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Making Retail Smarter:

Responding to the Connected Consumer

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AGENDA

Topic

The Connected Consumer is Redefining Shopping

The Need for Front-Office Transformation

Delivering a Smarter Shopping Experience

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



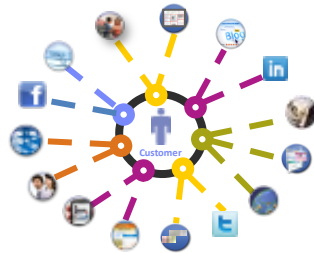
Instrumented



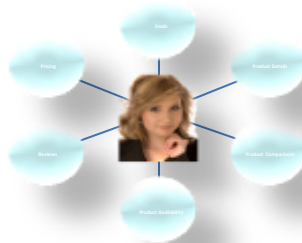
Interconnected



Intelligent



Informed



Empowered



Engaged



Influencing



Brand Preference



Buying Decisions

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

1 Shopping Becomes Omnipresent

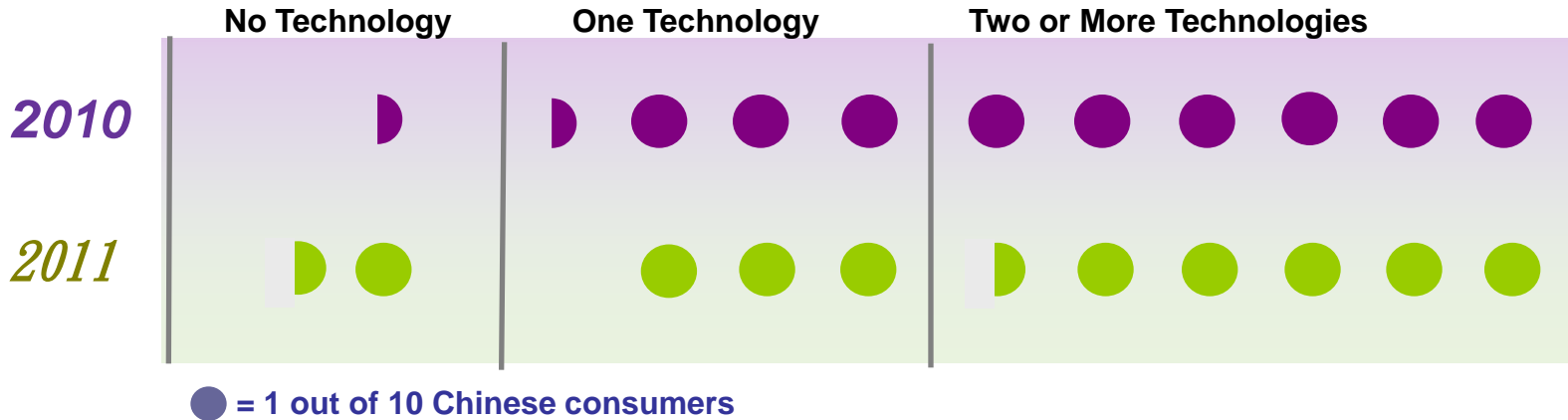
- Shopping becomes engrained in all aspects of our lives due to persistent connectivity and ubiquitous access
- Consumer touch points continue to proliferate increasing availability

Source: IBM Global Retail Industry



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The majority of consumers want to leverage an increasing number of technologies to shop and make purchases



> 80% of Chinese consumers are willing to use technology to shop and make purchases

Nearly 1/3 of shoppers are willing to use 3 or more technologies!

Source: IBV Retail 2012 Winning Over the Empowered Consumer Study n= 28527 (global) C01, n= 1800 (China).
Which of the following would you be willing to use to shop and to make purchases, assuming they are available?

