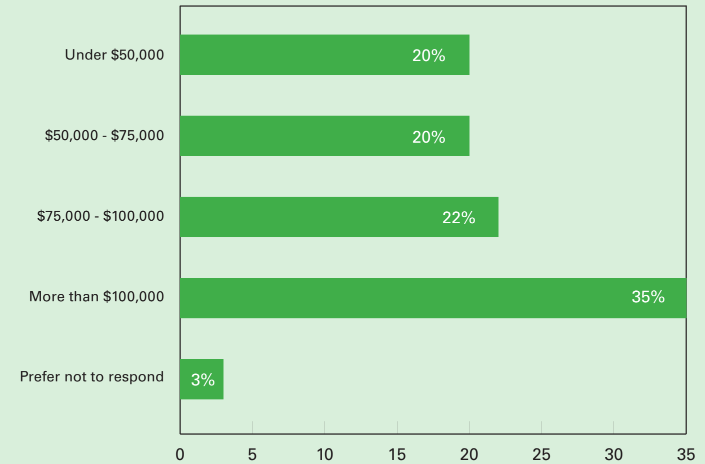
INFORMATION

- Path-to-purchase involves greater research particularly given proliferation of devices and channels
- Convenience and access fuel price comparison and become entrenched in shopper behavior patterns
- Consumers require comprehensive product information coupled with category education to make confident buying decisions

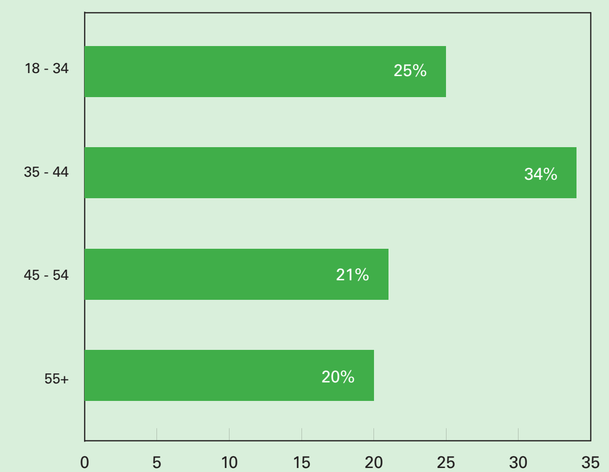
ACCESS AND TOUCHPOINTS

- Consumers shop within multi-channel frameworks to select products and complete shopping
- The PC stands the test of time serving as the shopper's powerhouse for researching and shopping
- Smartphones and tablets are part of the shopper's arsenal though device choice fluctuates based on need, timing and location
- Social engagement evolves as consumers participate more

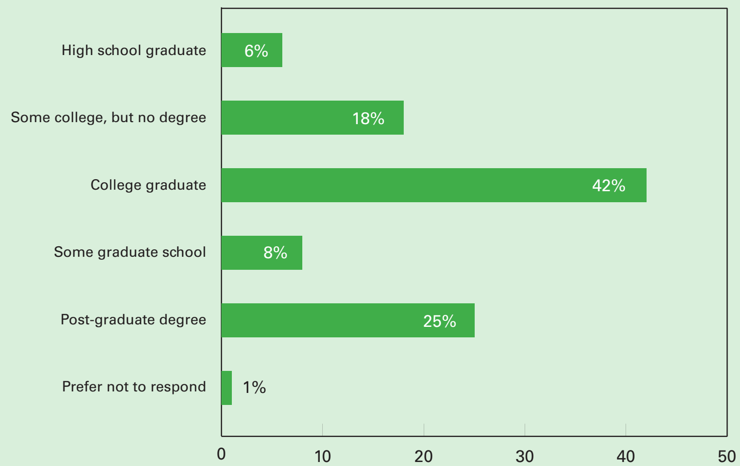
Which of the following best represents your combined annual household income before taxes?



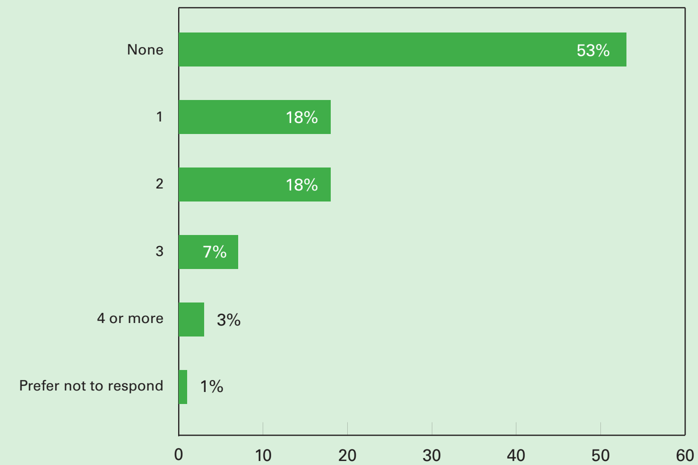
What is your age?



What is the highest level of education that you have completed to date?



How many children age 18 years or younger do you have living at home with you?



Information is POWER

WHAT DO THEY NEED TO KNOW?

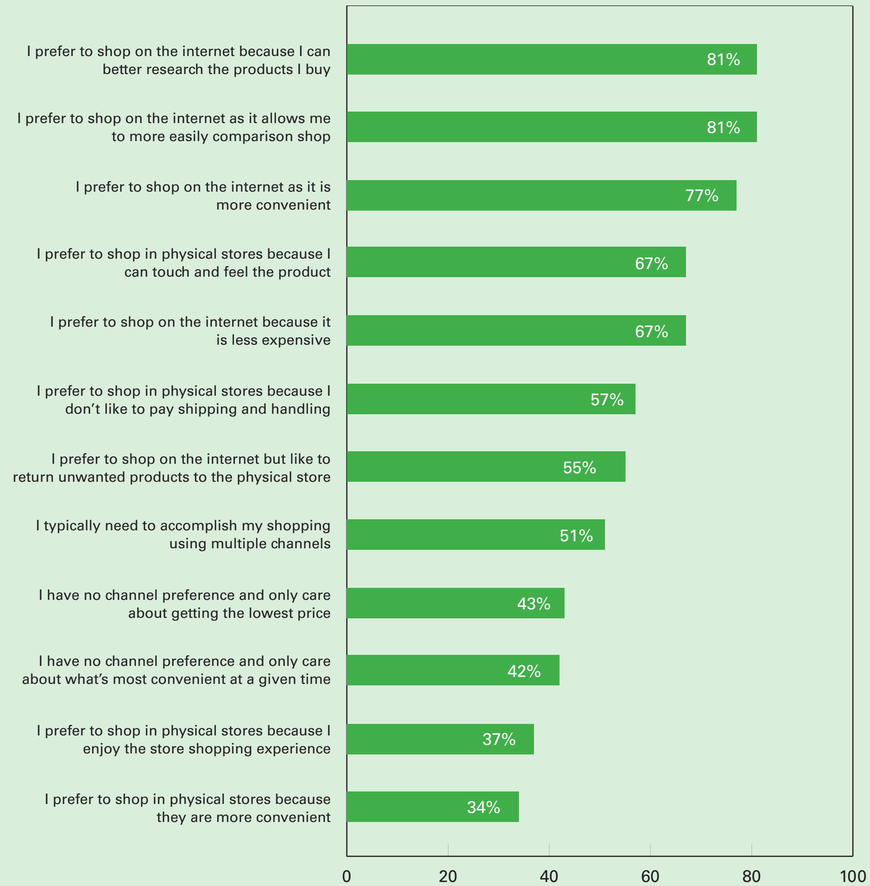
Researchers ratchet it up a notch requiring comprehensive category and product-based information to facilitate confident decision-making

The reasons for shopping online are wide-ranging but typically begin with convenience and incomparable unmatched access to information. Consumers embrace savings, thrive on efficiency and cut across channels, purchasing everything from basic commodities to luxury goods. The ability to better research products and discern the best price or the right features is core to an Internet-preferred shopping experience.

