IBM Global Business Services
Executive Report

Retail

IBM Institute for Business Value

# Capitalizing on the smarter consumer

## IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value.
You may contact the authors or send an e-mail to *iibv@us.ibm.com* for more information. Additional studies from the IBM Institute for Business Value can be found at *ibm.com/iibv*

*By Melissa Schaefer*

**Today's consumers** are more connected, vocal and demanding than ever. In fact, technology is a given in the smarter consumer's life. But what other forces are driving shoppers today? Findings from our survey of more than 30,000 consumers in 13 countries tell us that consumers want to be heard, known and empowered. Savvy retailers will listen to today's smarter, connected consumer and leverage what they learn to empower their customers to shop when and how they want.

In 1911, women wore ankle-length skirts, men wore three-piece suits topped with bowler hats and horses were the most reliable "mobile devices." The department store was in its heyday, service was paramount and the customer was "always right." The most advanced retailers used tabulating machines made by the newly formed Computing-Tabulating-Recording Company (C-T-R), but consumers still had to pay for their purchases with cash.

Fast forward 100 years, and the picture is very different. Women wear trousers as often as they wear skirts; the waistcoat and bowler hat have been consigned to history; Web-enabled mobile devices are ubiquitous; and consumers are as likely to shop online as they are in department stores. They can call on a vast digital network of friends and fellow consumers to help them decide what to buy. And they can pay for their purchases using chip-and-PIN systems supported by IBM (which C-T-R became) technologies.

Thanks to technology, consumers have been getting smarter and smarter. But have retailers kept up with them? The results of our latest consumer survey suggest not.

In 2009, IBM surveyed over 30,000 consumers in three mature and three growth economies to find out how technology is transforming the way people shop. Through this study, "Meeting the demands of the smarter consumer," we discovered that consumers are more connected, more vocal and more demanding than ever before.[1]

But we realized that technology was only one of the forces determining how shoppers behave and that other factors, like household demographics and socioeconomic shifts, might be equally important. So we decided to delve more deeply into the mind of the consumer. We wanted to know what motivates customers, who influences customers, how the shopping process is changing and, ultimately, how retailers should respond.

In late 2010, we consulted another 30,624 consumers to find out what they really think when they go shopping. We also surveyed more than 5,000 consumers on growth trends, including changes in the family unit and attitudes toward money.

The story that unfolded is complex. It shows that smarter consumers want retailers to listen to them, know them and empower them – at the same time that these consumers are becoming more difficult to know. What you see isn't necessarily what you get, and traditional strategies for finding out about customers certainly won't reveal the whole truth. It's essential to look more widely at information both inside and outside the retailer's enterprise.

So what, exactly, did we learn?

- *The consumer is digital.* Smarter consumers take technology completely for granted. Nearly half the people we surveyed are eager to use two or more technologies to shop. Younger consumers are particularly keen – and teenage "twitterati" have now escaped the parental leash.
- *The household is "virtual."* Many consumers are shopping for a much wider range of family members, as the number of mutigenerational households rises. Thanks to the Internet, consumers can easily shop for adult parents who may or may not live nearby.
- *Incomes and shopping attitudes are diverging.* Between a fifth and a quarter of all consumers search for sale goods and only buy what they need, no matter how affluent they are or how optimistic they feel about their financial future.
- *Smarter consumers listen to their families and friends first.* The vast majority of consumers talk to relatives and friends or read independent reviews when they want to know more about a product. Only 18 percent rely on retailers and manufacturers.
- *Smarter consumers shop differently.* They use technology to start and stop the shopping process and take days or even weeks to complete the various steps in the process, instead of shopping in a continuous linear flow.
- *Smarter consumers want to be served.* They want to shop as easily and conveniently as possible because they already know which products and brands they need before they enter the store. They don't want retailers to advise them because they have formulated their opinions by consulting family, friends and strangers.
- *Smarter consumers want to be known.* They want a personalized shopping experience tailored to meet their needs and preferences. In fact, it's their top priority – as it was last year as well.
- *Smarter consumers want to feel empowered.* They want to use mobile technologies to make the shopping process easier and more pleasurable. And they want to take possession of the purchases they make in the ways they choose.
- *Social media channels are a rich source of information and influence.* Nearly half of all consumers who follow a brand on social media submit their own comments, and nearly two-fifths are more loyal to brands they have engaged with online.
- Listening to consumers and acting on what they say is profitable. More than half of all consumers who follow a brand on social media spend more with retailers with which they have interacted positively online. And nearly 13 percent say the increase is significant.

In short, smarter consumers are harder to "read" than their predecessors. They are also more cautious about spending their money and more resistant to marketing because they have other ways to get the information they require. So retailers have to become smarter, too. Smarter retailers have to listen carefully, leverage what they learn and help consumers shop when they want – as they want.