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2 Shopping Becomes Deconstructed

- Consumers can start/stop and switch channels seamlessly
- New competitors arise; disintermediating consumers from retailers

Source: IBM Global Retail Industry



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

Consumer



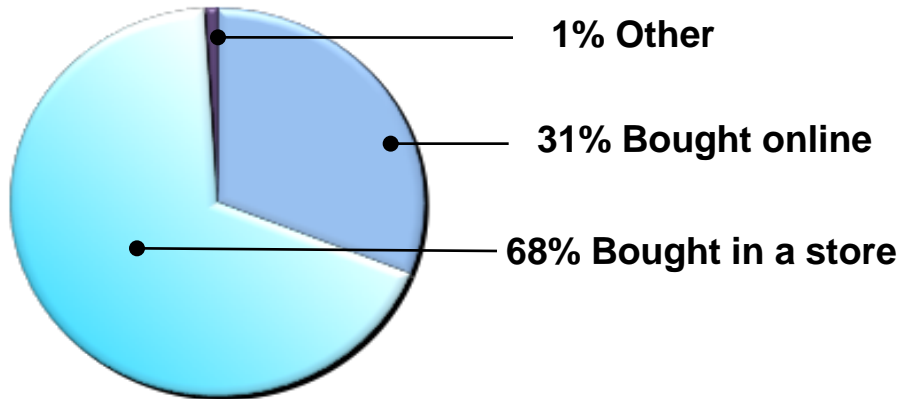
Shopping Continuum

Customer



The majority of Chinese consumers still purchase from the store, although we're seeing a significant shift to online

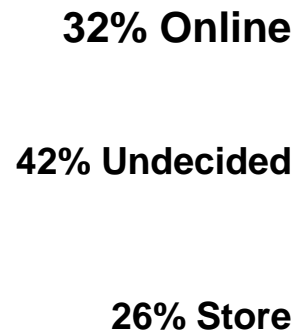
Where did you make your last purchase?



Why did you buy from the store?

- 21% Found the right item (size, color, etc.)
- 15% To take the item home right away
- 14% Easier returns

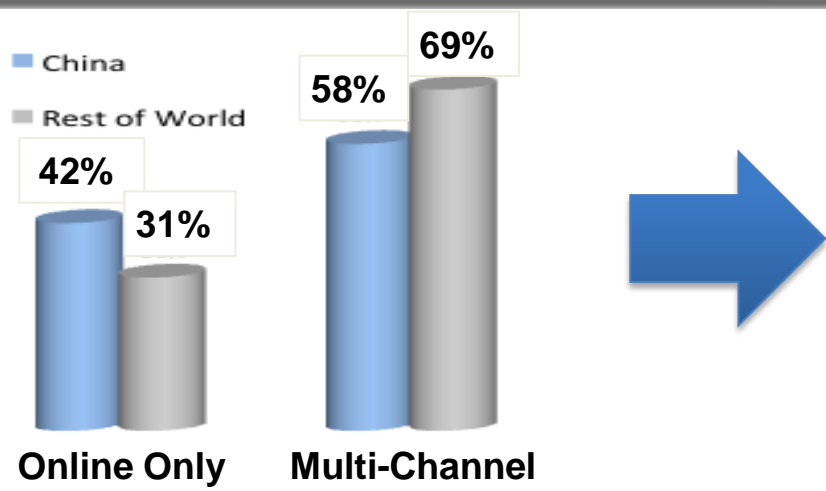
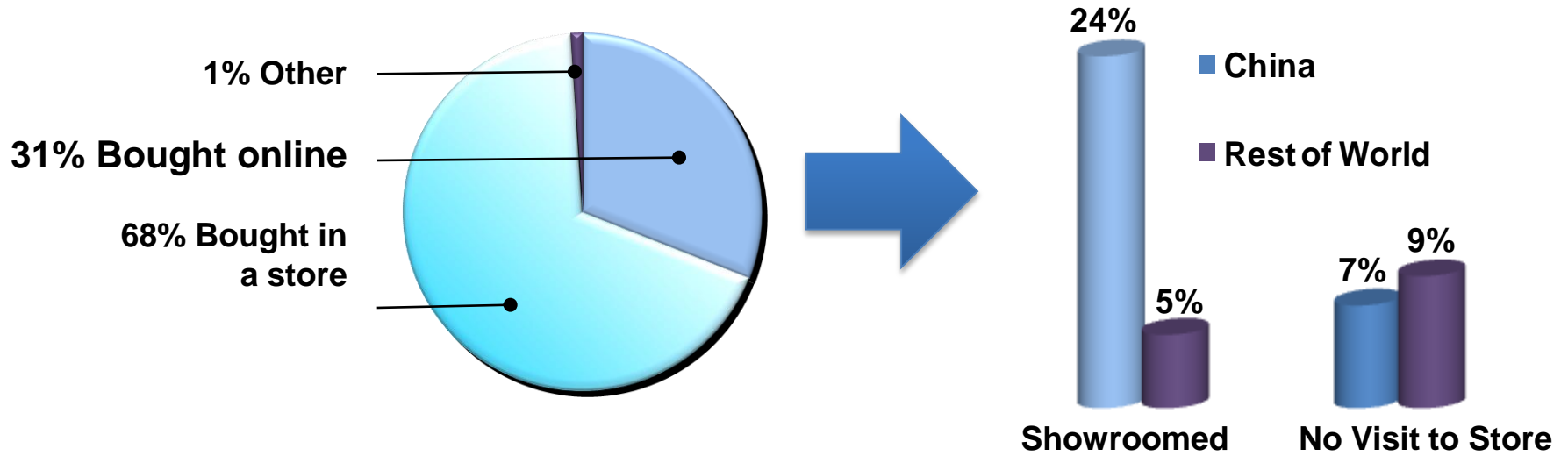
Store Purchasers Next Purchase