Consumers are savvy and seek a good value when shopping. They perceive the Internet to save time but are leery of paying for shipping and handling so have gravitated to retailers that absorb these fees and ideally cover return costs as well. For others, channel choice is influenced by the comparison opportunities that result from the web.

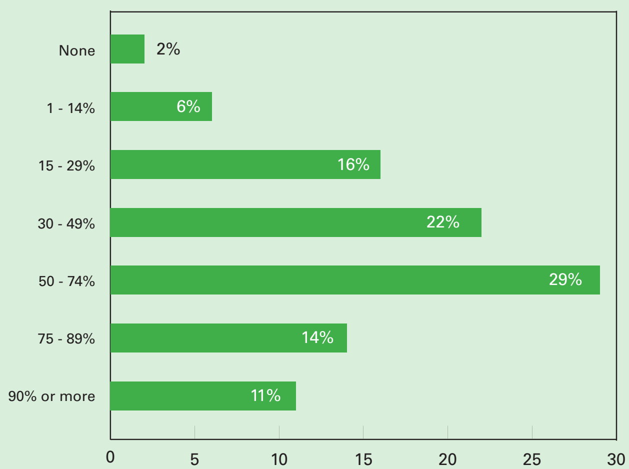
Convenience cuts many paths and for some the store is still their first visit; often due to tactile preferences and sizing challenges. At the same time, they prefer the flexibility to return in-store as needed. Finally, a multi-channel experience often is dictated by shopper need at any given time.

When choosing a location or way to shop, in which to make a purchase, please rank your agreement with each of the following statements. Top-2 Strongly/Somewhat Agree



Researching via the web continues to anchor consumers' cross-channel buying behavior, fueled by access and device growth. This year 54% of overall shopping involves researching products online more than one-half the time versus 56% last year. Retailers should be prepared to deliver comprehensive shopping experiences as the preview power of the web for future online and offline shopping is certainly conclusive.

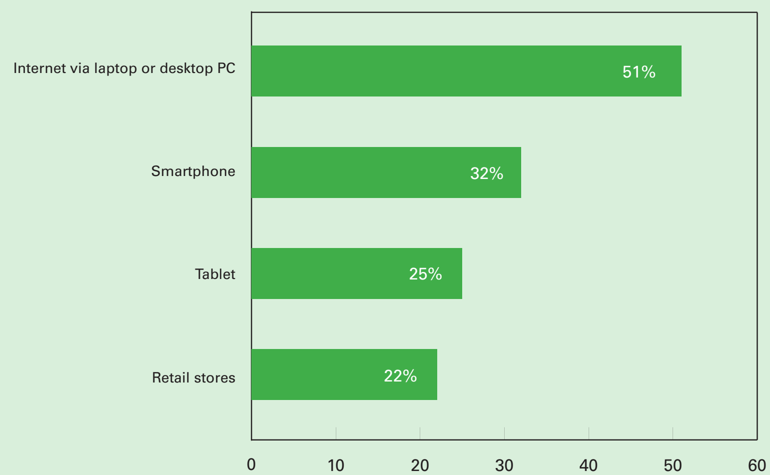
What percentage of your overall shopping (in a store, on the internet, via catalog or by mobile device) involves researching products online?



Researching has grown across all channels with the PC dominating and mobile beginning to gain traction. Further mobile researching is likely as both ownership and device sophistication attract consumers in search of convenience.

Over the course of the last year, how has your product researching behavior changed for these locations or using these devices?

Top-2 Research Significantly/Somewhat More



Many purchases still benefit from a trip to the local store, making cross-channel the favored path. Among other things, stores augment online research by displaying current inventory and ensuring shoppers have the right fit. Notable dynamics beyond these include shoppers checking online for product availability before heading to the store.

Shoppers have their favorite retailers and it is refreshing to know that a "savvy" associate can have a major impact on final merchandise selections. We heard this loud and clear from those who visited the stores where we filmed Connected Consumer videos and where both knowledge and service serve as differentiators. In fact, some even said they prefer in-person interaction versus shopping online. The reasons for channel selection will continue to evolve and coexistence is optimal where each can serve shoppers, parlaying their own particular strengths.

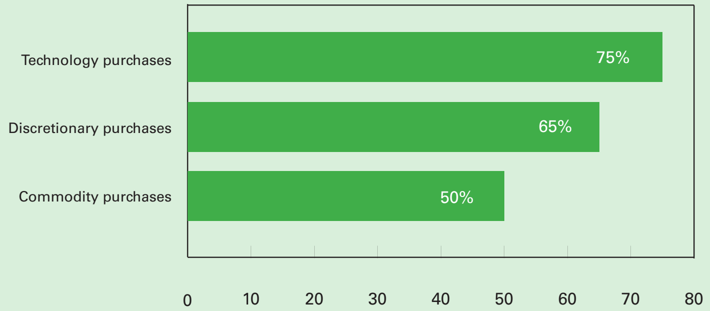
Please note your agreement with the role of local stores in your life.

Top-2 Strongly/Somewhat Agree

Thinking about 100% of your purchases, please tell us how often your shopping falls into the following patterns when purchasing each kind of products.

	All the Time	Most of the Time	Some of the Time	Never
PLANNED WITH NO RESEARCH				
Discretionary purchases	7%	19%	56%	18%
Commodity purchases	9%	32%	41%	18%
Technology purchases	6%	13%	29%	52%
PLANNED WITH SOME RESEARCH				
Discretionary purchases	13%	52%	33%	2%
Commodity purchases	12%	38%	42%	8%
Technology purchases	38%	37%	22%	3%
IMPULSE WITH NO RESEARCH				
Discretionary purchases	5%	13%	57%	25%
Commodity purchases	6%	16%	50%	28%
Technology purchases	5%	10%	29%	56%
IMPULSE WITH SOME RESEARCH				
Discretionary purchases	7%	20%	58%	15%
Commodity purchases	6%	18%	52%	24%
Technology purchases	8%	22%	39%	31%

Thinking about 100% of your purchases, please tell us how often your shopping falls into "planned with some research" when purchasing each kind of products. Top-2 All/Most of the Time



The web has clearly shifted consumer behavior towards research to varying degrees based on purchase category. This next table frames how each of three types of products (Discretionary, Commodity; Technology) are planned and researched. Ranges of consumer approaches are shown along with what degree consumers are willing to plan and research.

Not surprisingly, researching varies by category. Foremost, technology purchases are planned with some level of research three-quarters of the time. From there, one in two consumers allocates research time for discretionary purchases (apparel, accessories, furniture), followed by commodity purchases (office supplies, health/beauty and diapers). One can only conclude that research is a fundamental part of most shopping today so the necessary information must be forthcoming.

What would your typical shopping pattern be for each of the following shopping scenarios?

