



# Shoppers disrupted:

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Retailing through the noise

*Australian Insights from the  
2015 Smarter Consumer Study*

# Loyalty tested:

Can you give empowered consumers what they want?



The 2015 IBM® *Smarter Consumer Study: Shoppers Disrupted* gauged global sentiment about consumers' shopping behaviour through an extensive survey of 28,500 online respondents across 15 countries.

More than 1,800 Australians responded to the survey. Their ages ranged from 18 to 60+, with substantial representation of every age group in between.

To create this year's report, researchers also reviewed more than 116,000 previous results from surveys conducted from 2011 to 2014, to better understand the key drivers and changing behaviours of consumers across 19 countries.

Overall results suggested that consumers are continuing to become more demanding of their primary retailers. Declining advocacy rates and surging numbers of antagonists confirm that brand loyalty is plummeting and consumers are ready to switch brands overnight if they aren't given the shopping and buying experience they expect.

Consumers have been empowered by a retail experience that increasingly involves digital as well as physical shopping

channels, freeing them from the constraints of local shopping. Consumers are buying more goods online than ever before: while the store is still the primary channel to purchase, in-store sales have been declining in recent years as the convenience and flexibility of online buying change consumer behaviour forever.

Between February 2015 and March 2015, Australian Bureau of Statistics figures reported online sales growing from 2.8 percent<sup>1</sup> to 3 percent<sup>2</sup> of overall retail sales.

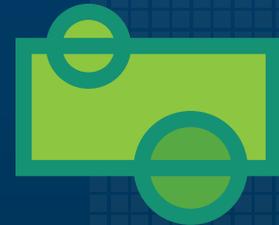
Analysis of this year's global and Australian results identified four important messages that every retailer should heed:

1. The expectation gap continues to grow.
2. Consumers' affection for online and mobile shopping is still growing.
3. Customers want contextual conversations.
4. Shoppers want you to help and serve them.

# 1.

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The expectation gap continues to grow



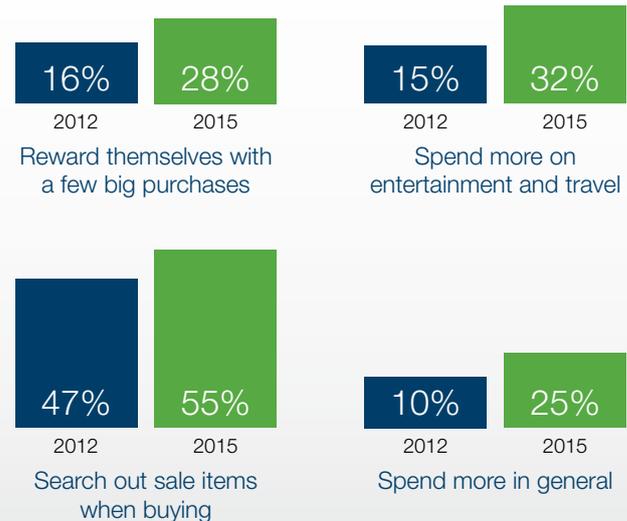
# The expectation gap continues to grow

Retail trends often correlate closely with consumer optimism, and consumer optimism increased strongly throughout 2014. Sixty-three percent of Australian respondents to the 2015 study said they were positive about the future (compared with 58 percent last year), with 22 percent (up from 20 percent last year) believing their income will increase by 20 percent in the next five years.

Leading indicators for shopping spend were also stronger than in the three previous years, with record numbers of Australian consumers saying they would search out sale items (55 percent), spend more on entertainment and travel (32 percent), reward themselves with a few big purchases (28 percent) and spend more in general (25 percent) (Figure 1).

Yet while they are more ready to spend, consumers are also more discerning than ever before – and less loyal. Advocacy<sup>3</sup> – a key indicator of Australians' repeat business and retailer

**Figure 1:**  
Consumers reward themselves through smart shopping



Source: IBM Institute for Business Value 2015 Smarter Consumer Study.