Why do you plan to buy online?

- 42% Home Delivery
- 33% Assortment
- 24% Pricing

Over 75% of the customers who purchased online visited the store to research the item prior to purchasing



- ### Why they bought online?
- 37% Home delivery option
 - 33% Assortment
 - 25% Pricing

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3 Shopping Becomes Collaborative

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

Source: IBM Global Retail Industry

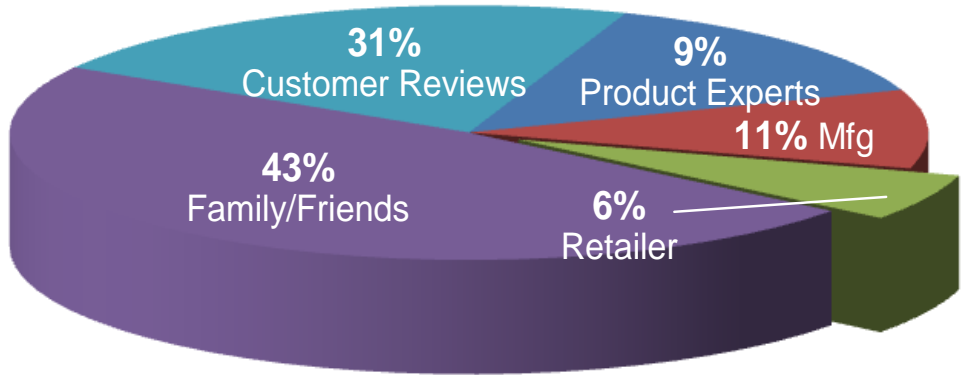


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Consumers now have the ability to influence others far beyond their own network, while their trust in information sources is constantly changing

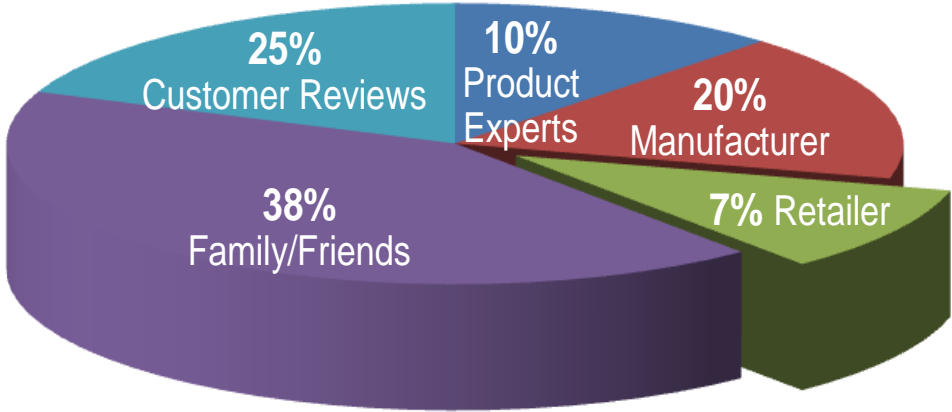
2010

Consumer Trust Ranking - China



2011

Consumer Trust Ranking - China



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4 Shopping Becomes Contextual

- Consumers demand relevancy and personalized service
- Availability of consumer information combined with real-time analytics enables superior experience

Source: IBM Global Retail Industry



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

“Know Me”

Personalize Promotions (#1 influence of purchase decision)