	Head straight to a physical store to get the product	Head first to a physical store to see the product then purchase online	Head straight online and make the purchase there	Research online then buy at a physical store
You ran out of office supplies (ink cartridge and paper) for your small business/home office.	40%	12%	38%	10%
You've recently been noticing all of the new summer clothes and think it might just be time to update your wardrobe.	37%	19%	24%	20%
Your running shoes are finally worn through and you've been noticing all of the new and interesting shoes being advertised and worn at the gym.	37%	18%	25%	20%
You or your family has just recently moved into a bigger home or apartment and you clearly don't have the right furniture. You are going to start with a couch and dining room table.	36%	16%	15%	33%
You're in the market for a new bike for your son's birthday.	27%	17%	20%	36%
Your computer suddenly died and you've decided to take the plunge and purchase a new computer or tablet.	14%	18%	39%	29%
You need to purchase holiday gifts for your family (some in-town, some who live out-of-town).	14%	17%	56%	13%

Category-centric patterns emerge particularly for tactile and size-sensitive products. Commodities like office supplies seem to get purchased immediately through a store visit or easily accomplished online as shipping for this category is often free at a minimal threshold and typically delivered next day.

Clothing and footwear supports much of the everyday sizing discussion though inroads have been made online through rich media and visualization; also free shipping and free returns often make it a risk-free proposition.

Furniture tends to involve store visits where viewing product within room settings and visualizing design elements make this channel model more desirable. Bikes seem to suggest multiple approaches as significant content can be found where comparison shopping may point toward online but the ability to test favors a store-based purchase.

Gifting has one of the most interesting shopping patterns as the web is an ideal environment given tools that include wish lists and stored addresses. Several of those interviewed emphasized purchasing all their gifts via the web; particularly finding appeal in the uniqueness of the online assortment.

PRODUCT PAGE INFORMATION

Customers expect a comprehensive product page experience from imagery through content and social dynamics. As part of the information gathering process, product information is critical for decision-making and confidence. In our survey, review of product elements has now moved beyond image and information to include core community aspects such as ratings and reviews, Pinterest and Share. However, images still rule when editing and ultimately selecting product. They remain the most sought after element, followed by associated colors, alternative views and zoom as a picture has always been worth a 1,000 words.

Customers seek information and direction in support of research efforts. Guides and comparisons help with editing the assortment and ensuring one pays a fair price. Socially speaking, reviews also round out shopper needs while the desire to see an "on model" shot has value for many shoppers. Live help continues to be preferred by shoppers because it is immediate and allows them to multi-task and problem solve, on their terms. Add-on products facilitate decision-making along with demonstrations. Social dynamics, while heavily covered in the media, do not appear to be as critical for shoppers though could still forge an important role in the future.

When viewing a merchant's product page online, how important is the following information when selecting and ultimately purchasing a product? Top-2 Critical/Very Important

ESSENTIAL (>50%)	MERCHANT CHOICE (33-49%)	SOCIAL (<33%)
Quality of the image-75%	Peer ratings and reviews-47%	View product in a room setting-32%
Ability to see selected product in color of choice-68%	View product on a model-45%	Q/A-32%
Alternative views of selected item-66%	Live help-39%	Email-a-friend-20%
Zoom-61%	Video of the product in use-37%	Share button-19%
Product guides-54%	Product recommendations-37%	Like button-16%
Product comparisons-52%	Product demonstrations-37%	Pinterest-15%

EG RECOMMENDATIONS: RESEARCH FUNDAMENTALS

- Build a comprehensive shopping experience that includes "all" the information the shopper needs to convert online or in-store
- Embrace category-centric content from how-to's to video to engage today's consumer
- Product information should start with strong imagery, supporting copy and introduce social elements as part of the shopping experience

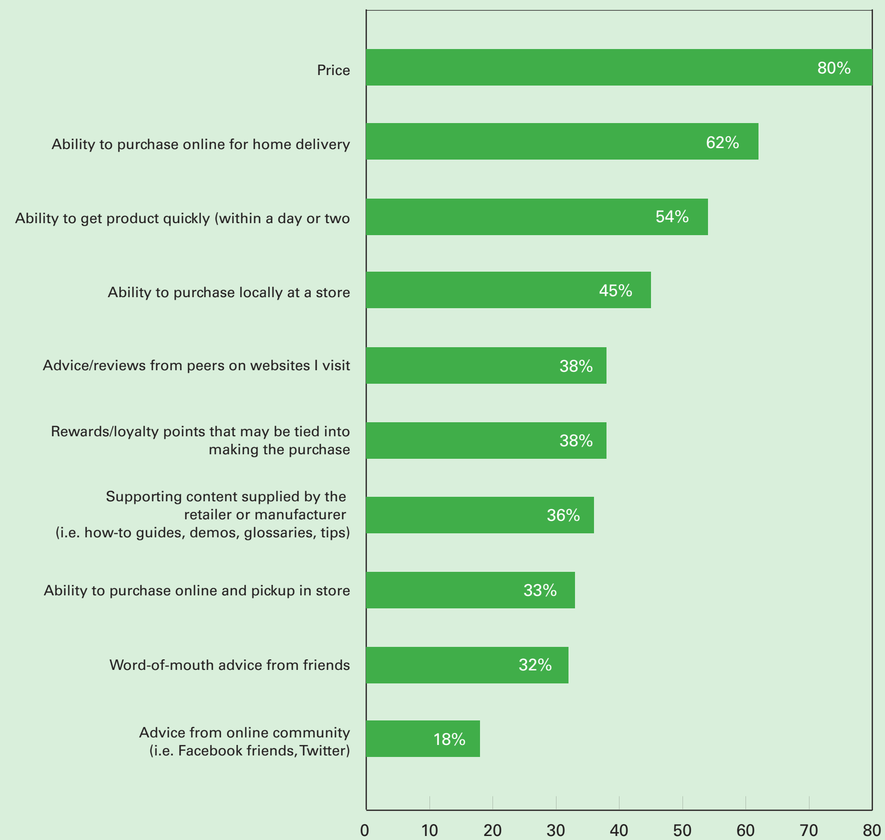
HOW MUCH WILL YOU PAY?

The web has tipped the scales in favor of the shopper who prefers to compare prices and products in order to secure the best value.

Beyond the researcher, the deal seeker dominates consumer sentiment. In fact, there were only a handful of those we interviewed that did not talk price, price and price. Without a doubt the power of the Internet aids consumers in securing the best values. As one can see from this chart, price is critical/very important to the majority (80%) of shoppers.

Beyond price, some prefer home delivery over store visits and the desire to get product quickly is predictable among those consumers who love or need instant gratification. Logistics for top Internet retailers continue to improve with some even able to accommodate next day service at no extra charge. Advice and reviews are once again noted and beyond these deals, rewards or loyalty points can be factored into the purchase decision.

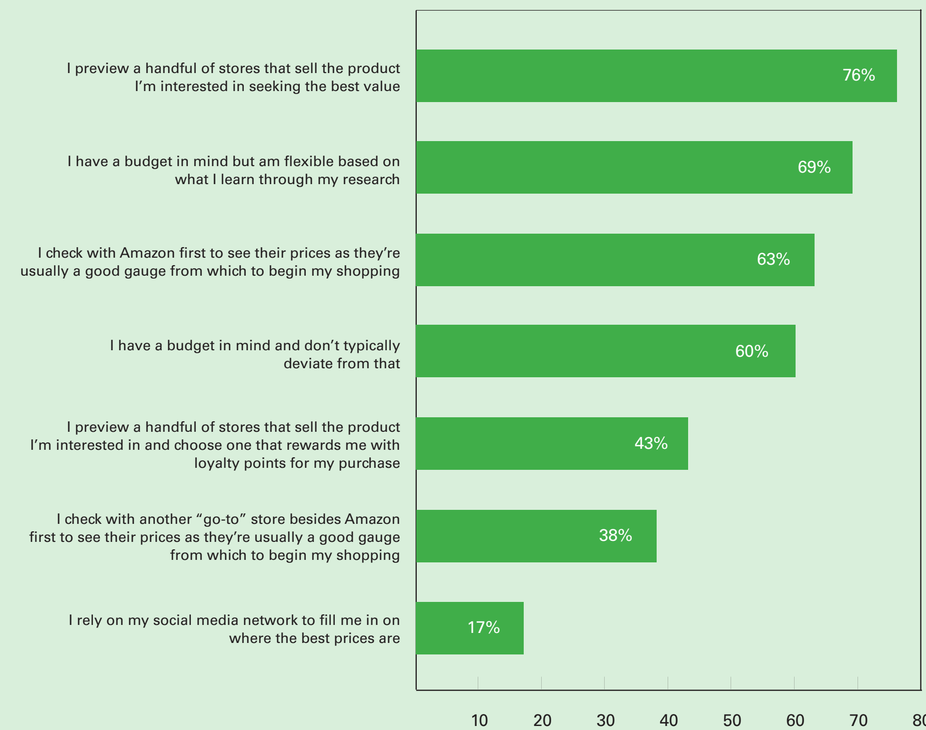
When thinking about selecting the right product in any given category, how important is each of these elements? Top-2 Critical/Very Important



