HAVAS WORLDWIDE

Prosumer Report®

DIGITAL AND THE NEW CONSUMER

EMERGING PATHS TO PURCHASE

Vol. 16, 2013

DIGITAL AND THE NEW CONSUMER: EMERGING PATHS TO PURCHASE

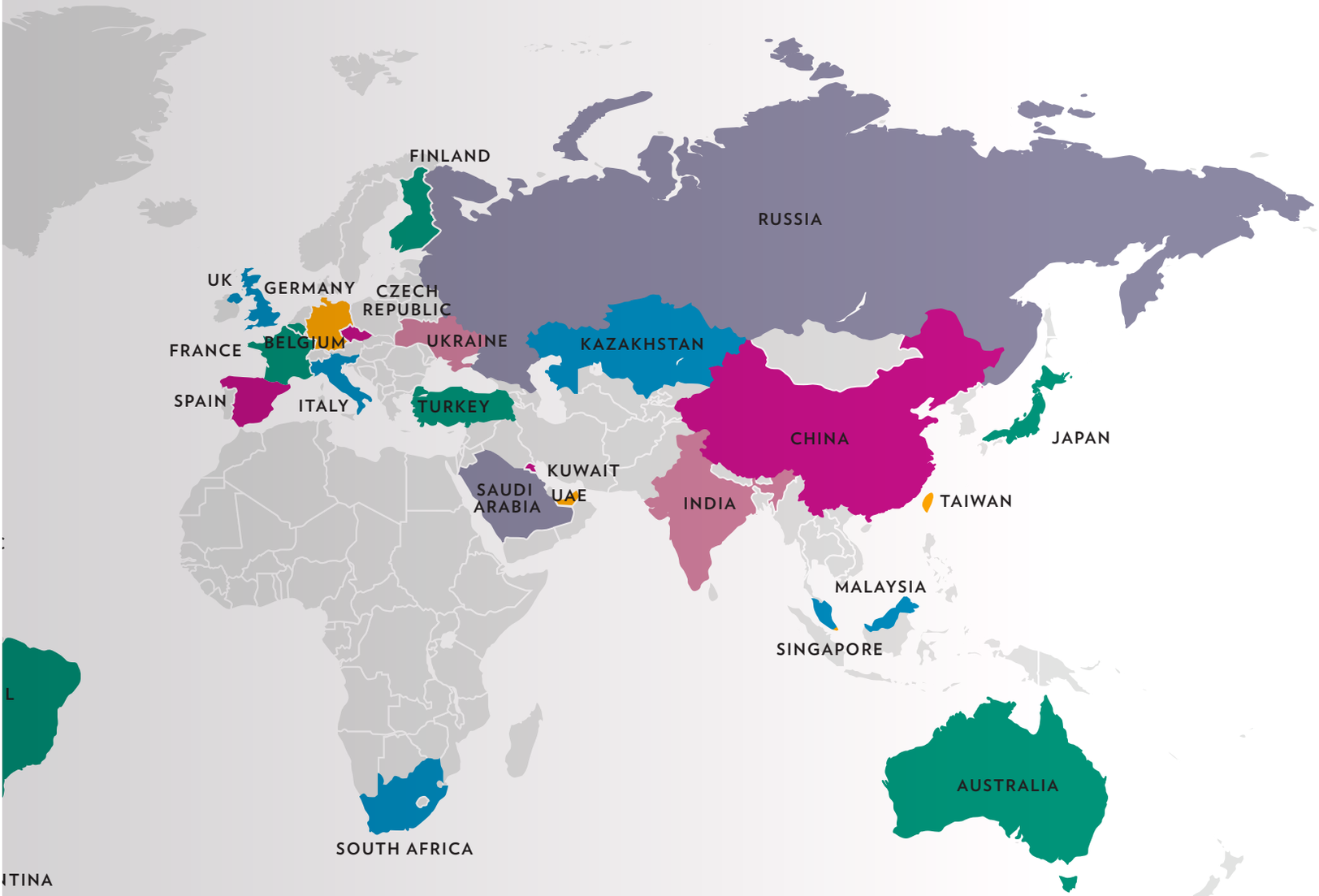
The year 2001 was pivotal for Havas Worldwide: It was the year we started tracking an emerging cohort we call Prosumers. These smart, proactive shoppers were among the most enthusiastic adopters of new technologies, and they were well ahead of the curve in using newly available digital tools to gain an edge at retail.