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

Personalize Shopping (Most important factors)

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

Personalize Assortments (Most important loyalty drivers)

- High quality/low price private label products
- New and unique products
- Broad range of products regardless of store/online

“Serve me”

Customer Service: Top area for retailer innovation

Customer Service: Most important loyalty drivers

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

Convenience: Top Priorities

- Prior in-stock knowledge before going to store
- Providing the right products and appropriate variety of brands
- Education on additional items to purchase with primary item

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5 Shopping Becomes Real-time Aware

- Device and communication technology converge
- Consumer interactions become timely and proactive

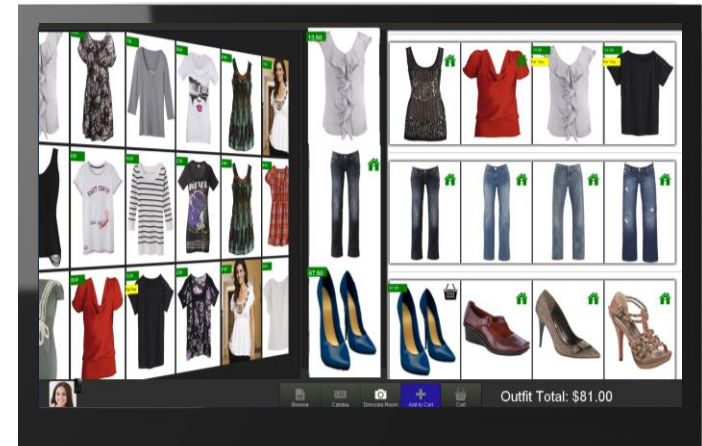
Source: IBM Global Retail Industry



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

- Identify shoppers presence as they enter or leave the store
- Identify proximity to a retail store
- Identify what aisle or department the shopper is located
- Ability to interact with store personnel, systems and devices



Source: IBM Global Retail Industry

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6 Shopping Becomes Experiential

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

Source: IBM Global Retail Industry



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



Physical

Digital



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Based on these changing market conditions, a new agenda has emerged, and IBM is calling it Front Office Transformation

Front Office Digitization

Rethinking everything about the way people connect, transact, and engage with institutions, governments, and companies—and how they derive mutual value.



The Globally Integrated Enterprise

Radically shifting infrastructure to support and fund these new ways of engaging—becoming integrated, flexible, streamlined, and agile.

This transformation is driven by core business issues that retailers are experiencing every day

Issues such as these...

Customer attrition resulting in decreasing revenue

Products or services being marginalized

Inability to leverage emerging channels

Limited to no innovation across the organization

Raise questions like this...

How can I drive customer oriented revenue growth through innovation of products, services and business models?

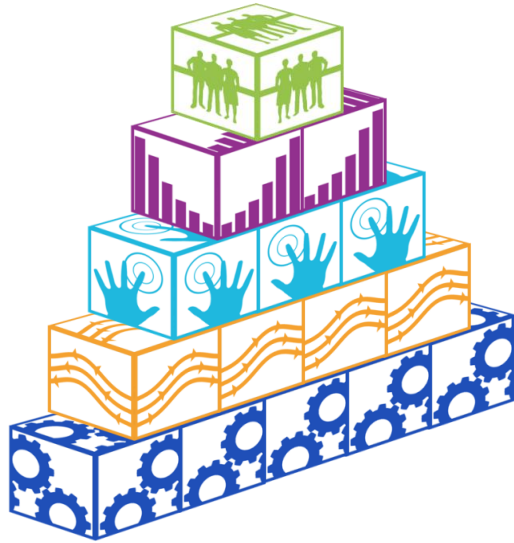
What is required to take advantage of the shift to digital, mobile and social interactions?





Leading to these types of goals

Customer growth strategies

New operating models for digital transformation

It also raises a lot of questions about how new business capabilities and emerging channels drive a superior customer experience



 <p>Customers, Markets & Solutions</p>	<ul style="list-style-type: none"> • Are we pursuing the right customer segments and do we understand them fully? • Do we have a shared view of the target experience for those segments? • Are we innovating to develop new markets?
 <p>Analytical Based Insights</p>	<ul style="list-style-type: none"> • Are we investing in data as a strategic enterprise asset? • Are we developing the right customer insight? • Are we anticipating where customer needs are going
 <p>Channel Interaction & Collaboration</p>	<ul style="list-style-type: none"> • Do we have a near real time ability to sense and respond at the point of customer interaction? • Is our digital competency keeping pace with changing consumer preferences (esp. mobile)? • Do we have a social business strategy? • Are we exploring new channels and capabilities?
 <p>Flexible, cost-effective technology & operations</p>	<ul style="list-style-type: none"> • Are we able to quickly launch new product and service changes seamlessly across channels? • How well suited is our technology? • How can our technology and operations be support a consistent customer experience and treatment approach?