## A digital shopping universe

The number of Internet users has doubled from 2005 to 2010 – from approximately 1 billion to 2.1 billion.[2] The number of mobile phone subscriptions soared from just over 2 billion in 2005 to 5.3 billion in 2010, with smartphones accounting for nearly 20 percent of all mobile communications devices sold in 2010.[3] And social networking has taken the world by storm. More than 500 million people stay in touch with their friends on Facebook, and more than 175 million "tweet."[4]

The digital universe is transforming the way in which consumers interact, both with retailers and with each other. It is also giving them an unprecedented amount of power. For example, when Proctor & Gamble's "Smell like a man, man" campaign went viral, attracting 140 million views on YouTube and almost 120,000 followers on Twitter, sales of Old Spice Body Wash jumped 55 percent.[5]

Smarter consumers carry enormous clout. But who, precisely, are they? Our latest shopper survey aims to answer that question and to shed light on what retailers can do to earn a bigger share of the smarter consumer's spend (see sidebar, Research methodology).

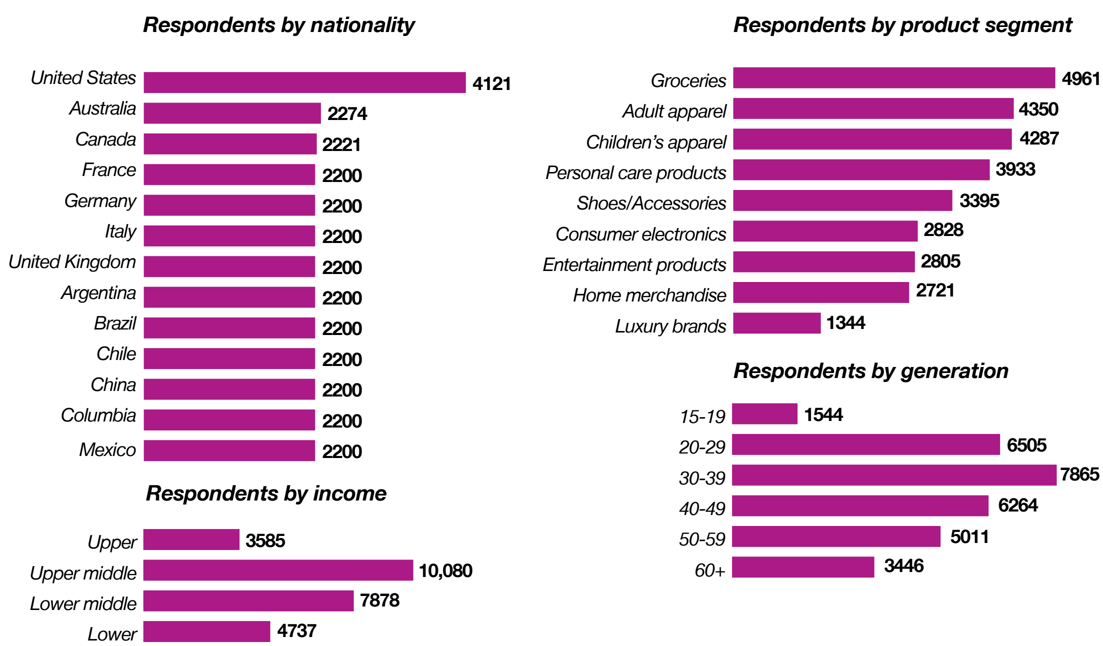
## Research methodology

In October 2010, the IBM Institute for Business Value conducted an online survey of 30,624 consumers living in seven mature economies (Australia, Canada, France, Germany, Italy, the United Kingdom and the United States) and six growth economies (Argentina, Brazil, Chile, China, Colombia and Mexico). They represent every age and income group. (The purchasing power of the same sum of money varies dramatically among different countries. We therefore divided respondents into four income brackets, using the average income in each country as our midpoint.)

We classified respondents according to the product categories in which they frequently shopped (rather than by retail segment, as we have done in previous years) because we recognize that a single retail segment may cover more than one product category. Figure 1 shows the composition of the survey population by nationality, generation, income group and product segment.

We analyzed the results using various statistical techniques, including maximum difference (Max Diff) scaling – where respondents are asked to compare different statements and pick the statement that has the most and least influence in each set. This method mimics the way in which consumers shop for goods in real life.

We also surveyed 5,188 consumers in three mature economies (Australia, Germany and the United States) and two growth economies (China and Mexico) to determine how their attitudes toward shopping, incomes and purchasing have changed. We viewed the data through three different lenses: gender, age and income group.



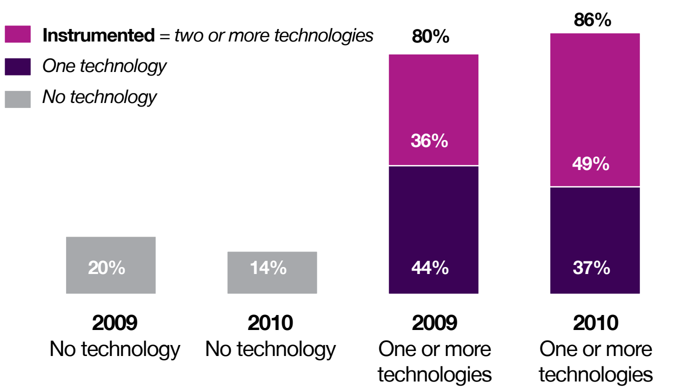

Note: Home merchandise refers to stores in which consumers shop for TVs, games, appliances, hardware, home décor or home furnishings.
Source: IBM Institute for Business Value.