We had survived the projected chaos of the Y2K bug (remember that?) and had made it through the great dotcom bust of 2000 with our faith in the prospects and potential of the World Wide Web relatively unscathed. During that period, Internet adoption was beginning to move rapidly beyond the United States and other developed markets into the far reaches of the rest of the world. (For the first time, the US accounted for less than half of web traffic—45 percent.) We issued trend reports that detailed all the latest developments: smart homes! Interactive TV! Telecommuting! And, most especially, we talked about what was happening—and was likely to happen—in e-tail/e-commerce/cybershopping. Online commerce was taking hold, despite the fact that only 4 percent of US households had broadband access at the time.

A dozen years later, we are still tracking Prosumers, and we remain immersed in the study of all things digital. But so much else has changed. We have watched as the Internet has grown faster, gained far greater carrying capacity, and gone wireless. We have seen cell phones shrink in size while growing exponentially in power, evolving into mobile devices that can accomplish more today than a full-scale desktop computer could a decade ago. We have taken part in the explosion of social media—a phenomenon that has seen Facebook, Twitter, YouTube, Pinterest, Reddit, Vine, and the rest redefine how we communicate and allow us to exchange information in entirely new ways. And we have witnessed online shopping go from being a Prosumer prerogative to a mainstream must-do.

For our latest study, we decided to return to the topic of digital commerce and explore how consumer attitudes toward it have evolved in our increasingly mobile era. We commissioned an online study in 31 countries: Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Colombia, the Czech Republic, the Dominican Republic, Finland, France, Germany, India, Italy, Japan, Kazakhstan, Kuwait, Malaysia, Mexico, Russia, Saudi Arabia, Singapore, South Africa, Spain, Taiwan, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and the United States. In all, we surveyed 10,219 adults.

COUNTRIES PARTICIPATING IN OUR PROSUMER STUDY



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AN EXPLORATION OF EMERGING TRENDS IN DIGITAL COMMERCE

In this report, we pay particular attention to two influential groups within our sample: millennials and Prosumers.

PERCENTAGE OF MILLENNIALS IN EACH CATEGORY

MILLENNIALS

For the purposes of this study, we have defined millennials as respondents aged 18–34. Millennials matter—a lot; the habits and attitudes they are developing will shape not only their own lives but our collective world for many decades to come. In our survey, millennials accounted for 39 percent of participants in the developed countries and 57 percent in the emerging countries.

PROSUMERS

Prosumers make up 21 percent of our sample, spread across ages, countries, and incomes. We track them because what these men and women are thinking and doing today is a good indication of what the mainstream will be thinking and doing in the near future. By engaging earlier and more proactively with what's happening now, and by sharing their experiences widely, Prosumers anticipate and help to shape what happens next.

AMONG OUR KEY SIGHTINGS:

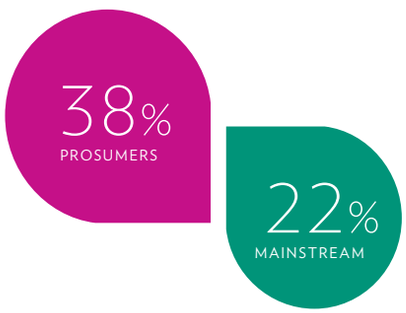
- Security is a lingering concern for most people when shopping online; a large majority worries at least occasionally about potential fraud and abuse of privacy.
- People increasingly are mixing online and offline to make smarter purchases; mobile devices are key to this integration.
- Though physical touch is still important, the factors in favor of online commerce outweigh those against it.
- Consumers regard social media as a direct communications pipeline to brands.

Today, millions don't think twice about buying goods and services over the Internet—even big-ticket items such as cars and cruise tickets, and personal goods such as special-occasion outfits.