What *dimensions of change to the operating model* are required to have the optimal effect?

Leadership and change integration

Organization, culture and skills

Governance and metrics

Process & Technology integration

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Topic

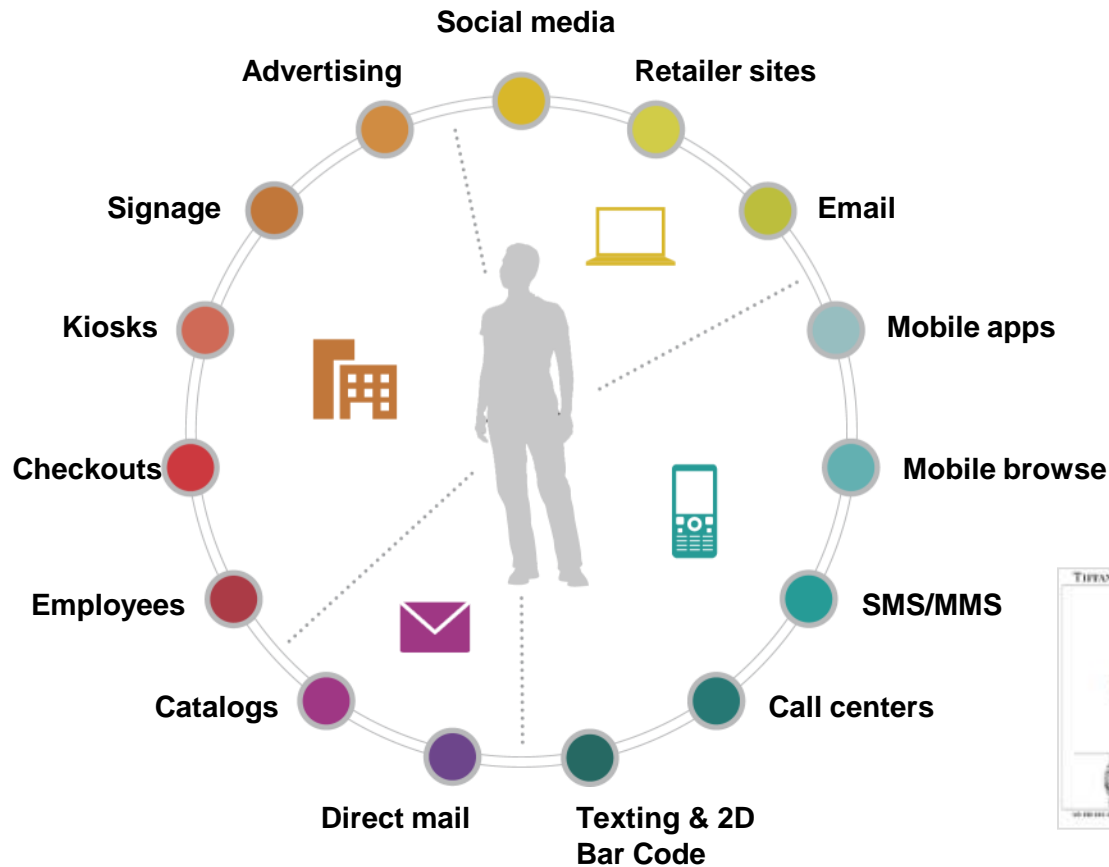
The Connected Consumer is Redefining Shopping

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Retailers must create a “System of Engagement” that maximizes the value of all interactions by personalizing the path-to-purchase