*Figure 1:* The composition of the survey population.

## The smarter consumer is different

### Consumers are connected

Technology is completely entrenched in the life of smarter consumers. They are comfortable using the Internet, mobile technologies, in-store kiosks and digital TV to browse for and buy goods. Last year, we identified a core group of people who were willing to use two or more such technologies to shop; we called them "instrumented" consumers. This year, 49 percent of respondents are instrumented – a 36 percent rise in 12 months. The number of shoppers who are currently not willing to use any technologies has also fallen to just 14 percent (see Figure 2).




Source: IBM Institute for Business Value.

*Figure 2:* **Consumers are more "instrumented" than ever before.**

The Internet and in-store kiosks remain the most popular options: 75 percent of all consumers are willing to shop on a retailer's Web site, while 39 percent are willing to use in-store kiosks – a year-on-year increase of 10 percent. But interest in digital TV and mobile technologies is climbing even faster. The number of consumers who are ready to use digital TV has risen 41 percent (from 17 percent to 24 percent), and the number of consumers who are ready to use mobile technologies has soared by 92 percent (from 13 percent to 25 percent).

The surge of interest in shopping via digital TV – i.e., purchasing products by pressing a button on a remote control – is particularly noteworthy. It reflects the way in which the Internet, video and social media are converging, with the development of new devices that enable users to view content from iTunes, YouTube and the like on a high-definition widescreen TV. When Apple launched the redesigned Apple TV in the United States in September 2010, for example, it sold 250,000 units in 18 days.[6] The digital TV shopping channel will become even more important for retailers in the future, as the line between home computers and TVs continues to blur.

Consumers in the growth markets still lead the charge in instrumentation, as they did last year. More than 60 percent of those living in Brazil, China, Chile and Mexico are willing to use two or more technologies to do their shopping, compared with just 30 percent of those living in France (see Figure 3). This is consistent with the fact that new technologies – such as mobile phones – often spread more rapidly in growth countries with relatively weak infrastructures because they can be used to overcome such limitations. But two other factors may be pertinent as well.

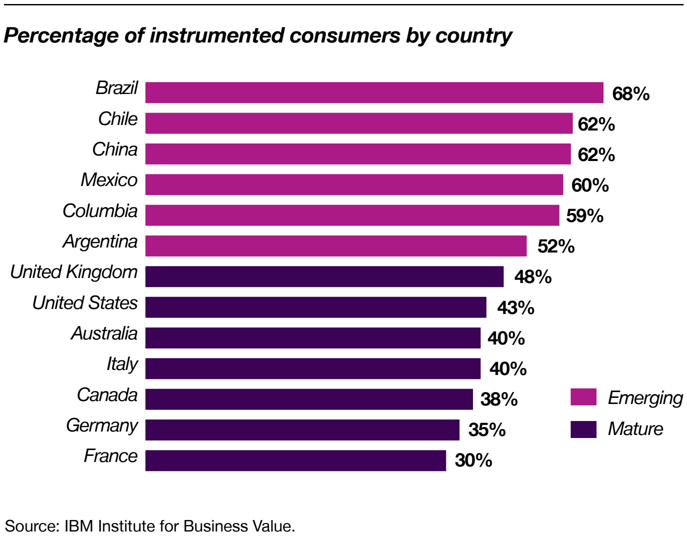



*Figure 3:* **Consumers in the growth markets are particularly instrumented.**

The mega-cities of Latin America and Asia rely on public transportation to keep their citizens moving.[7] In the mature world, by contrast, private transport is more common. Indeed, only 4.9 percent of U.S. citizens use mass transportation to get to work.[8] Consumers who spend a lot of time on the bus or train may be turning to mobile technologies to help them use that time as productively as possible. Mobile phone tariffs are also relatively high in some European countries. The weighted average cost of a monthly mobile phone subscription is 60 percent higher in Germany and 107 percent higher in France than it is in the United States, for example.[9]

Younger consumers are likewise very keen on using technology to enhance the shopping experience. In fact, the "digital babies" have seized control. Last year, only 38 percent of 15 to19 year olds were instrumented – evidence, we concluded, that their parents still determined how they accessed and used technology. But mom and dad have apparently lost the battle, as 52 percent of teenagers are now using two or more technologies to shop (see Figure 4).

More surprisingly, perhaps, income does not seem to affect consumers' willingness to use multiple technologies in the shopping process. Shoppers in every income group are equally comfortable using two or more technologies, with the exception of those living in Australia, Canada, China and Colombia, where instrumentation is still more common among the more affluent.