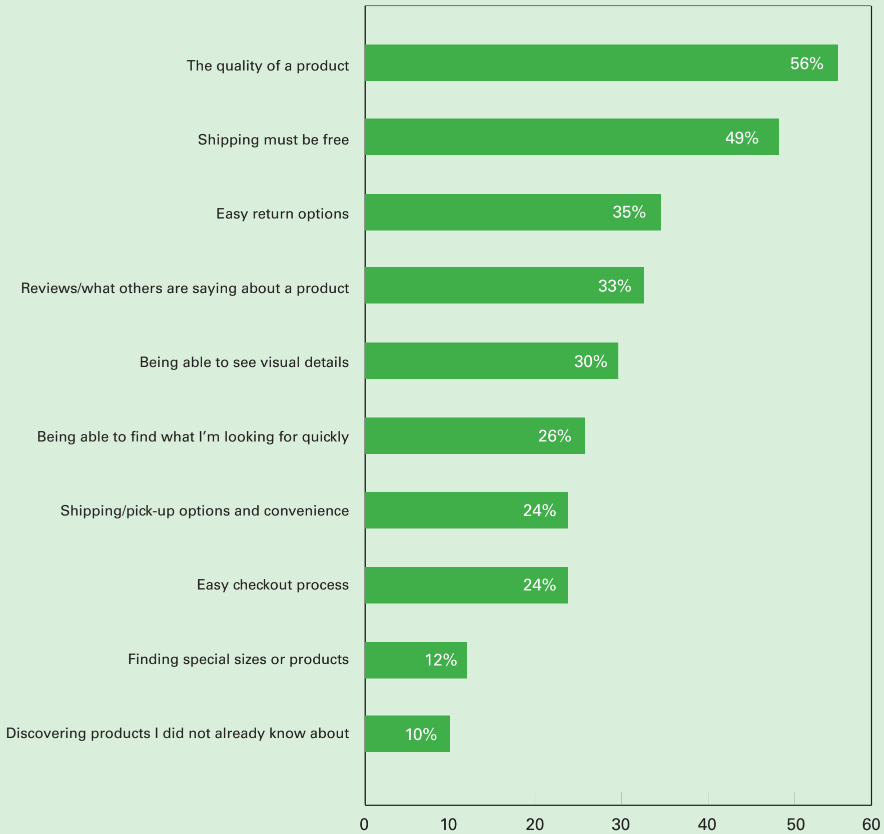
While it might appear that shoppers will labor forever to find a product at a particular price, most will preview just a handful of stores. They start with a budget but can be swayed if convinced there is a better product. Amazon serves as the de facto shopping checkpoint where many shoppers visit prior to consummating their purchase or making an alternative selection.

Product quality, free shipping and convenient returns are what matter most to shoppers. Consumers remain discerning, despite being price-conscious. There is an old merchandising adage that also applies to online shoppers today, "People remember the quality a lot longer than the price." How true.

When thinking about the price you are willing to pay, please rate your agreement with each of the following statements. Top-2 Strongly/Somewhat Agree



In addition to price, which factors of your online shopping experience matter to you the most? Select the top three.

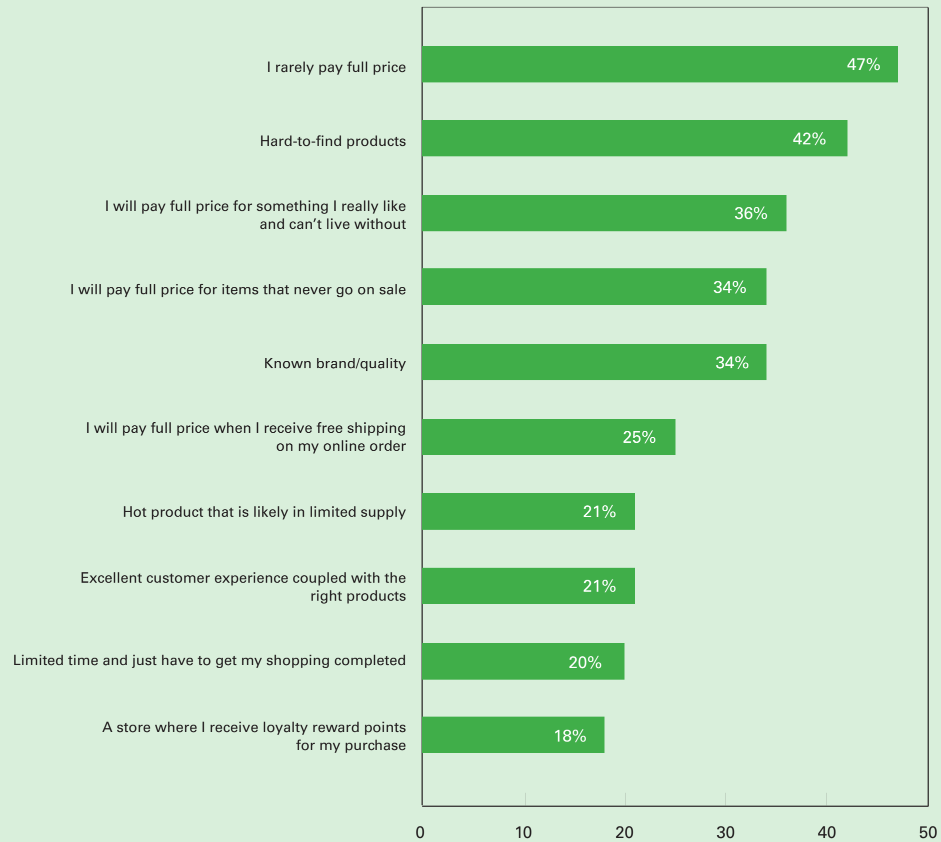


Nearly half of shoppers say that they rarely pay full price. Hard-to-find, must-have merchandise and non-marked-down goods get the shoppers' attention. These kinds of dynamics certainly make it challenging for retailers to market full-price wares. Control has shifted to the consumer and buyers are willing to spend significant time to feel they are finding a good deal. Despite that, time continues to have great value for some, knowing that the hunt many not always be worth the savings secured.

EG RECOMMENDATIONS: DOING BUSINESS WITH THE DEAL SEEKER

- Think about the total cost of purchase moving beyond the base price
- Be transparent in showing price on your site
- Develop a policy for dealing with in-store bargain hunters
- Test a range of promotional cadences to understand how you can both satisfy the shopper and the bottom-line

What does it take for you to pay full price for products in general? Check all that apply.