1. AWARENESS ▶ 2. RESEARCH ▶ 3. PURCHASE ▶ 4. RETRIEVAL / DELIVERY ▶ 5. SERVICE / SUPPORT



Source: IBM Global Retail Industry



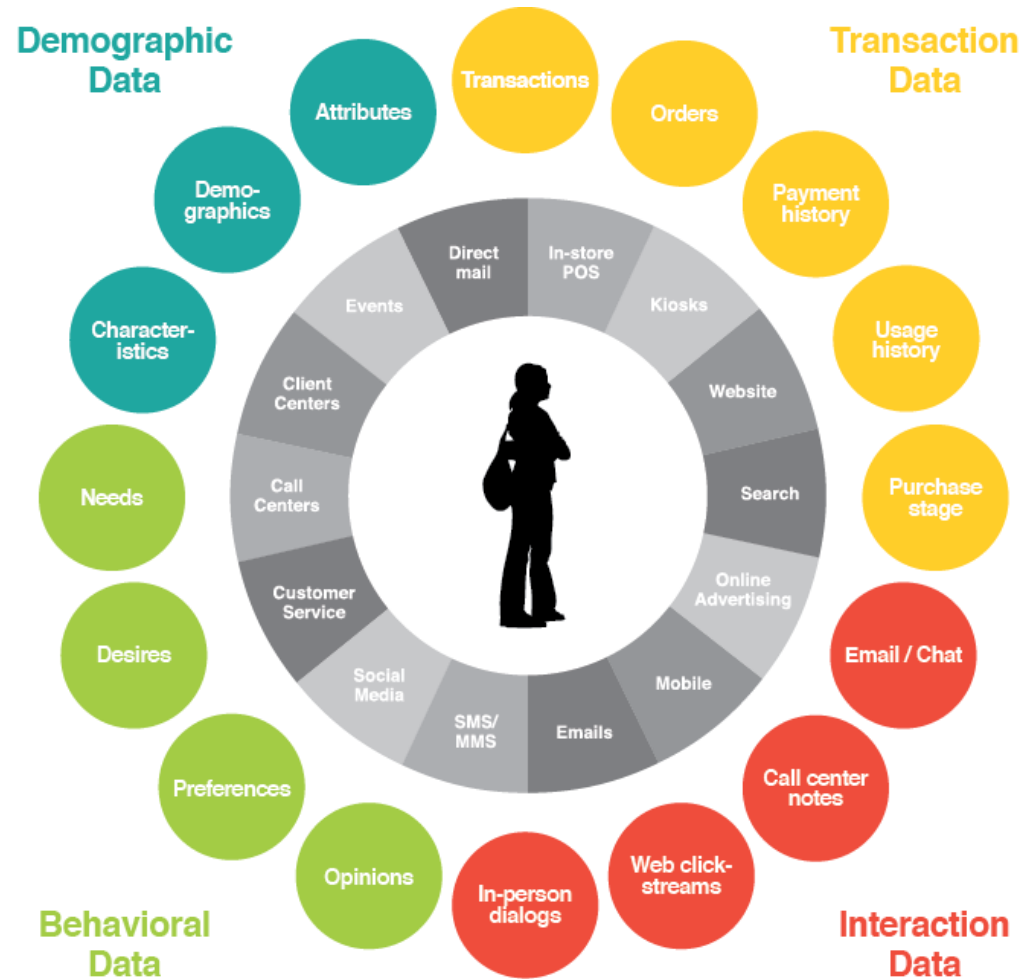
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This requires a deep understanding of each customer as an Individual by harnessing data on a massive scale

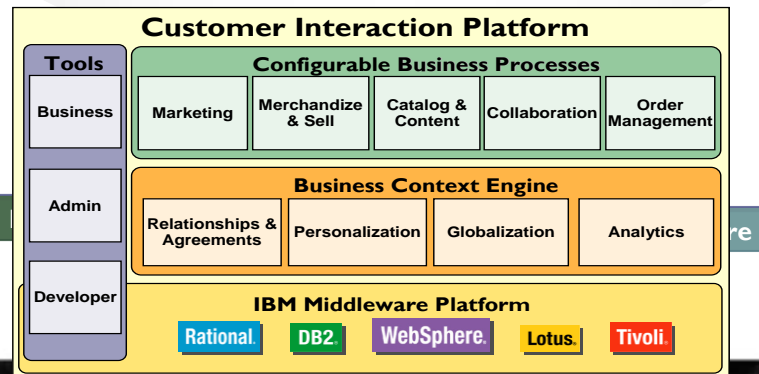
Identify and instrumented touchpoints to gather data about each consumer