SHOPPING, REIMAGINED

For many of us, the Internet has become such an integral part of our shopping process that it can be difficult to imagine life without it. And yet it has only been in the last 15 or so years that we have been able to go online to check out what's on offer halfway around the world, buy it with a credit card, and expect fast delivery.

When we first explored this phenomenon in 2001, people interested in shopping online typically were using a desktop computer plugged into an electrical outlet and a dial-up modem plugged into a phone socket in the familiar surroundings of their home or office. For many, it took a leap of faith to buy even simple products online, such as a book or CD. Today, millions don't think twice about buying goods and services over the Internet—even big-ticket items such as cars and cruise tickets, and personal goods such as special-occasion outfits. What's more, growing numbers are happy to make purchases via their mobile devices, wherever they happen to be. More than 1 in 5 of our mainstream survey respondents (22 percent) already have used a smartphone or other mobile device to shop online—an impressive number for a relatively new technology, but one that pales in comparison to the 38 percent of Prosumers who have done so.



% OF RESPONDENTS WHO HAVE USED A SMARTPHONE TO SHOP ONLINE

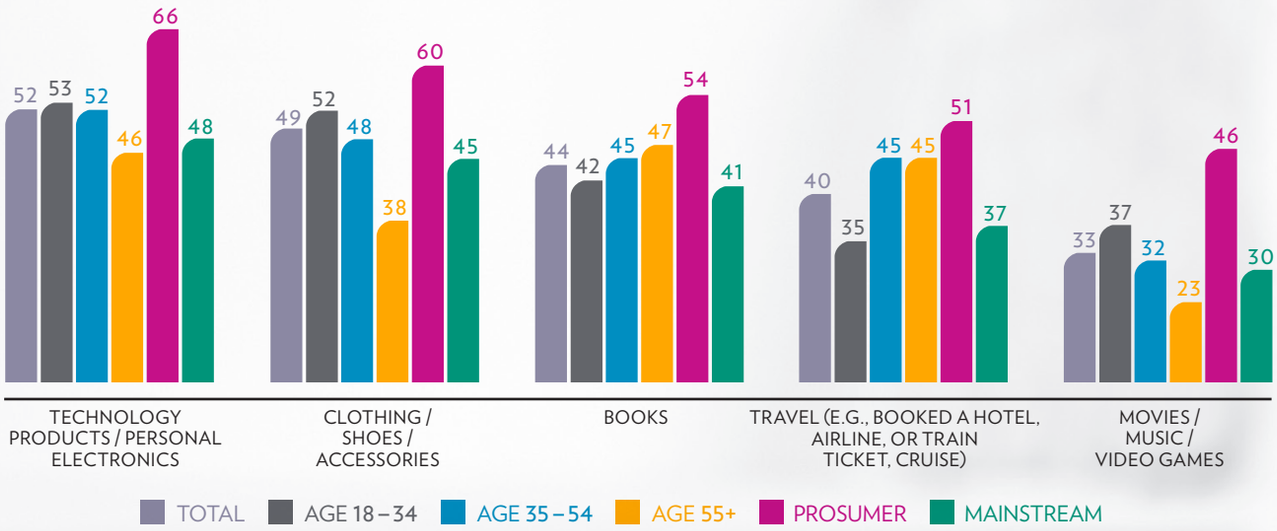
In 2012, global consumer sales online topped $1 trillion for the first time. The combination of mobile technologies and social media is driving profound changes in the way consumers buy goods and services. It is radically influencing the way people gather information about products—and about the companies that make and sell them.

A FRESH TAKE ON AN OLD CUSTOM

Purchasing goods sight unseen from far-off retailers may seem like a thoroughly modern idea, but it's not: The basic dynamics have been in place for hundreds of years, ever since merchants first offered catalogs of books, seeds, and plants back in the time of Christopher Columbus in an early form of mail order. Fast forward four centuries, and many of today's grandparents and great-grandparents were perusing the catalogs of Montgomery Ward and Sears in the United States, Eaton's in Canada, Freemans and Littlewoods in the United Kingdom, and La Redoute in France.