# The expectation gap continues to grow

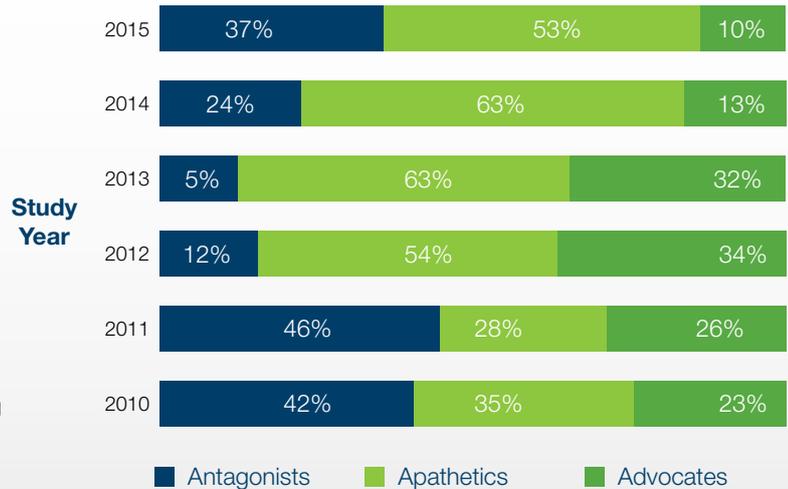
loyalty – was at an all-time low, with just 10 percent of consumers saying they would actively advocate for their primary retailer.

Alarming, 37 percent of respondents said they were antagonists and that they would actively discredit their primary retailer if it failed to meet their expectations. Advocate and antagonist figures were 32 percent and 5 percent, respectively, in the 2013 study, showing just how quickly the pendulum has swung against retailers.

Today's consumers are less prepared than ever before to tolerate inadequate service or ineffective performance – and they won't hesitate to name names through bad reviews on social media sites.

Retailers may have a harder row to hoe in Australia when compared to other countries, as Australia's 10 percent advocacy figure is lower than the global average of 15 percent. The climbing antagonist rate, 37 percent this year versus 24 percent last year, indicates that Australians are quickly becoming impatient with perceived inadequate retail service (*Figure 2*).

**Figure 2:**  
Loyalty to Australian retailers has declined



Source: IBM Institute for Business Value 2015 Smarter Consumer Study.

# The expectation gap continues to grow

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It can be no coincidence that these figures reflect a growing awareness amongst Australian shoppers of the alternative channels available through retailers in the US, UK and elsewhere. Australians are no longer prepared to tolerate substandard service from retailers.

Consumers are demanding a revolution, and in other countries the survey results suggest they are already starting to see it. Compared to Australian consumers, US customers were both less antagonistic towards their primary retailers (25 percent, up from 16 percent in 2014) and more likely than Australians to advocate for their primary retailer (17 percent).

These figures suggest that retailers can keep consumers onside if they successfully meet their surging expectations. US retailers have done this in recent years, enthusiastically embracing digital and experimenting with new retail designs and customer-loyalty programs, and offering more flexibility in areas such as returns.

To remain relevant in consumers' minds – and wallets – Australian retailers will have to adopt continuous change, quickly.



# 2.

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Consumers' affection  
for online and mobile  
shopping is still growing



# Consumers' affection for online and mobile shopping is still growing

Australians are buying more goods online than ever before. Whereas in 2013, some 94 percent of respondents said their last purchase was in a store, this year that figure is just 80 percent for the non-grocery categories examined (Figure 3). And with 78 percent of study respondents owning a smartphone – up from 64 percent last year and 47 percent the year before – we can expect more online mobile purchases to be made in the future.

Retailers can no longer depend solely on factors like location and convenience to justify their bricks-and-mortar retail networks. They need a viable, mobile-friendly online presence to help retain customers who change their preferred shopping channel from in store to online.

For the first time this year, the study examined the last purchase channel for groceries and found only 6 percent of Australian respondents said their most recent grocery purchase was online, compared with 20 percent in the UK and 39 percent in China.