Connect social media, transaction and other data to obtain holistic view

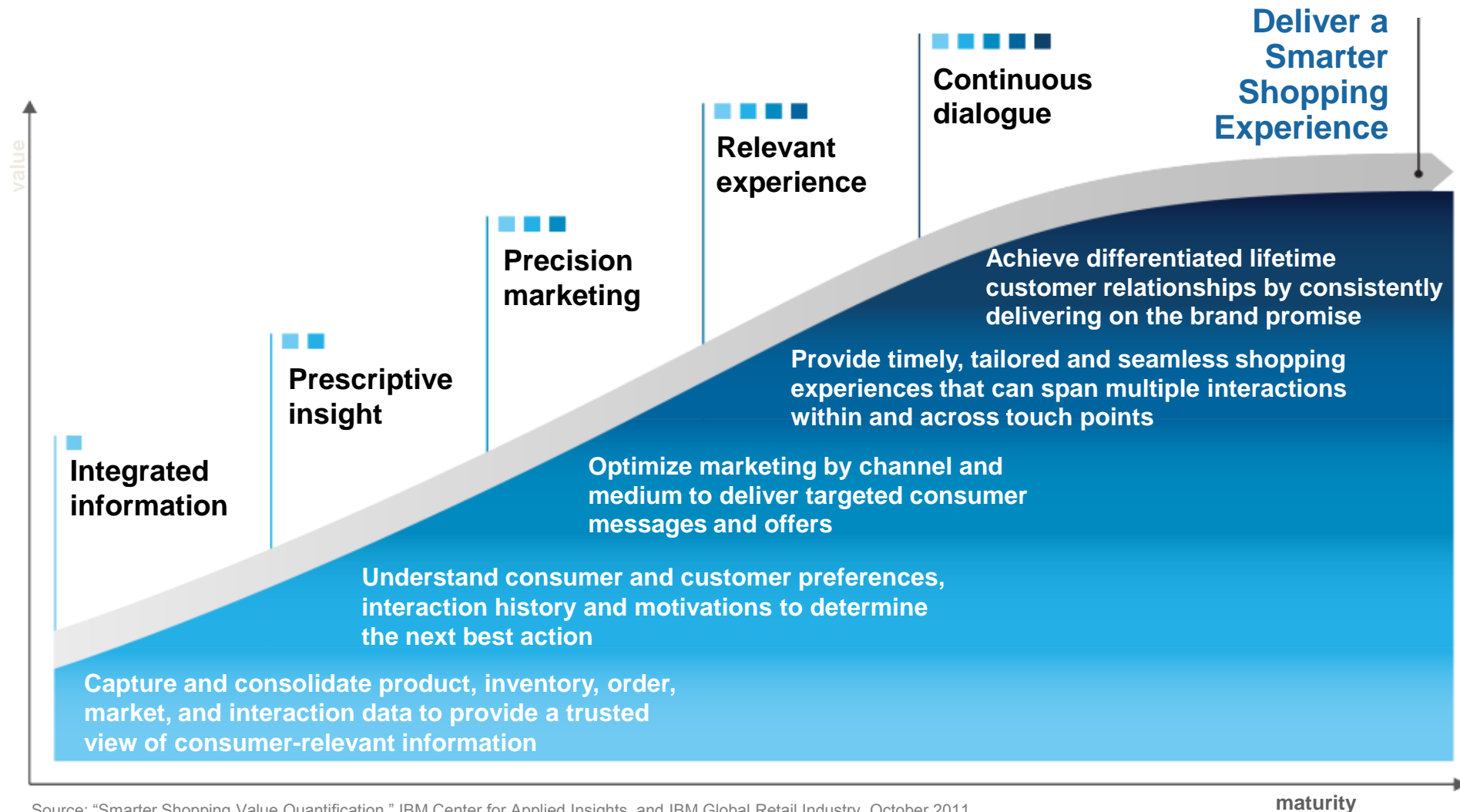
Analyze and generate actionable insights that are predictive and not just based on historical



A “Customer Interaction Platform” will execute tailored experiences that seamless connect shoppers and channels through a single brand



Delivering a Smarter Shopping Experience is contingent on retailers transforming and implementing new capabilities