The Shift Occurs: Consumers Connect Their Way

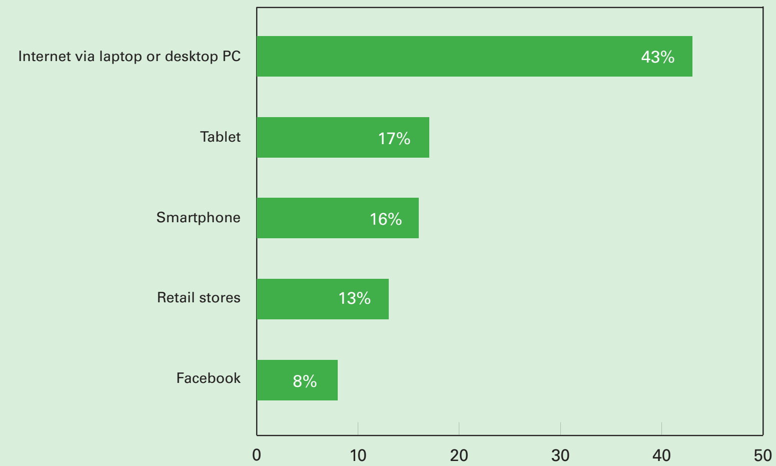
WHICH CHANNEL? WHICH STORE?

"We want to explore which channels (physical store, Internet via computer, mobile or Facebook/social channels) work best for your research and shopping."

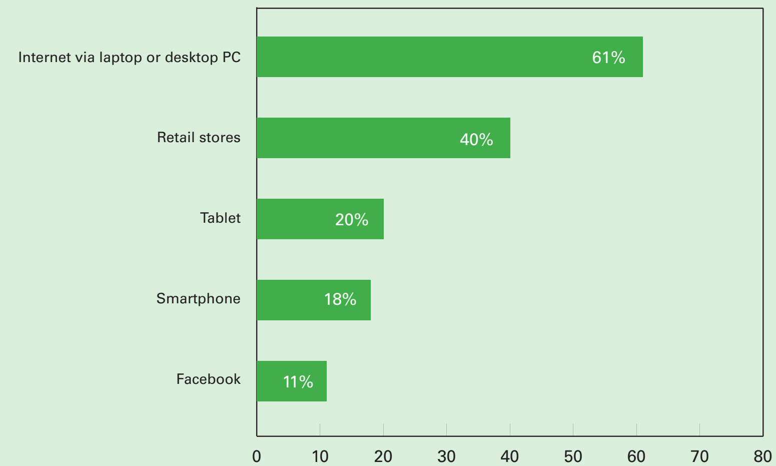
Just 13% buy somewhat/significantly more in retail stores; the PC on the contrary sees strong gains of 43%. The tablet and smartphone also experience growth as mobile industry research concurs. We would expect that continued usage of these newer channels will also result in commensurate increases in satisfaction.

The Internet via PC remains a powerhouse for consumers. They are not only comfortable with but continue to spend a greater share of wallet this way and their satisfaction with this channel trumps all others. Expectations for enhanced satisfaction among tablet and smartphone users is likely, given early days of adoption.

Over the course of the last year, how has your buying behavior changed in each of the following channels?
Top-2 Buy Significantly/Somewhat More



How would you describe your overall experience of shopping in each of these locations or using these devices? Top-2 Excellent/Very Good



WHAT DEVICE WILL THEY USE?

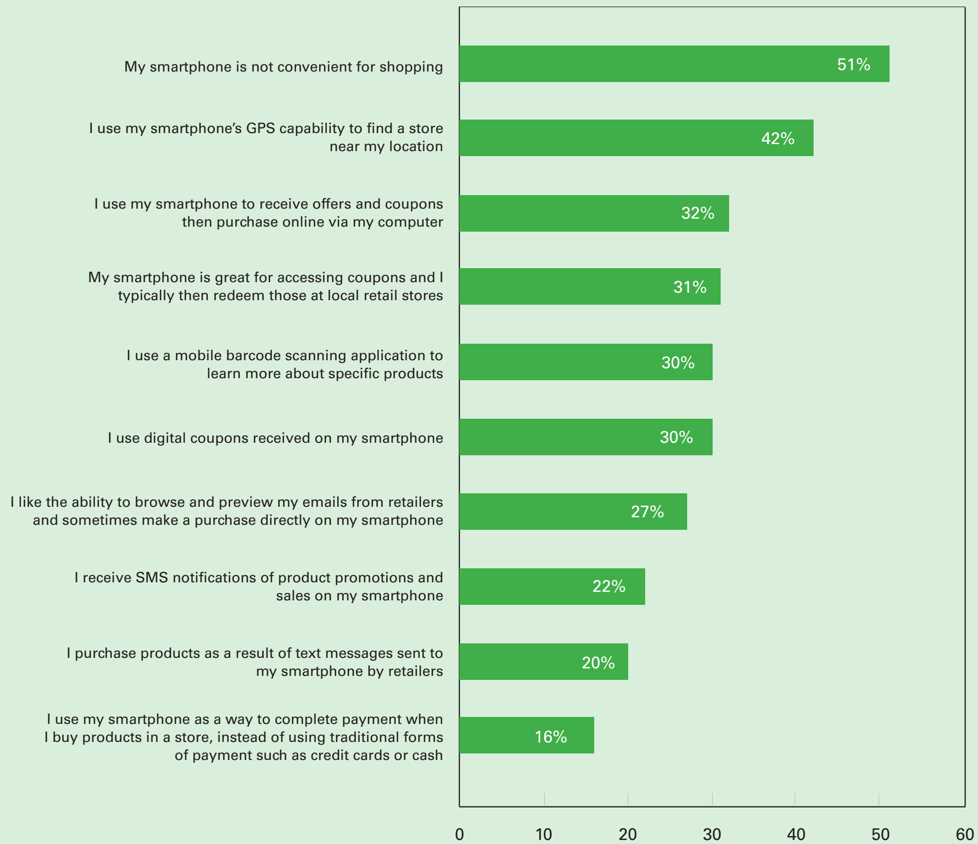
"Over the past few years smartphones and tablets have been readily purchased by consumers and shopping is now taking place beyond one's home or office computer. We want to understand how you use these devices."

Mobile owners browse and buy from their myriad of devices. Smartphones serve as an everyday tool along with being a conduit to cross-channel purchasing. Tablets, on the other hand, have taken the retail world by storm as shoppers enjoy the convenience and ease of use they represent. Many consumers surveyed, as well as those interviewed, expressed that their smartphones are not always convenient for shopping. Positively, these phones excel as a means to locate and gather store information and consumers enjoy the expediency of receiving and cashing in offers via their phones while in the store rather than relying on an old fashioned paper trail.

One in three shoppers is active in this regard and has also taken to scanning products at retail for information gathering and comparison activities. Additionally retailers must face a new world of email where customers tend to take a drive-by browse and as such their attention is challenged and a shopping focus is lacking. SMS appears to be in the early stages although not all retailers seem to be convinced of its growth potential.