**Figure 3:**

Certain product categories are moving online faster than others



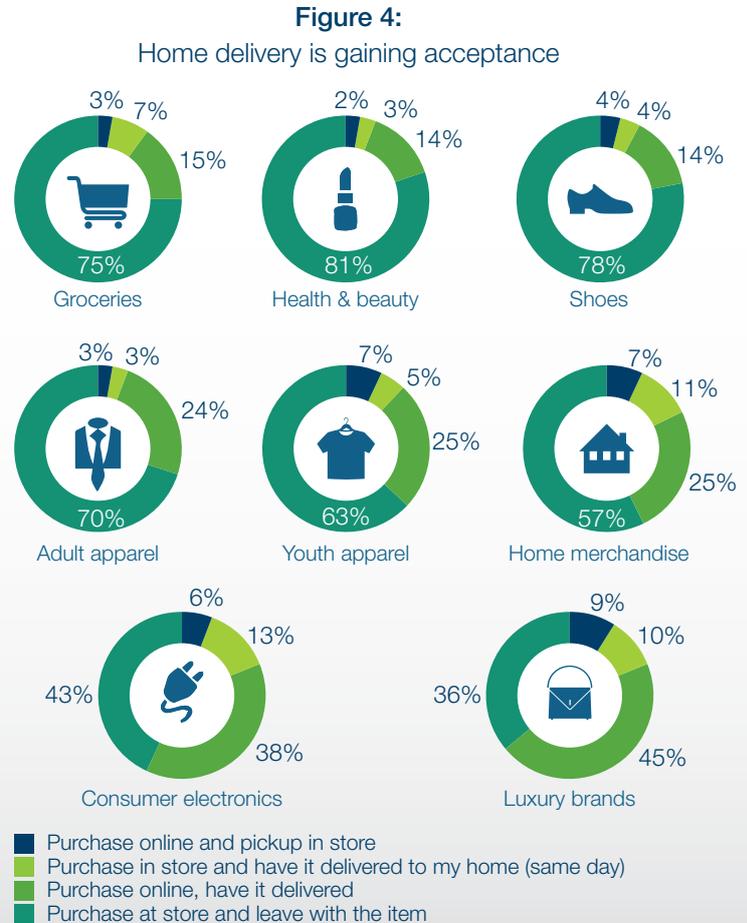
Source: IBM Institute for Business Value 2015 Smarter Consumer Study: Percentage of most recent purchases made through a digital channel.

# Consumers' affection for online and mobile shopping is still growing

This may reflect entrenched shopping patterns or brand loyalty, or it could be tied to a more general acceptance of home delivery in those countries. The percentage of Australians who prefer to purchase goods online and have them delivered has increased from 14 percent in 2011 to 25 percent, though this still lags behind the 40 percent in the UK.

While 63 percent of Australians still prefer to purchase in store and take the item home, when examining fulfilment methods by category there were some interesting differences. For example, Australians prefer to have luxury brands and consumer electronics delivered (55 percent and 51 percent respectively) while for groceries this figure is 22 percent and for shoes it is just 18 percent (*Figure 4*).

Twenty-six percent of Australian respondents said they had visited their grocery retailer's website but not purchased anything, and 52 percent said they hadn't purchased anything online or even visited the retailer's site. This reflects Australians'



Source: IBM Institute for Business Value 2015 Smarter Consumer Study: By product category, consumers preferred methods to obtain the item purchased.

## Consumers' affection for online and mobile shopping is still growing

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low preference delegte shopping online for groceries: while 27 percent of Australians prefer to shop online, only 13 percent prefer to shop online for groceries.

Age may also be a factor: the *2015 Smarter Consumer Study* found nearly 30 percent of Australian respondents aged 39 or younger had made their most recent purchase through a digital channel. By contrast, less than 15 percent of those aged over 40 had done the same.

Some retailers will see this as a reason to target online channels at young people, who are switched on and, in theory, ready to buy at a moment's notice. Others will recognise the considerable buying power of the 40-plus crowd, and will work harder to proactively engage with this demographic to draw out latent demand.

This might, for example, see grocery retailers investing heavily in the usability and efficiency of their online sites to appeal to time-poor parents and less-mobile retirees.

It would also be relevant for retailers selling high-value goods: surveyed consumers last purchased luxury brands (41 percent) and consumer electronics (36 percent) online.

Whether from their home study, their office computer or their smartphone, consumers are proving more than willing to buy through digital channels – if retailers can provide a compelling offer.