However, technology is by no means the only factor reshaping the way in which consumers shop. Major demographic and socioeconomic shifts are also coming into play.

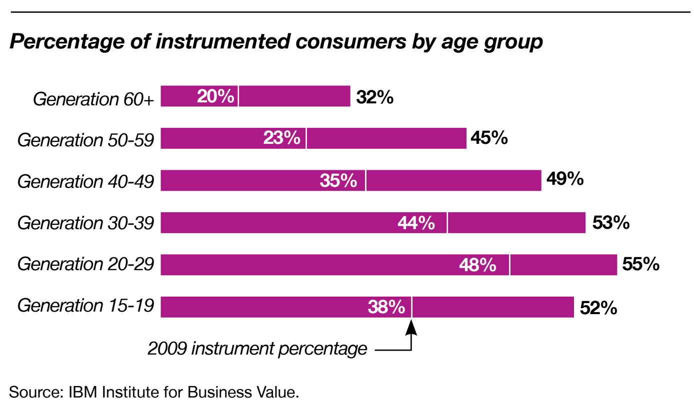



*Figure 4:* **The "digital babies" have seized control.**

### Consumers are shopping for extended families

A growing number of people are shopping for a much wider range of family members. This is partly because the family unit is changing; 25 percent of respondents have parents, adult children or grandchildren living with them (see sidebar, The return of the multigenerational household). But it is also because many consumers are making purchases for relatives who don't even share a roof. More than 30 percent of respondents regularly buy clothing, groceries, consumer electronics, entertainment products and personal care products for their parents, whether or not they live together.

The person who makes the purchasing decisions is now making them for a "virtual" household that extends beyond the four walls of the traditional home. And this consumer wants new services specifically to cater to the needs of his or her aging parents. Sixteen percent of consumers want food retailers to deliver meals and groceries, for example, while 14 percent want consumer electronics retailers to provide installation and support services.

### Prosperity is no guide to purchasing patterns

Incomes and shopping attitudes are simultaneously diverging. At one stage how much people earned was a good guide to how they shopped. That's no longer true. The majority of the consumers we surveyed are reasonably confident, or even optimistic, about their future income. Forty-six percent expect their income to stay the same for the next five years, while 24 percent expect it to increase by at least 20 percent – and these high hopes are shared by high and low earners alike.

But when we asked respondents about their shopping attitudes, the three most frequent responses were: "I only buy what I need" (20 percent); "I search for sale items" (19 percent); and "I wait longer to make a purchase" (16 percent). In other words, consumers are more careful with their cash, regardless of how affluent they are or how confident they feel about the future.

### The return of the multigenerational household

**Multigenerational households have long been the norm in the growth world. In Latin America, for example, one in every four homes includes at least one older adult and more than two-thirds of older adults live with their grown-up children.[10] But the number of multigenerational households is now rising in the mature countries, too, as a result of various socio-economic factors – including greater longevity, later marriage and higher unemployment rates.**

**An estimated 49 million Americans (16.1 percent of the total population) live in homes comprising three or more generations – up from 42 million in 2000.[11] The situation is similar in Western Europe, with 15 percent of all senior citizens with adult offspring living in the same household. Another 34 percent live within a kilometer of their children. Geographical proximity between different generations is particularly pronounced in Mediterranean countries like Italy and Spain.[12]**

Further proof that consumers are pulling in their horns comes from the fact that, in the month preceding our survey, 41 percent of respondents changed their minds about buying something they had already put in their shopping baskets, and 37 percent abandoned an item in their online cart, primarily because they "didn't want to spend the money." Even when their motives differed, cost often played a part in the decision. Online shoppers in Brazil and China told us, for example, that they had terminated the transaction on discovering they could get the same product more cheaply elsewhere.

So smarter consumers are not about to return to pre-recession spending levels yet – a topic many retailers asked us about after last year's study. All the signs suggest the opposite: they won't be splurging in a hurry. The only countries where this sentiment differed are in the growth markets, particularly China and Brazil.

### The biggest influences are those closest to home

Smarter consumers are not only more wary about dipping into their wallets, they are also more difficult to influence. Forty-five percent of respondents turn to friends and relatives, and 37 percent to external sources – either fellow consumers or independent experts – when they want to know more about products they are interested in purchasing. Only 18 percent trust retailers and manufacturers to give them an honest answer. This pattern is consistent across every product segment. Between 78 percent and 84 percent of consumers rely on their social networks when researching new products, irrespective of what those products are.

That's not the only evidence of how consumers are "tuning out" retailers' messages. Fifty-nine percent of respondents won't even give retailers their primary e-mail address when asked. And if they do read a retailer's e-mails, they typically do so only to get loyalty program discounts or information about upcoming sales and promotions.