	SMARTPHONE	TABLET
Browse or research at least weekly	31%	45%
Made at least one purchase	41%	63%
Expect to spend more in 2012	19%	28%

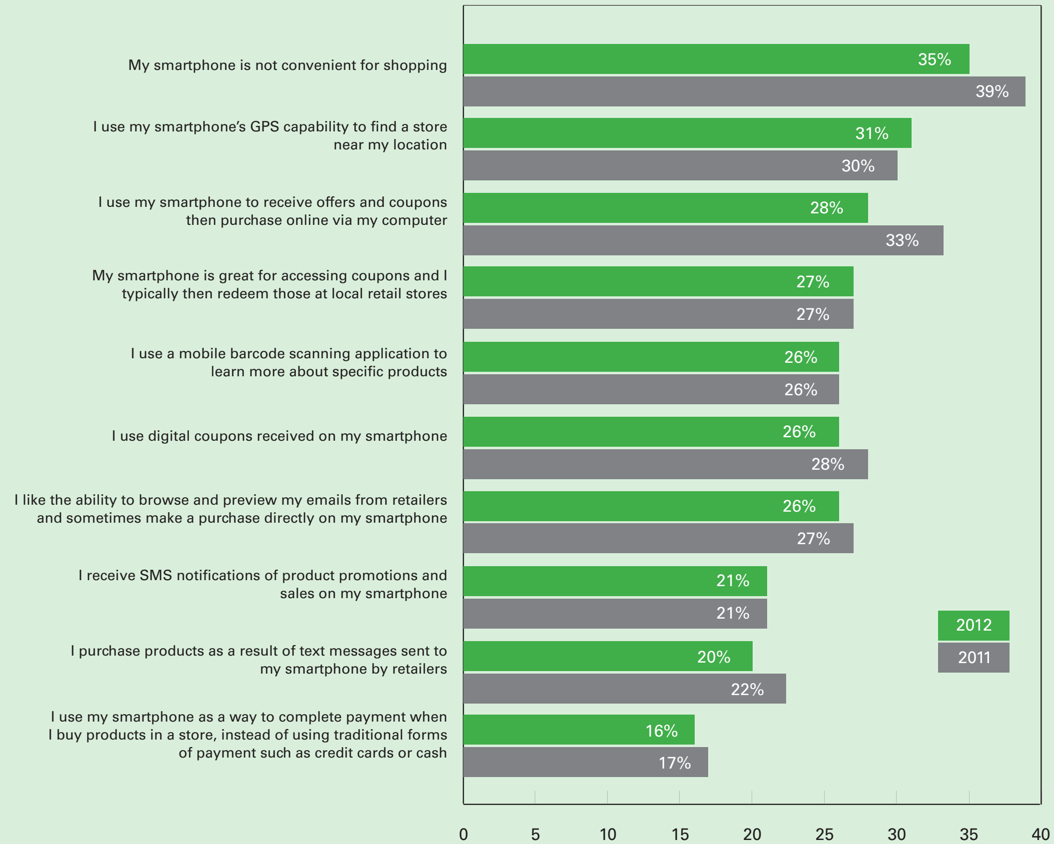
Please indicate your agreement with the following statements regarding browsing or buying products via your smartphone. Top-2 Strongly/Somewhat Agree



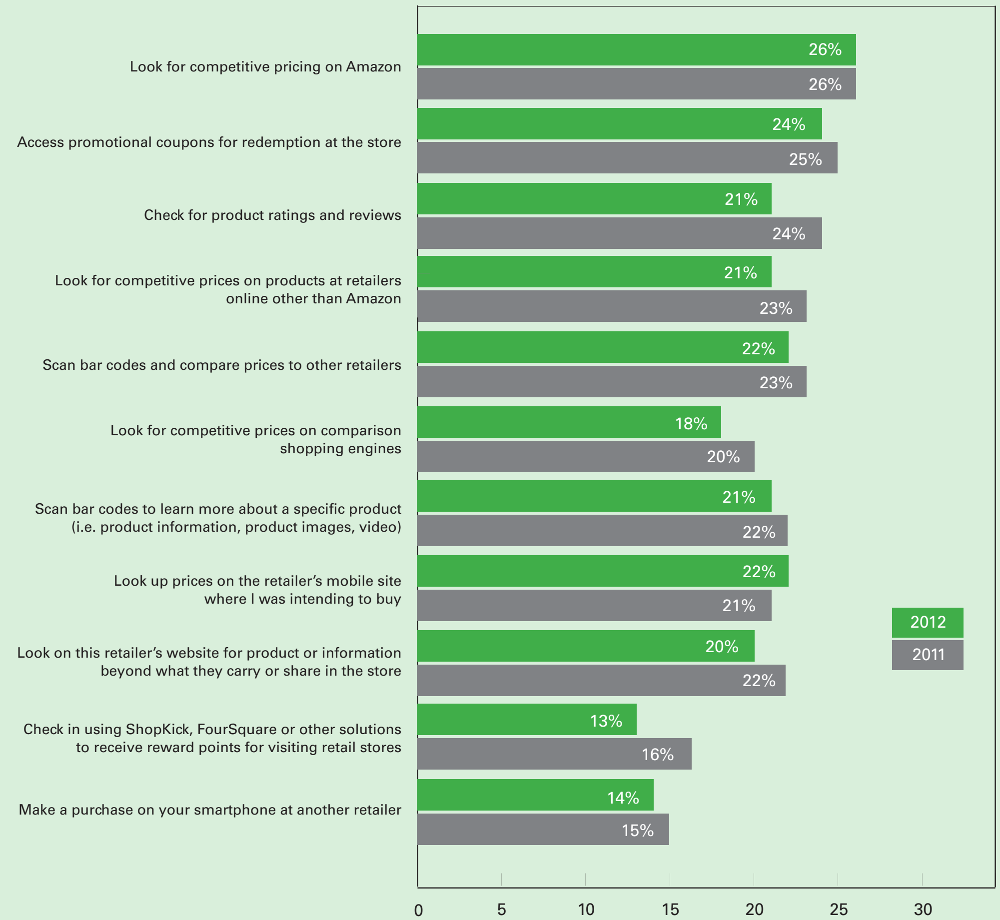
Checking prices has always been core to shopper behavior but the smartphone has elevated both access and usage prior to store visits. Smartphone users track store information, compare prices and source deals. At least one in four shoppers check Amazon and other stores to ensure they are getting a fair price while perusing ratings and reviews is an added dimension of today's savvy shopper prior to store visits.

Beware of shoppers with a smartphone in hand, as these consumers are very inclined to check prices, access promotions and browse ratings and reviews before (and sometimes in lieu of) making an in-store purchase. These consumers use phones as confidence building tools for decision-making purposes.

How frequently have you done each of the following activities with your smartphone over the past 6 months prior to visiting a physical store? Top-2 Frequently/Often



While visiting physical retail stores, how likely are you to partake in the following behavior with your smartphone? Top-2 Frequently/Often



EG RECOMMENDATIONS: MOBILE MUST-DOS

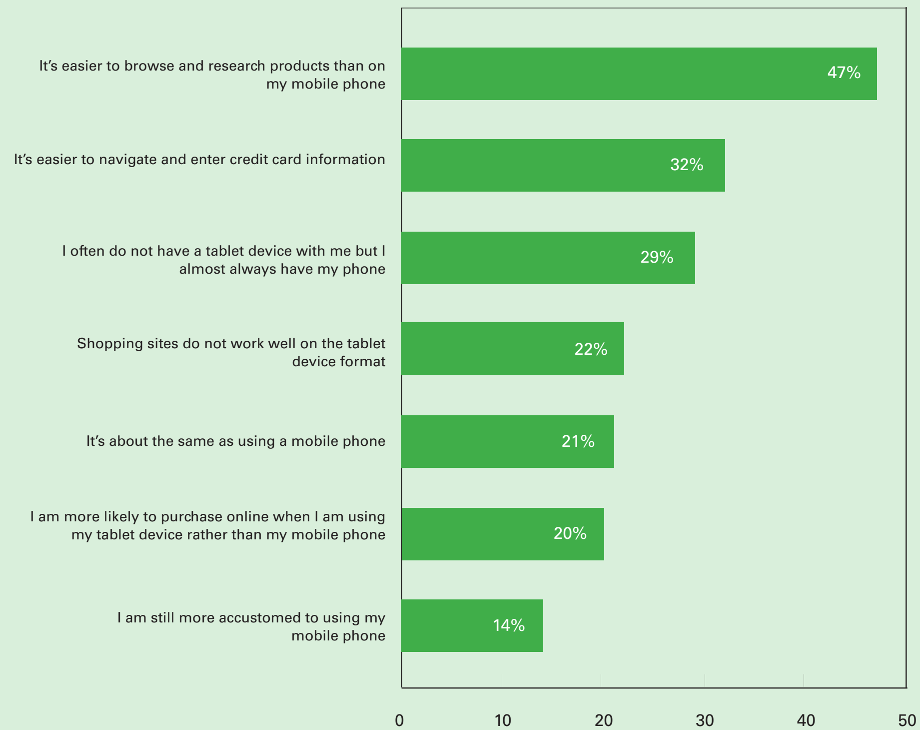
- Embrace mcommerce to capture your "on the go" customers
- Ensure that you deliver a comprehensive experience supporting core elements that include search functionality, store-based connectors, sufficient product imagery and category-centric solutions
- Localize your mobile efforts by connecting customers to your stores, introducing coupons and discounts to get the sale today
- Facilitate price comparison as your customer will be checking to see if you have a "fair price"