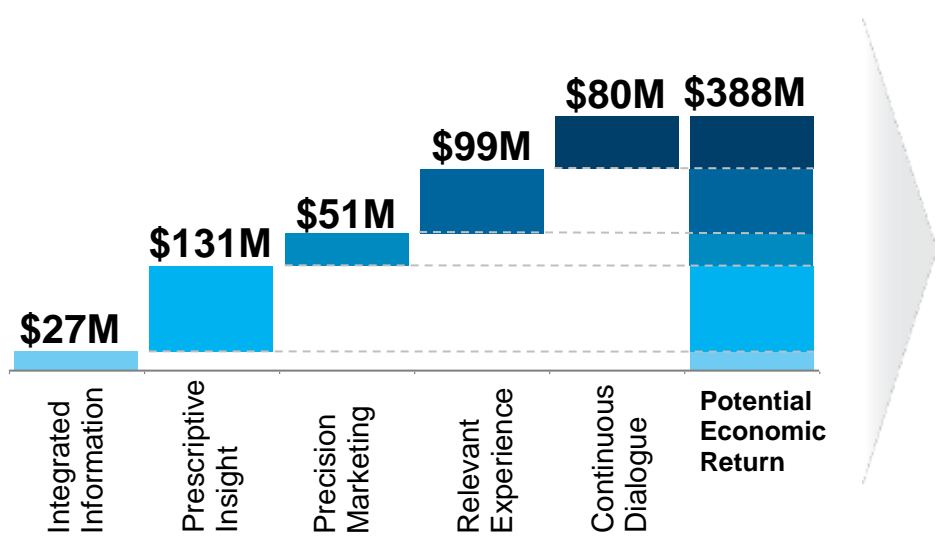
Source: "Smarter Shopping Value Quantification." IBM Center for Applied Insights, and IBM Global Retail Industry, October 2011



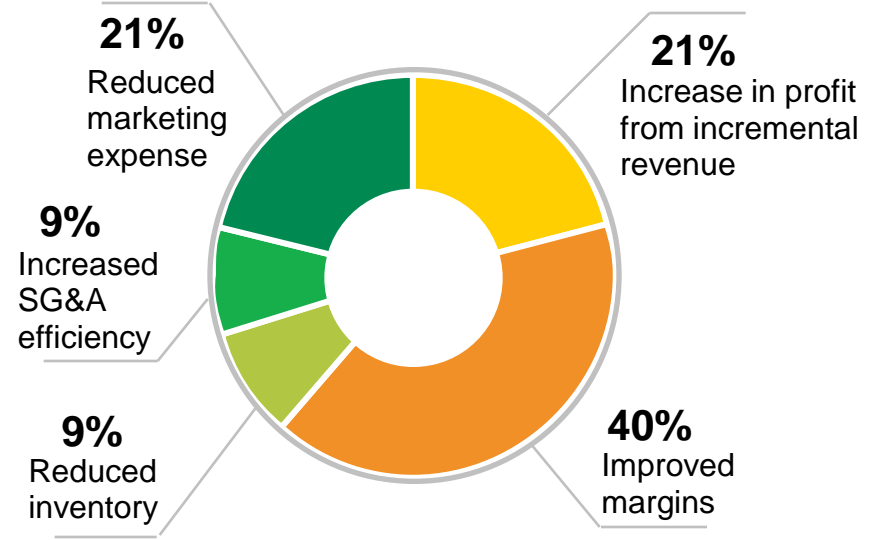
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Investment in capabilities to fully develop Smarter Shopping competencies will drive economic value and benefit

Annual economic benefits by competency
Illustrative \$25B soft-line Retailer*



\$388M in annual benefits by financial benefit type



7% improvement in customer satisfaction

5% improvement in brand image

1% improvement in employee satisfaction

*Source: IBM Center For Applied Insights. October 2011. The potential benefits above are modeled using publicly and privately available data. These potential benefits reflect a relative result based on a specific set of data and assumptions. Therefore, potential benefits will vary by enterprise and are not guaranteed.





धन्यवाद

Hindi

多謝

Traditional Chinese

ขอบพระคุณ

Thai

Спасибо

Russian

Gracias

Spanish

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شكراً

Arabic

Thank You

English

Obrigado

Brazilian Portuguese

Grazie

Italian

多谢

Simplified Chinese

Danke

German

Merci

French

நன்றி

Tamil

ありがとうございました

Japanese

감사합니다

Korean



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