# 3.

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Customers  
want contextual  
conversations



# Customers want contextual conversations

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One of the best ways to shape customer behaviour is to provide context for the potential sale. Search engines like Google have long done this by analysing search queries to profile consumers' interests and shopping habits, but the strong shift to the use of smartphones presents new opportunities for retailers to engage in contextual conversations with consumers.

Location, for example, now plays a strong role in many interactions and buying decisions: consumers looking for a particular product may be more willing to drop into a nearby shop if they can quickly find out whether it's open, has available parking and has the desired product in stock.

Indeed, 57 percent of Australian respondents to the *2015 Smarter Consumer Study* said they would switch to a retailer that allowed them to check whether a non-grocery item was in stock before they made the trip; 32 percent said they would do the same when shopping for groceries.

Delivering this capability requires maturity in back-end retail systems – and a readily accessible consumer-side interface through web or mobile. However, these figures suggest such an investment may quickly pay off through higher conversion rates. These factors may even override consumers' tendency to shop around for lower prices, if retailers can offer convenience and time savings instead.

Delivering contextual conversations does, however, require retailers to build their competency in mass collection of data about consumer behaviour, and to incorporate contextual information about the shopper to provide a more engaging and relevant customer experience.

# Customers want contextual conversations

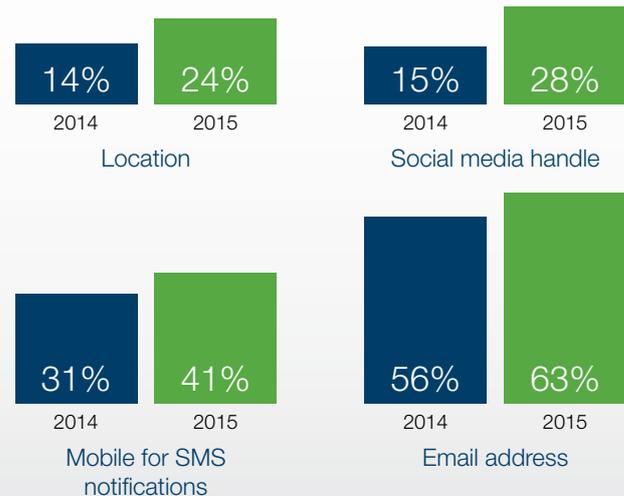
Consumers have sometimes seen such efforts as intrusive, but this year's survey confirms that Australian shoppers are growing increasingly comfortable with sharing their location, social media habits, mobile number and email information with a trusted retailer (*Figure 5*).

The proportion of consumers willing to share location information, in particular – usually gleaned from instantaneous smartphone GPS readings – has grown substantially from just 14 percent a year ago to 24 percent. Those in the 25 to 39 age bracket were most willing to share their location with a trusted retailer, with more than 30 percent of respondents indicating they would accept such practices.

This is a large enough trend to justify investment in location-based marketing and engagement systems. Current customers may be easily tempted to switch to competitors offering context-based relationships, while potential future customers may shun a shopping experience that does not feel relevant and effective.

**Figure 5:**

Australians are becoming more willing to share contact information with a trusted retailer



Source: IBM Institute for Business Value 2015 Smarter Consumer Study.

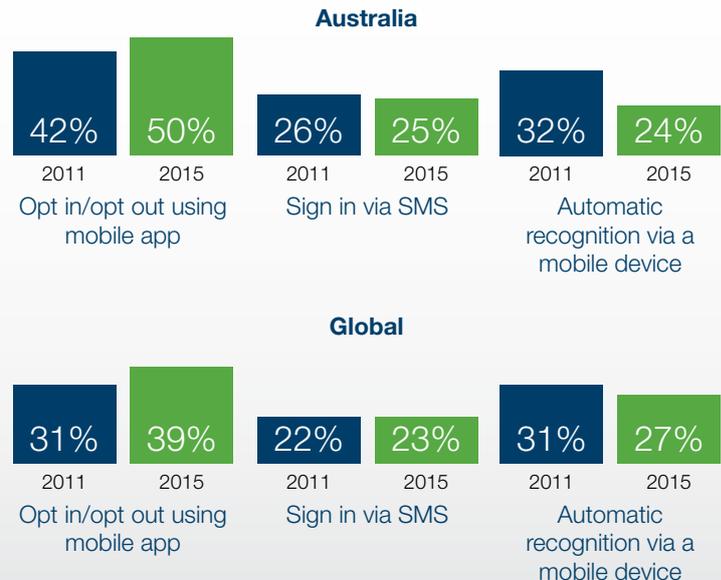
# Customers want contextual conversations

Retailers must also invest in consumer education to increase information sharing. For example, while 32 percent of respondents said they could see the value in sharing their social handle with a trusted retailer, only 28 percent said they would be happy to do so. The numbers for sharing location – 28 percent versus 24 percent – showed a similar gap in consumer readiness.