## The fragmented shopping process

Consumers have changed, and they have changed the shopping process, too. Instead of browsing through several stores, finding something and buying it in a continuous sequence, they use technology to weave in and out of the shopping process wherever and whenever they want. So what was once an uninterrupted flow is turning into a series of "moments": the moment of first becoming aware of a product, the moment of researching it, the moment of purchasing it and the moment of taking possession.

These moments may be separated by days or even weeks. Many consumers in Australia, Canada, the United Kingdom and the United States wait at least seven days between learning about a new item and purchasing it, for example. Consumers in the growth markets, by contrast, are more likely to purchase a product immediately or within a couple of days.

The shopping process has not only become more fragmented, it has also become more compressed. Time-starved smarter consumers can now go online to get the information they want in a matter of minutes, whereas once they might have spent an hour wandering through the store. Moreover, some of the biggest influences on smarter consumers during the moments when they first become aware of a product and research it are in their own hands. They are not simply responding to advertising and promotions; they are consulting their families and friends, using search engines and looking at mobile applications like ShopSavvy – media that are completely outside a retailer's control (see Figure 5).

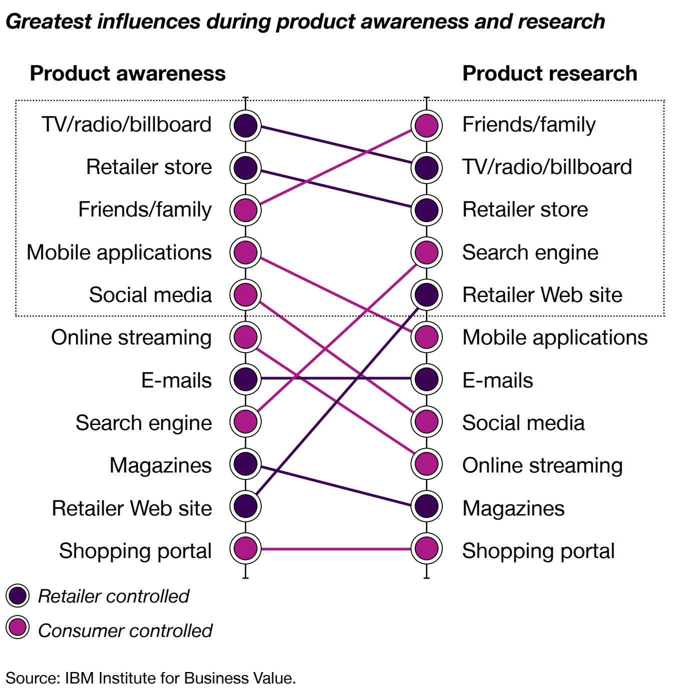



*Figure 5:* **Consumers control a growing number of the media that influence how people become aware of new products and research them.**

The retailer's window of opportunity for influencing the consumer has therefore become much smaller. It has minutes rather than hours to make a favorable impression, and it has to make that impression in a much "noisier" environment. A retailer is also less likely to successfully persuade the consumer to make impulse purchases because the intervals between the different steps in the shopping process provide plenty of time for reflection.

## Serve me, don't sell to me

To sum up, it used to be relatively easy for retailers to identify their target customers, reach them and sell to them. These days, it's very hard. Smarter consumers are departing from their demographic and socioeconomic roots. They are also using technology to commandeer the driving seat and control their own shopping experiences. When they enter a retailer's store or view its Web site, they usually know what they want because they have already talked to their families and friends and read the product reviews. They are the experts.

So how can retailers respond? Our survey shows that what smarter consumers really want is to be served, not sold to. They are telling retailers: listen to me, know me and empower me.

### Listen to me

Thanks to social networking in all its forms, including "tweeting," "tumbling" and "video hauling," consumers can converse with each other more easily than ever before. They can discuss their interests and experiences with different retailers, products and brands online – and many of them are doing precisely that.

Other research by IBM reveals that a majority of online users have social networking accounts, and almost half use media sharing accounts. The majority of them are casual participants; they occasionally post responses or post their own content. But only a small group – 5 percent – is responsible for most of the activity on social sites, nearly always responding to others' comments or authoring their own posts.[13] This consumer-generated content is a rich source of information for retailers.

Discerning the messages embedded in the digital arena isn't easy. Nor is it easy to participate in the dialogue. When consumers talk to a retailer, they expect something concrete in return. Most consumers don't follow a brand to "feel connected with it" or "join a community," as many of the retailers we have asked assume. On the contrary, they want discounts, trial offers or exclusive content – and they want them delivered in a way that is fun, fast and interactive.[14]

Nevertheless, listening carefully to customers provides invaluable insights into what they want – which products and services they desire, how they prefer to pay for those products and services, and how to deliver a better service. One top consumer electronics retailer has already learned this lesson – and it is partly why the company has survived when rival consumer-electronics retailers have disappeared (see sidebar, Listening to the buzz).

### Know me

Of course, listening to consumers is only the beginning. It's also crucial for retailers to show that they know their customers by providing them with a personalized shopping experience. Respondents told us that this is their top consideration when deciding where to shop and the area where retailers most need to improve.