THE TABLET

The tablet has caught on with today's multi-dimensional consumer given its convenience and portability for both browsing and buying. Its size seems to resonate with shoppers, where the proliferation of previewing and researching is now proven. Fifty percent of shoppers use a tablet as their new multi-purpose device to research prior to store visits, browse catalogs and often purchase. Beyond this, sheer convenience, conversion and revenue numbers are resonating with retailers. With catalogs and store assortments available for shoppers, consumers' preference for tablets is becoming crystallized as they vote with their wallets. The retail industry is now just beginning to understand buyer behavior; knowing that the expected proliferation of tablets and consumer desire for couch-commerce will surely grow.

What describes your experience shopping for products with a tablet device?

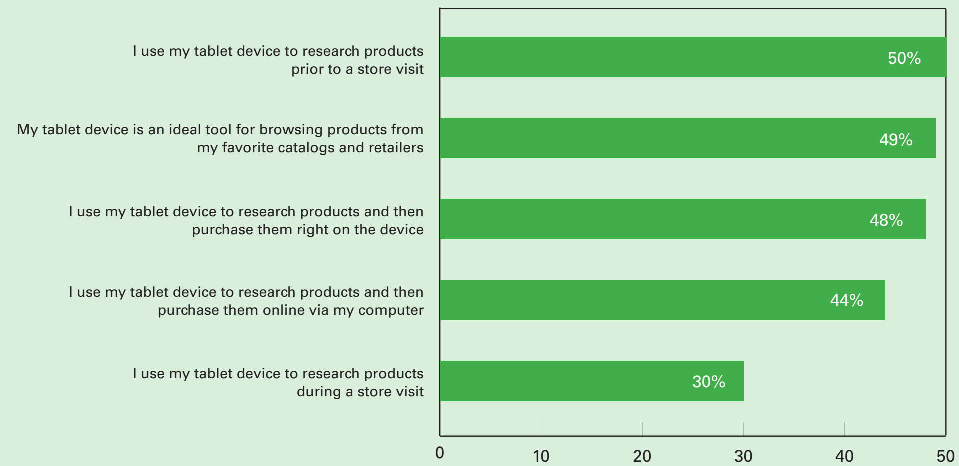
Choose up to three. (Universe = Tablet Owners)



EG RECOMMENDATIONS: GEAR UP FOR TABLET SHOPPING

- Monitor device growth to understand requisite investment
- Better understand the how and why of consumer behavior for tablet shopping
- Optimize shopping experience for tablets
- Explore whether apps are right for your business and if so how best to deploy and promote

Please indicate your agreement with the following statements regarding browsing or buying products via your tablet device. Top-2 Strongly/Somewhat Agree (Universe = Tablet Owners)



THE ENGAGERS: SOCIAL SHOPPING BEHAVIOR

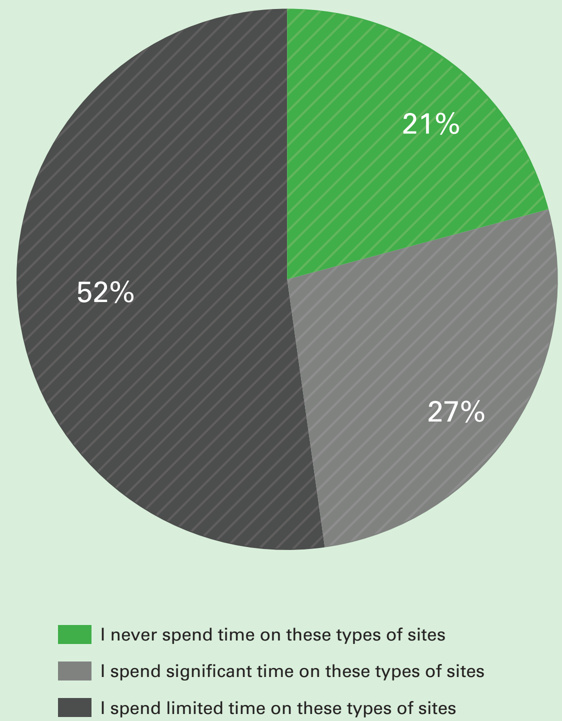
"As Facebook and other social networks are becoming more a part of everyday life, we want to explore how they impact your shopping behavior."

One in two shoppers spend some time on social networking sites.

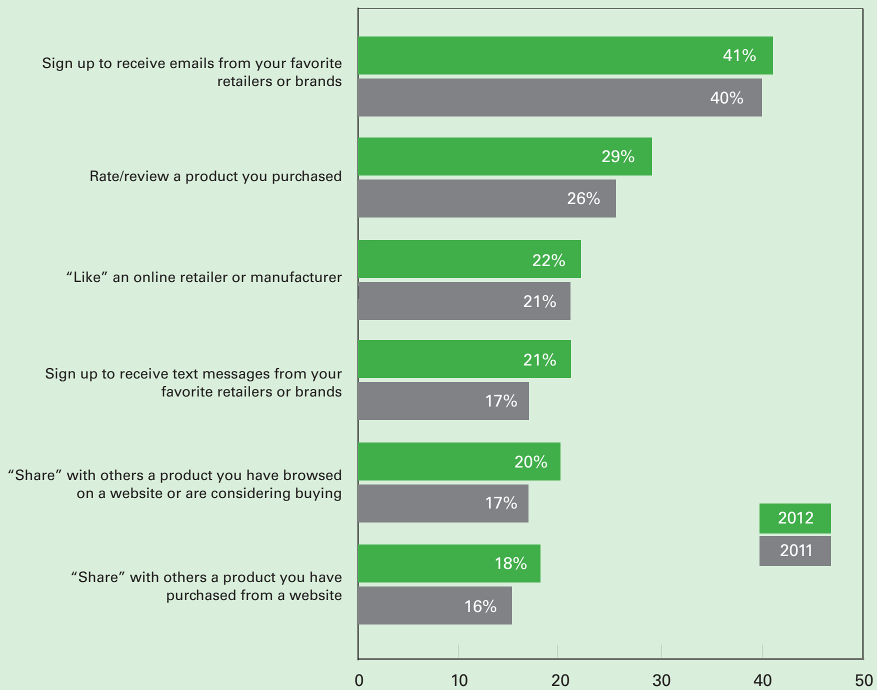
Consumers are getting comfortable with social media although Facebook activity is mostly communication-oriented. From that network's perspective, "liking" dominates consumer involvement for just over one in three shoppers. Little other engagement was reported but it will be interesting to observe the mass audience adoption curve over time.