Back then, retailer catalogs were ink on paper; now they are increasingly pixels on screens. Back then, the catalogs were updated three or four times a year at most; now they can be

PRODUCT TYPES PURCHASED ONLINE OVER THE PAST YEAR



updated constantly every day, every hour. What hasn't changed about remote retail is the need for additional layers of trust as compared with making a purchase in a physical store. Remote buyers have to trust that what they are seeing on the printed page or digital display is actually what is being sold, with no unpleasant surprises such as inferior-grade materials or shoddy manufacturing. They also have to trust that their payment details will not be misused or stolen. In our survey, 21 percent of the global sample say they worry about security issues every time they shop online, fretting about concerns such as privacy being compromised or credit card information stolen. Another 20 percent worry about these things often, while 38 percent worry about them occasionally. This means nearly 8 in 10 e-shoppers are at least occasionally worried about the safety of their information when online.

Such is the draw and convenience of online shopping that the vast majority of people are able to put aside whatever qualms they may have and send their credit card information into the ether. Only 12 percent of our global sample had made no online purchases in the year prior to the survey. This number jumped to 25 percent in Africa and 29 percent in the Middle East.

Among those who had made online purchases in the past year, the sample was split relatively evenly between those who purchased fewer than 10 items (43 percent) and those who purchased 10 or more (46 percent). Nearly 1 in 5 respondents had bought 25 or more items online in that time. The real standout e-shoppers, as would be expected, were Prosumers: More than a quarter of them (27 percent) had purchased at least 25 items online in the past year, and 11 percent had made 50 or more online purchases.

WHAT'S IN THOSE E-SHOPPING CARTS?

In the early days of e-commerce, there was a lot of discussion about which products consumers would or would not buy online. In particular, skeptics doubted that people would buy things that needed to be physically felt or checked for fit or color. More than a decade into full-on digital commerce, these distinctions have faded. In fact, more of our respondents have bought clothing, shoes, and/or accessories online (49 percent) than have bought books (44 percent) or movies, music, and/or video games (33 percent). And around half of women (51 percent) buy beauty and cosmetics products online. This doesn't necessarily mean that consumers are buying these products only online rather than in stores, nor that they are buying these products sight unseen. In many cases, people are going online to buy things that they have already seen in stores. That's great news for brands and retailers that design their online resources to integrate with their brick-and-mortar stores in a seamless whole. It's not such good news for those companies that have yet to establish a robust online presence. Nearly half of our respondents (61 percent of Prosumers and 42 percent of the mainstream) say they are frustrated when a retailer is not accessible online.

As e-commerce grows out of its infancy, it is becoming clear that it makes more sense to buy certain product types over the Internet. These include travel deals (40 percent of our sample have purchased them online) and tickets for events (24 percent). As many a travel agent has discovered, there are increasingly fewer reasons for having physical outlets for these transactions. Also included in this category are items that people are embarrassed to purchase in a local store: Around a third of our sample—and 40 percent of millennials—say they buy certain items online to avoid the embarrassment of doing so in person.

Over the past decade and a half, online has emerged as a new space distinct from physical space. This has given rise to a split mindset that thinks in terms of offline versus online, physical versus virtual, bricks and mortar versus bits and bytes. In the coming decade and beyond, we can expect the online/offline distinction to dissolve as more of our experiences—at work and at play—take place in the digital realm.

FROM DIGITALLY DISSOCIATED TO INTEGRATED

Our research shows that in the digital commerce space, all consumers are situated somewhere on a line that stretches from Digitally Dissociated through Digitally Divided and Digitally Experimental to Digitally Integrated.

Digitally Dissociated consumers stick to traditional face-to-face purchasing. They don't use digital technologies for shopping, either because they can't or because they choose not to.

Digitally Divided consumers regard digital as a separate place that they access from a computer at home or work. They are happy to shop around and purchase online and may well read reviews and print out coupons for use in stores. However, they wouldn't dream of using a mobile device while shopping except maybe to make a phone call.