In fact, the best thing a retailer can do to encourage impulse buying is give its customers promotions for items they regularly purchase. When we asked respondents why they bought products that were not on their shopping lists, they said it was primarily to benefit from discounts on items they often buy. But personalization is about much more than pricing. It is also about recognizing whether customers are in the store or online, remembering their preferred payment methods and receipt types, and providing them with personalized assortments.

Some of the most innovative retailers have already recognized the power of personalization. Amazon is one such example. It recently joined forces with Facebook to provide product recommendations for users based on what their friends buy.[15] The personal touch has also played a large part in the runaway success of daily-deal sites like Groupon and LivingSocial (see sidebar, Keeping things close to home).

### Listening to the buzz

**When management at a top consumer electronics retailer started reading blogs and listening to social media, as well as encouraging local sales staff to report on local trends, it discovered that women did not like stores in a specific market for a very specific reason. Many of the women who shopped at these stores wanted to go straight to the store after dropping off their children at school. But the store didn't open until 10 a.m., so they either had to wait a couple of hours or come back later in the day. The company promptly changed the opening hours to 8 a.m., introduced several other changes to make the store more appealing to females and publicized the improvements locally. The result? Sales soared.[16]**

### Keeping things close to home

**Groupon has perfected the art of localized retailing. It persuades local merchants to offer deep discounts on products and services, sells the discounted products and services directly to consumers and pockets part of the discount. A minimum number of people must sign up for each deal before it takes effect.**

**The formula has proven a huge hit. Launched in November 2008, Groupon has amassed 35 million members and now serves more than 300 markets around the world, with annual sales topping US$500 million.[17] Much of its popularity stems from the human element: carefully picked offers; witty, well-crafted e-mails; and a sense of urgency, since each deal must be purchased the day it is offered.**

### Empower me

Lastly, retailers have to empower their customers by making it as easy as possible for them to complete the shopping process. More than 30 percent of the people we surveyed would like to be able use mobile technologies to get help finding the customer-service desk and to place orders for goods that are out of stock, for example. More than 40 percent want to check product prices wherever they are and have promotions on items they've scanned sent to their mobile phones so they can use them when they pay for the goods. And 50 percent would happily pay via a mobile device rather than standing in a checkout line.

Consumers are equally clear about how they want to take possession of the purchases they make. Sixty percent would prefer to collect the goods themselves (even if they bought them online), while 12 percent would rather have them delivered on the same day, the following day or a date they specify. The key point is that customers want the ability to choose.

What consumers say about how they want to take possession of their goods also provides a clear pointer to the sort of retail formats they will demand in the future. Twenty-three percent of respondents told us they would like to be able to scan samples of the items they want, get an order number and retrieve the merchandise later at a designed time and place. The most innovative retailers are likely to respond by building smaller retail outlets where the emphasis is on interactivity and entertainment and keeping most of their inventory at separate sites where customers can easily collect and transport their purchases.

Removing obstacles in the consumer's path is only part of what empowering the consumer involves, though. The other part is letting customers decide how they interact with the retailer – and here there are significant regional variations. Whereas consumers in the growth markets simply want retailers to identify them through the technologies they are using and provide them with the services they require, consumers in the mature markets want to control the process by opting in and out of different services.

## Smarter consumers demand smarter retailers

So what's the bottom line? Retailers that want to serve smarter consumers have to get smarter, too (see Figure 6). The first step is to recognize that consumers are conducting a conversation – a conversation they control and many retailers know nothing about. Listening to this digital dialogue can help a retailer better understand its customers.

| Listen and learn | Enable and execute | Empower the consumer |
|---|---|---|
| • Analytics to listen to consumers<br>• Learn from consumer-controlled content<br>• Key factors of influence and motivation | • Single view of consumer across channels<br>• Actionable analytics around merchandising and marketing<br>• Make the interaction personalized across channels<br>• Change sales to service associates | • Consumer self-select interaction<br>• Consumer choice of the interaction channel<br>• Consumer providing suggestions |

Source: IBM Institute for Business Value.

*Figure 6:* **Smarter retailing involves listening to the customer, acting on what you learn and improving the shopping experience.**

In fact, customer analytics is the most powerful weapon in a retailer's arsenal because it can uncover what is happening to individual consumers – when they experience life-changing events such as having a baby, when their children become teenagers or when they begin buying goods for their aging parents, for instance. Tagging the right data and processes and using analytics enable a retailer to create a single view of the customer, regardless of the channel through which the customer interacts; identify variations in purchasing patterns; and, ultimately, know the customer more intimately.

In the past, retailers measured their customers in terms of recency, frequency and spend. But it's now possible to look at numerous other factors that shape how customers shop, such as:

- Do they primarily shop online or in the store?
- Are they male or female?
- Are they members of the rewards program?
- Do they have a store credit card?

These are just a few of the questions that retailers can consider to better understand their customers.