While consumers want contextual conversations, they increasingly want to be in control of the communication. In the 2011 study, in order to receive personalised communications in store, we found 32 percent of Australian respondents preferred to be identified by automatic recognition through their mobile device upon entering. This year this figure has dropped to 24 percent (Figure 6).

Building trust is the only way to bridge this gap and it is incumbent upon retailers to determine how best to do this. When done well, the end result will be focused, relevant, contextual relationships with consumers who both trust and rely on a brand they see as a shopping partner rather than a faceless provider of goods.

**Figure 6:**  
Consumers want to stay in control of communications



Source: IBM Institute for Business Value 2015 Smarter Consumer Study: Preferred method for identification upon entering the store.

# 4.

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Shoppers want you to help and serve them



# Shoppers want you to help and serve them

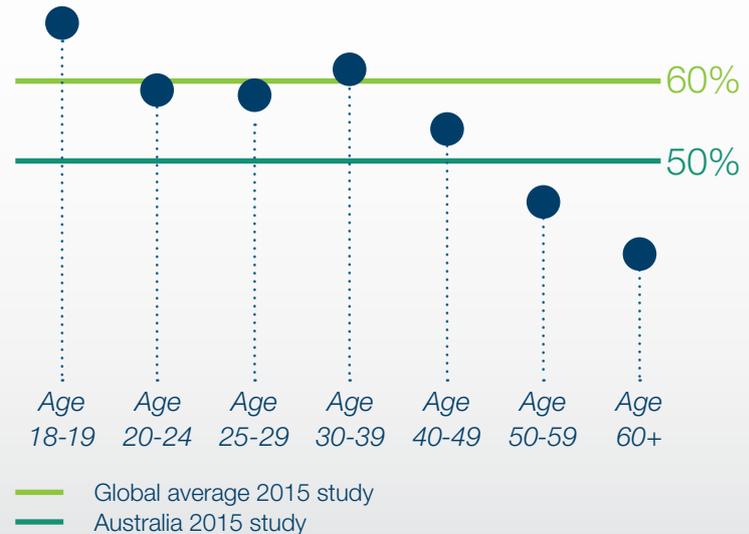
The term of 'physical-digital convergence' may not mean much to most shoppers, but their responses show that the ideas behind it are extremely important in their shopping experience.

The *2015 Smarter Consumer Study* asked consumers what sorts of capabilities would drive them to switch retailers. Among the most appealing, for non-grocery categories, was the ability to see whether an item was in stock before going to the store, with 50 percent of Australians and 60 percent globally indicating this capability was important in choosing one retailer over another.

Fifty-seven percent of Australians agree they would switch to a retailer who could provide that capability. This is even more important to Australian respondents who are 39 or younger (*Figure 7*). While for groceries, only 20 percent thought it important to be able to preview in-store inventory, interestingly 32 percent of respondents indicated they would switch to a retailer who was able to offer this.

**Figure 7:**

Age matters when it comes to the importance of in-store inventory preview in selecting a retailer



Source: IBM Institute for Business Value 2015 Smarter Consumer Study: Percentage of respondents indicating the ability to see if an item is in-stock before going to the store is important in the selection of a retailer.

# Shoppers want you to help and serve them

These self-service omnichannel concepts require retailers to take their systems to a new level of maturity. Consumer buying decisions are increasingly self-driven, not just technology-driven. That is, consumers are seeking information beyond what retailers and manufacturers provide. In fact, manufacturers and retail staff were the least likely to be a trusted source for product information for buying decisions, according to the survey results. Friends and family ranked first (*Figure 8*).