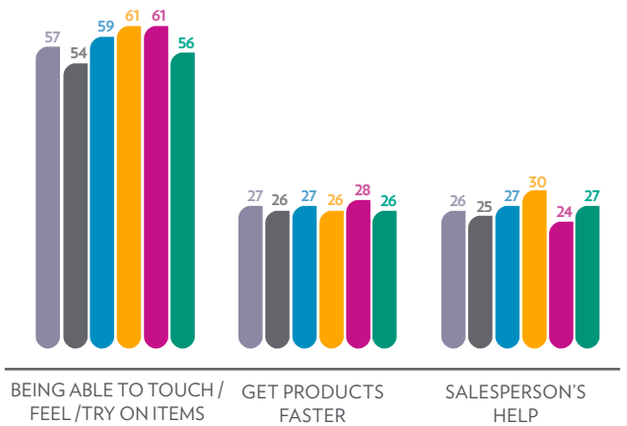
Digitally Experimental consumers know that they can go online wherever and whenever they feel like it. They are open to trying out what's available and exploring what's possible. For them, digital is a place that's intriguing and still a bit of an adventure.

Digitally Integrated consumers blend online and offline throughout their lives without making a conscious distinction between them; digital is simply part of where and how they live.

All those who have moved beyond being Digitally Dissociated implicitly face a question every time they buy or think about buying: *What can digital do for me now?*

TOP REASONS TO SHOP IN STORE RATHER THAN ONLINE

**Respondents selected up to three answers*



With music, the answer has become abundantly clear. Initially, it was a choice between buying CDs at a local store or buying them from an online retailer such as Amazon; then it was a choice between buying CDs and buying tracks as digital downloads; now it is a choice among buying physical CDs, buying tracks as digital downloads, or paying a monthly fee to a subscription service such as Spotify or Deezer. For most, opting for one of the digital formats is a no-brainer: Music is convenient to find and buy online, it is delivered instantly to one's playback device (wherever, whenever), and it costs no more than it would on a CD. As with music, so with movies, TV shows, books, magazines, and newspapers: They are all products that can be digitized, they are increasingly available online, and they can be consumed via digital devices.

Most product types, however, cannot be turned into bits and bytes—and so cannot be instantaneously downloaded or streamed to us. Whatever the promise of the future, for now household goods, consumer electronics, food and drink, and most other items are all stubbornly physical. And that means there is still a reason, in the minds of many, to buy them in a physical store.

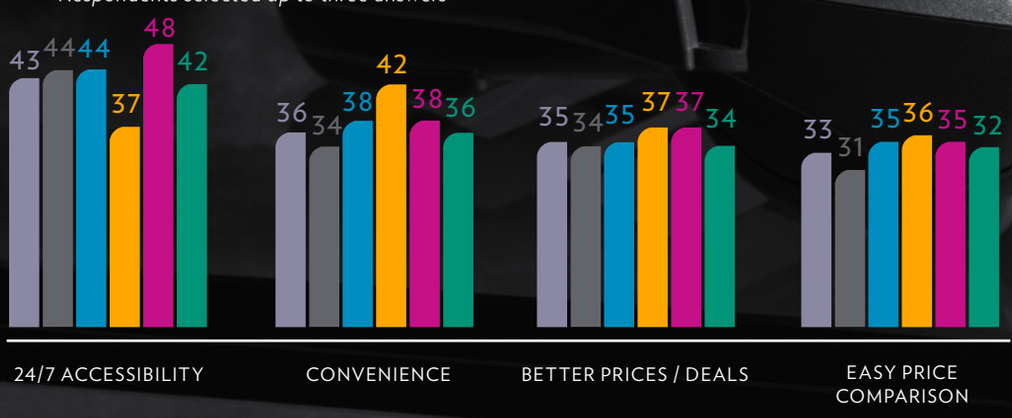
We asked respondents what their top three reasons were for buying something in a physical store rather than online. By far the most common response was being able to touch, feel, or try on an item (cited by 57 percent). This may become less important in the future, given that only 54 percent of millennials chose this response, compared with 61 percent of those aged 55+. Other leading perceived advantages of shopping in-store are getting products faster (27 percent) and being able to ask a salesperson for help and advice (26 percent).