The second step is to act on the insights such analyses provide – and this is no small task for complex organizations with interlocking systems and dependencies. New techniques for making information come alive can be helpful here. Data visualization, process simulation and other such tools transform numbers into information and insights that can be readily used. But it is also crucial to embed analytics into a company's daily operations by incorporating optimization logic in rules engines; altering existing workflows to allow for greater granularity in the decision-making process; and showing employees how to apply the insights analytics provide in the processes and applications they use, with case studies to illustrate the impact.[18]

With realtime insights across its business, a retailer can optimize its merchandising and marketing. For example, it can rapidly identify the popularity of particular product lines, predict upcoming demand and adjust the supply chain to help ensure timely delivery of the right amount of stock to the right stores. It can also tailor its prices in line with actual and latent demand, as well as current inventory levels; develop targeted marketing programs; and take pre-emptive action to avoid shipment delays, inventory shortfalls or surpluses and other such problems.

The final step is to let consumers choose how they get the information and products they want – in other words, to make life as convenient and enjoyable as possible for them. And that requires a totally different mindset. It means recognizing that customers are not passive recipients but active participants in the shopping process, giving them the facilities they need to participate in that process and making them feel like it is a pleasure to serve them. To borrow the words of one of our survey participants, it is about providing "friendly staff who serve you with a smile, without all the huff and puff."

### Responding makes a difference

Serving consumers – by listening to them, knowing them and empowering them – makes a real difference. For the past four years, IBM has tracked how customers' attitudes shape their shopping behavior patterns and thus how likely they are to create economic value for a company. In the course of our research, we identified a particular class of consumers – we called them "Advocates" – who are distinguished by three characteristics: they spend more with their primary retailer when it expands its assortment, they recommend the retailer to their family and friends, and they remain loyal even when rivals start offering comparable products or services.[19] This year, 37 percent of the people we surveyed are "Advocates" – up from 34 percent last year.

The percentage of consumers who spend more is even higher among those who enjoy positive social media experiences with retailers. Fifty-three percent of the consumers who follow brands on social media told us that they buy more from retailers with whom they have engaged constructively online, and 13 percent said that the increase in spending was significant. Many of these same consumers also use social media to communicate what they think. Forty-nine percent said that they interact with particular retailers or brands to submit their own opinions, while 75 percent intermittently post reviews.[20]

Creating a two-way dialogue with customers is critical in winning Advocates. It's no accident that the retailers that have enjoyed the largest gains in advocacy are those that provide their customers with personalized products and shopping experiences and use technology to empower and connect with them. They know the best way to reach their customers and that has enabled them to reduce their advertising spend or reallocate it more effectively. More importantly, it has helped them increase their revenues and capture market share from their competitors, thereby positioning them to further their lead when the economy recovers.

## Conclusion

Smarter consumers are different. They are more comfortable with technology and more powerful than ever before; they make the purchasing decisions for their extended families and share their shopping experiences online. They are also more cost conscious. They want to be served – not sold to.

Serving customers entails listening to them, knowing them and empowering them. That, in turn, means making efforts to understand who they are, personalize their shopping experiences and remove any roadblocks from their path so they can buy what they want when they want it. It means defining a brand promise – whether it is to offer the lowest prices, the widest choice, the most fashionable products or anything else – and delivering on that promise everywhere all the time, regardless of how consumers choose to shop

This is a big leap for most retailers. But the smarter consumer rewards those that get smart. Past performance shows that these customers spend more money with retailers they trust. They also tell their families and friends about such retailers and spread the word on the digital grapevine. Thus, those retailers that can master the challenges of listening, learning and empowering will be well positioned to satisfy – and capitalize on – today's smarter consumer.

To learn more about this IBM Institute for Business Value study, please contact us at *iibv@us.ibm.com*. For a full catalog of our research, visit:

**ibm.com**/iibv

Be among the first to receive the latest insights from the IBM Institute for Business Value. Subscribe to IdeaWatch, our monthly e-newsletter featuring executive reports that offer strategic insights and recommendations based on IBV research:

**ibm.com**/gbs/ideawatch/subscribe

## Related publications

Schaefer, Melissa and Laura VanTine. "Meeting the demands of the smarter consumer." IBM Institute for Business Value. January 2010.

## About the author

Melissa Schaefer is the Global Retail Research Leader within the IBM Institute for Business Value. She has over 20 years of experience with clients in the retail industry, having held various leadership positions in the retail industry, sales and consulting. In her current role, Melissa researches and analyzes consumer and retail trends for the retail industry to provide business executive insight and recommendations to help retailers realize business value and to assist IBM in identifying future trends to provide input into product development and business partner relationships. Melissa is also the author of "Capitalizing on Complexity, Insights from the Global Chief Executive Officer Study – Retail Industry Executive Summary" and co-author of "Meeting the demands of the smarter consumer." She can be reached at *maschaef@us.ibm.com*.