Email is performing for numerous retailers as shoppers are willing to share their addresses to receive merchant offers and promotions. Social dynamics hit their stride with ratings and reviews. Many consumers are passionate about perusing reviews and sharing personal sentiments and say that they alter decisions based on what they learn from their peers. One in five has tried other forms of social activity. We believe that "liking" or sharing on Facebook is linked to younger or brand-connected shoppers, and requires further adoption to be considered mainstream, particularly relative to commerce.

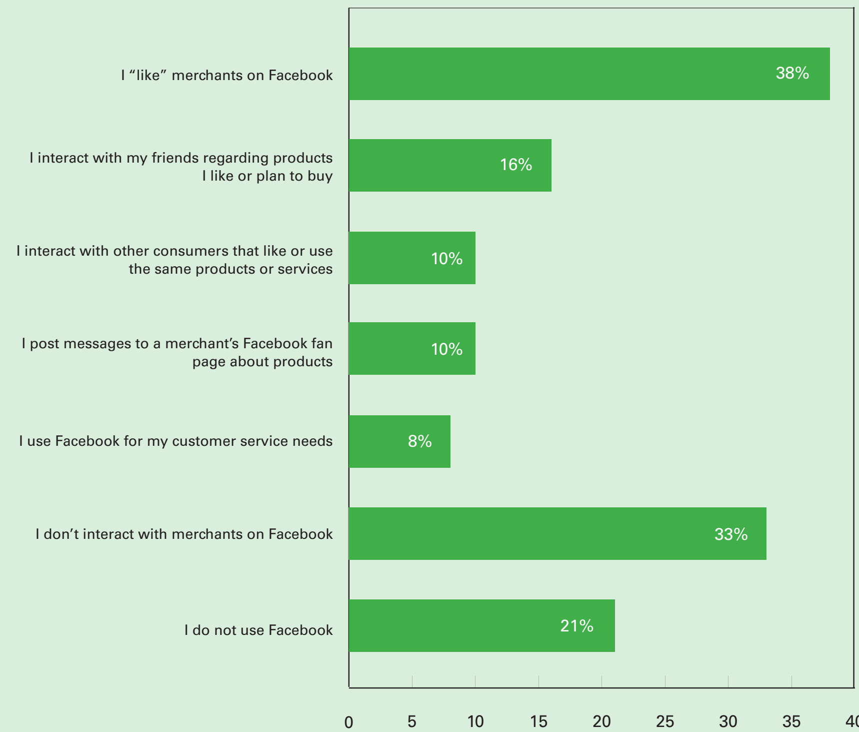
How would you describe your use of social networking sites (i.e. Facebook, Twitter, YouTube)?



How often do you participate in each of the following activities?
Top-2 All the Time/Very Often



How do you interact with merchants on Facebook? Select all that apply.

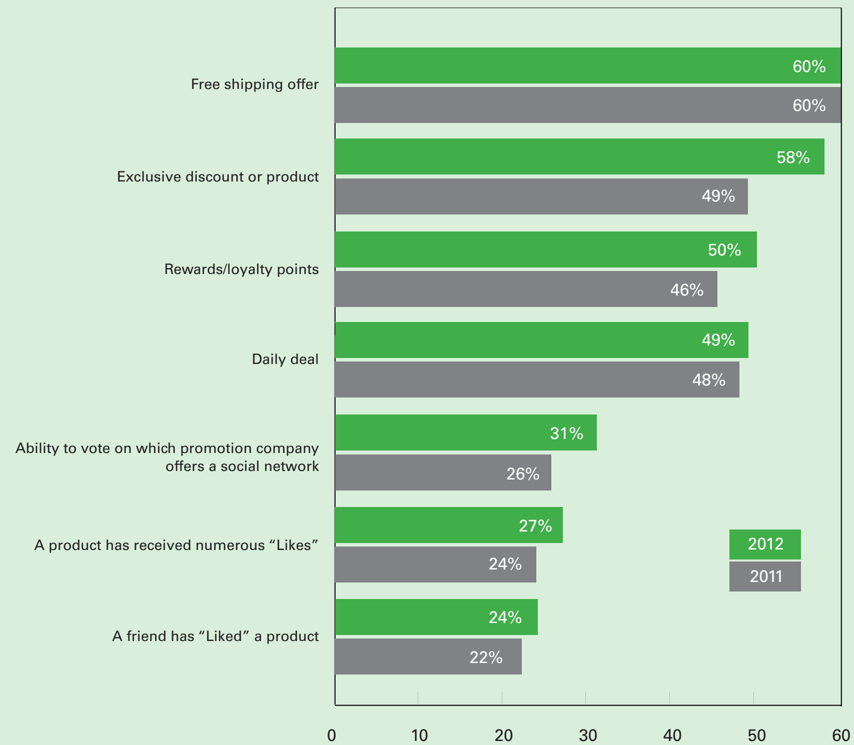


Free shipping and discounts, including loyalty points and daily deals, influence consumers to engage with merchants via social networks. Their desire to receive something in return for engagement is already well-entrenched.

EG RECOMMENDATIONS: SIZING UP SOCIAL SHOPPERS

- Integrate reviews into your shopping experiences fostering an onsite shopper community
- Create a strong Facebook presence
- Make sharing and social tools a visible part of all your shopping experiences
- Leverage social for exposing products and sales as well as providing support for shoppers
- Reinforce your presence in social channels onsite, via email and as part of marketing collateral

What has/would influence you to engage with a retailer or brand manufacturer on a social networking site (i.e. Facebook, Twitter)? Top-2 Very/Somewhat Likely



connected

REFLECTIONS: SUMMARY

When completing my final reflections for this paper, I was actually working in Istanbul, one of the original crossroads of the merchant trade. In the bazaars shoppers researched their selections, haggled with their favorite shopkeepers and relaxed with a coffee nearby. Without the efficiencies of the web, they traveled from shop to shop, and business was transacted.

But, the world of shopping is now connected more than ever before. The Internet has made a profound impact on global commerce; providing unprecedented access. Commerce has now moved beyond the PC where smartphones mean immediate access at one's fingertips. Tablets also have been readily embraced as their ease of use and portability resonate with researchers and shoppers alike. Amazingly, no one could have predicted that this device, introduced less than two years ago, would create a culture of couch commerce.

Today, we have it all -- until the next innovation presents itself. The customer will always embrace a better means to browse and buy so as retailers we must have the foresight to progress as opportunities come our way. We will be rewarded when we meet and exceed customer expectations, once again completing the circle for this in-control connected consumer. The world of shopping is now connected more than ever before.

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THE E-TAILING GROUP

The e-tailing group is a niche e-commerce consultancy that helps merchants deliver the right customer experience on their websites and across all of their channels while adeptly assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community and deliver cost-effective thought leadership and lead generation. For more background about this survey or for additional information on the e-tailing group, please contact Lauren Freedman via email to **LF@e-tailing.com**, by phone at **773-975-7280** or visit the e-tailing group website **www.e-tailing.com**.

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Oracle provides retailers with a complete, open and integrated suite of business applications, server and storage solutions that are engineered to work together to optimize every aspect of their business. 20 of the top 20 retailers worldwide—including fashion, hardlines, grocery and specialty retailers—use Oracle solutions to drive performance, deliver critical insights and fuel growth across traditional, mobile and commerce channels. For more information about Oracle Retail, visit **oracle.com/retail** or email **oneretailvoice_ww@oracle.com** to connect with an Oracle representative.