Reasons for shopping online rather than in-store center on convenience and price: The 24/7 accessibility of e-shopping was cited by 43 percent globally and is the leading benefit for Prosumers, too (48 percent). Next in importance: convenience (36 percent), better prices and deals (35 percent), and easy price comparison (33 percent). Evaluating their buying and spending, the overwhelming majority of respondents across the board (78 percent) reckon that over the course of a year, shopping online saves them money by helping them get better deals and/or avoiding rip-offs. Only 22 percent chose the alternative option: "Over the course of a year, shopping online causes me to spend more money than I normally would because it's so much faster and easier to buy things."

These responses leave no doubt that money is a major factor in driving online purchases.

TOP REASONS TO SHOP ONLINE RATHER THAN IN-STORE

**Respondents selected up to three answers*



CREATING CUSTOM APPROACHES

For most people, it will never be a matter of making a definitive decision to do all their shopping online or offline. Rather, it is a matter of how each person mixes the two spheres to best suit his or her circumstances. Even among those who favor in-store purchasing, however, the Internet will increasingly play a role in their shopping. Almost two-thirds (64 percent) of global consumers say that for major purchase decisions (e.g., appliances, cars) their first stop is usually the Internet; this approach to shopping is being led by Prosumers (78 percent), so we can expect it to grow among mainstreamers, too.

As anytime-anywhere connectivity becomes the norm with mobile devices—and as people become more adept at using them—incorporating online into the buying process will become increasingly standard. Already, our survey shows that for some types of products the Internet is becoming both an early reference point and the final point of purchase, with offline checking of products and/or prices sometimes taking place between the two. Well over half of global consumers (58 percent) and more than two-thirds of Prosumers (68 percent) say they sometimes go to a store to see/try out a product before buying it online. Retailers that don't have a strong online presence offering competitive pricing are at risk of becoming showrooms for retailers that do. In an interesting twist on this practice, e-retailer Warby Parker—a "buy one, give one" purveyor of fashion eyewear—has opened stores within stores and now a full-scale retail location where shoppers can try on eyeglasses but not buy them. Purchases of prescription eyewear can be made only online.

In the coming years, as older shoppers drop out of the market, consumer profiles across the world will shift away from Digitally Dissociated and move inexorably toward Digitally Integrated. The big driver in this evolution is the global growth of mobile devices.

AN ESSENTIAL RESEARCH CHANNEL

FOR MAJOR PURCHASE DECISIONS,
MY FIRST STOP IS USUALLY THE INTERNET

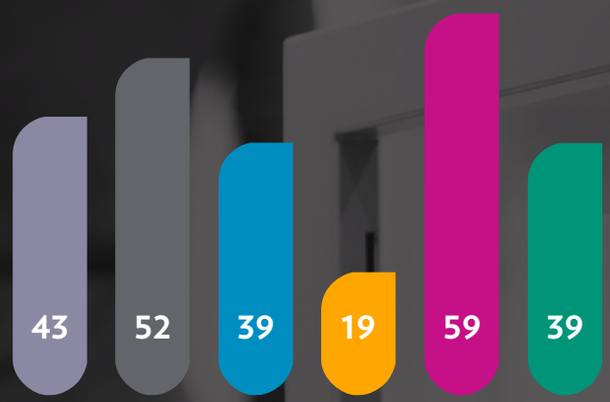
INSPECT OFFLINE BEFORE BUYING ONLINE

I SOMETIMES GO TO A STORE TO SEE /TRY OUT A PRODUCT BEFORE BUYING IT ONLINE

PLEASE RATE YOUR AGREEMENT OR DISAGREEMENT WITH THE FOLLOWING STATEMENTS

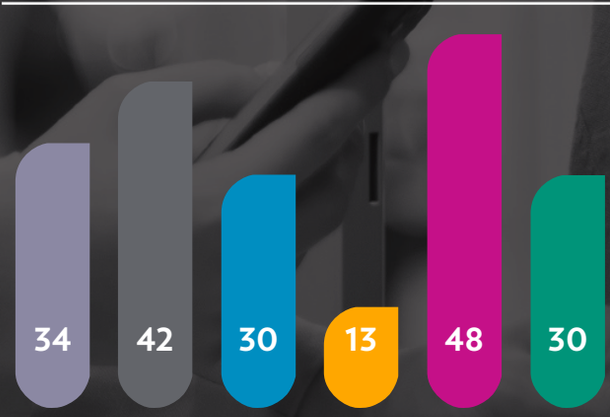
(SHOWING % AGREEING STRONGLY / SOMEWHAT)