## Contributors

Jill Puleri, Vice President, Global Industry Leader – Retail, IBM Global Business Services

Robert Garf, Global Retail Strategy – Subject Matter Expert, IBM Global Business Services

Shannon Miller, Strategy and Business Development Lead, Retail Industry, IBM Global Business Services

Emmanuel Rilhac, Partner, Global Leader, Retail Center of Competence, IBM Global Business Services

Craig Silverman, Partner, BAO – Global Retail Leader, IBM Global Business Services

## The right partner for a changing world

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today's rapidly changing environment. Through our integrated approach to business design and execution, we help turn strategies into action. And with expertise in 17 industries and global capabilities that span 170 countries, we can help clients anticipate change and profit from new opportunities.

## References

1 Schaefer, Melissa and Laura VanTine. "Meeting the demands of the smarter consumer." IBM Institute for Business Value. January 2010.

2 "The World in 2010, ICT Facts and Figures." International Telecommunication Union. http://www.itu.int/ITU-D/ict/material/FactsFigures2010.pdf

3 "The World in 2010, ICT Facts and Figures." International Telecommunication Union. http://www.itu.int/ITU-D/ict/material/FactsFigures2010.pdf; "Gartner Says Worldwide Mobile Device Sales to End Users Reached 1.6 Billion Units in 2010; Smartphone Sales Grew 72 Percent in 2010." Gartner Newsroom. Gartner, Inc. http://www.gartner.com/it/page.jsp?id=1543014

4 "Facebook statistics." Facebook Web site. http://www.facebook.com/press/info.php?statistics; Murphy, David. "Twitter: On-Track for 200 Million Users by Year's End." PCMag.com. October 31, 2010. http://www.pcmag.com/article2/0,2817,2371826,00.asp

5 Elliott, Stuart. "Marketers Trade Tales About Getting to Know Facebook and Twitter." *The New York Times*. October 14, 2010. http://www.nytimes.com/2010/10/15/business/media/15adco.html; O' Leary, Noreen and Todd Wasserman. "Old Spice Campaign Smells Like a Sales Success, Too." *BrandWeek*. July 25, 2010. http://www.brandweek.com/bw/content_display/news-and-features/direct/e3i45f1c709df0501927f56568a2acd5c7b

6 Miller, Ross. "Apple TV hits 250,000 in sales, says Steve Jobs." engadget.com. October 18, 2010. http://www.engadget.com/2010/10/18/apple-tv-hits-250-000-in-sales-says-steve-jobs/

7 Hidalgo, Dario. "Lessons learned from major bus improvements in Latin America and Asia: Modernizing Public Transportation." World Resources Institute 2010. http://pdf.wri.org/modernizing_public_transportation.pdf

8 "Transportation Statistics Annual Report, 2008." U.S. Bureau of Transportation. http://www.bts.gov/publications/transportation_statistics_annual_report/2008/pdf/entire.pdf

9 "The International Communications Market 2010." Ofcom. http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/icmr/Section_2_comparative_prici1.pdf

10 "Socio-economic profile of living conditions of older adults." *Social Panorama of Latin America (1999-2000).* Economic Commission for Latin America and the Caribbean. http://www.eclac.org/publicaciones/xml/2/6002/lcg2068i_4.pdf

11 "The Return of the Multi-Generational Family Household." Pew Research Center. March 18, 2010. http://pewsocialtrends.org/2010/03/18/the-return-of-the-multi-generational-family-household/

12 Kohli, Martin, Harald Künemund and Jörg Lüdicke. "Family structure, proximity and contact." Chapter 4.1 of the SHARE First Results Book. January 24, 2005. http://www.eui.eu/Documents/DepartmentsCentres/SPS/Profiles/Kohli/FamilyStructure.pdf

13 Baird, Carolyn Heller. "From social media to Social CRM: What customers want." IBM Institute for Business Value. February 2011.

14 Ibid.

15 Cutler, Kim-Mai. "Why the Facebook-Amazon.com integration is bigger than you think." VentureBeat. July 27, 2010. http://venturebeat.com/2010/07/27/facebook-amazon/

16 This is based on a personal conversation with a senior manager at the company.

17 MacMillan, Douglas and Joseph Galante. "Groupon Prankster Mason Not Joking in Spurning Google." Bloomberg. December 6, 2010.

18 LaValle, Steve, Michael Hopkins, Eric Lesser, Rebecca Shockley and Nina Kruschwitz. "Analytics: The new path to value, How the smartest organizations are embedding analytics to transform insights into action." IBM Institute for Business Value. October 2010. ftp://public.dhe.ibm.com/common/ssi/ecm/en/gbe03371usen/GBE03371USEN.PDF

19 Heffernan, Robert and Steve LaValle. "Advocacy in the customer-focused enterprise: The next generation of CRM Done Right." IBM Institute for Business Value. April 2006.

20 Baird, Carolyn Heller. "From social media to Social CRM: What customers want." IBM Institute for Business Value. February 2011.

IBM Global Services
Route 100
Somers, NY 10589
U.S.A.

Produced in the United States of America
February 2011


GBE03390-USEN-01