The importance of the ability of retail staff and shoppers to resolve inventory issues continues to grow, with more than 50 percent of Australian respondents for non-grocery categories citing this capability as a differentiator in selecting a retailer. Globally, 46 percent of respondents saw that investment in fixing out of stock items would be important in selecting a retailer, while in Australia 29 percent of respondents agree retail employees using a mobile device to fix an out-of-stock issue was important. Additionally, it is becoming more important for store staff to be able to offer personalised promotions based on purchase history or preferences with 25 percent of Australian respondents and 41 percent globally citing this as important.

**Figure 8:**

When it comes to product recommendations, Australian shoppers trust their family and friends the most and retail staff the least



Source: IBM Institute for Business Value 2015 Smarter Consumer Study: Ranking of responses to "Who do you trust to provide honest feedback on product information and product reviews?"

# Shoppers want you to help and serve them

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These and other figures gleaned through the survey confirm that Australian shoppers, like their peers around the world, expect retailers to deliver – and in many cases they are waiting impatiently for retailers to catch up with them.

To meet these expectations, retailers must invest smartly and quickly to empower their store employees and provide them with real-time access to stock levels and other information. This will help them to remain relevant in a retail conversation that is, more than ever, about giving consumers what they want, when they want it and how they want it. Empowered by personal devices, ubiquitous access to shopping and the willingness to quickly shift brands, today's consumers have mobility – and they're not afraid to use it.



# Recommended next steps for retailers

To capitalise on the growing trends and bridge the consumer expectation gap, today's savvy retailers need to take several steps:

Key findings	Study insights	Recommended action
Your store employees' ability to fix inventory issues and offer personalised service in store is growing in importance	Shoppers increasingly want you to help and serve them	Unite to save the sale: Design the organisation to work together to ensure consistent omnichannel fulfilment, each and every time
Willingness to share personal information with trusted retailers increased year to year	Consumers want contextual conversations	Leverage Social, Location, Mobile (SoLoMo) to ensure context. Strive to personalise interactions to ensure relevancy for the shopper
Advocacy rates have dropped to 10%	The expectation gap continues to grow	Continuous innovation – doing things smarter to be faster – requires agile thinking and working across the organisation like never before to implement new automated and digital ways to deliver operations

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# How can IBM help?

**We have a long-standing commitment and investment** in leading-edge mobile partnerships, cognitive computing solution development, acquisitions and research that provide disruptive creativity and take a new approach (new business models) to solving business problems.

**Integrated systems of record**, systems of engagement and systems of execution that span all phases of the consumer's brand experience and all channels of brand interaction to consistently deliver on the promise of omnichannel retailing.

**Deep industry experience** – combined with consulting, software and infrastructure – to deliver the integrated solutions needed to unite physical and digital worlds, supported by an extensive, collaborative and innovative business partner ecosystem.

## Key contacts

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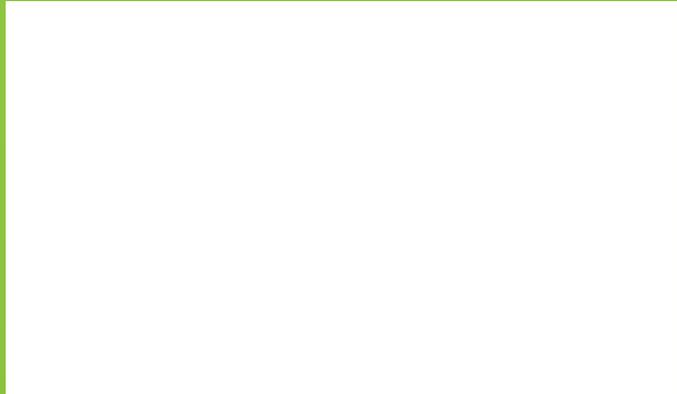
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1. Australian Bureau of Statistics, 'Retail turnover rises 0.7 per cent in February 2015', 7 April 2015, <http://bit.ly/1zVa0Qb>
  2. Australian Bureau of Statistics, 'Retail turnover rises 0.2 per cent in March 2015', 6 May 2015, <http://bit.ly/1FhnVCy>
  3. Advocacy as measured by this study is respondents willingness to recommend retailers to others, plus buy more from their primary retailer and remain loyal to the retailer even when there is a comparable offer from competitors.



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