CHECKING FOR BETTER OFFERS WHILE IN STORE



WHEN SHOPPING FOR A PRODUCT IN A STORE, I HAVE USED A SMARTPHONE TO CHECK FOR A BETTER PRICE OR FOR CUSTOMER REVIEWS ONLINE

MAKING PURCHASES WITH A SMARTPHONE



I AM COMFORTABLE PURCHASING PRODUCTS AND SERVICES THROUGH MY SMARTPHONE

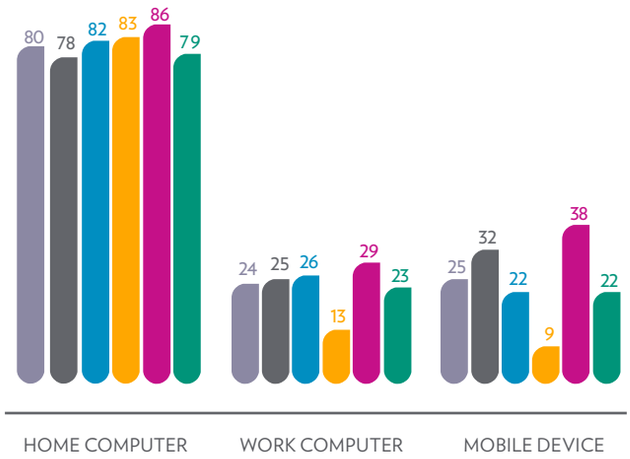
MOBILE IN THE MIX

As long as going online required being tethered to a computer at home, in the office, or in an Internet café, it had physical limitations, just as watching TV did. The PC paradigm shaped ideas of what the Internet was and what digital commerce could be. Now widespread wireless connections and powerful mobile devices have fundamentally changed who goes online, how, when, and where. Research and consulting firm Strategy Analytics estimated that there were more than one billion smartphones in the world as of Q3 2012, an increase of 330 million in just one year. These numbers are driving changes in the way people access all online resources. Morgan Stanley forecasts that by late 2013, the Internet will be accessed more by mobile devices than by desktop computers. This trend will be reinforced as consumers shift away from PCs (desktop and notebook) to smartphones, tablets, and ultramobiles.

As mobile devices become ubiquitous and powerful, they are infiltrating every stage of the consumer journey, from initial brand and product awareness right through to purchase and the sharing of post-purchase opinions. Already, more than 4 in 10 survey respondents (43 percent) have used a smartphone to check for a better price or for customer reviews online *while they are in a physical store*. This up-to-the-wire approach is most typical of Prosumers (59 percent) and millennials (52 percent). The pressure is on for brick-and-mortar retailers to be sure their prices are competitive or their brand experience is especially compelling.

For the moment, the primary role of mobile devices along the consumer journey is for communicating and gathering information rather than for purchasing. The bulk of online buying is still happening via computers, both at home (80 percent) and at work (24 percent). Mobile devices are ideal for in-the-moment, on-the-fly purchases, but for some product types, browsing and shopping through the relatively large screen of a desktop or even a tablet (14 percent) is easier than through the small screen of a smartphone.

MAIN DEVICES FOR SHOPPING ONLINE



At present, 1 in 4 respondents is shopping through a smartphone, but it is clear that these figures are set to grow. More than a third of our respondents (34 percent) say they are comfortable purchasing products and services through their smartphones—and the numbers are significantly higher among millennials (42 percent) and Prosumers (48 percent). The more brands create well-designed shopping apps, the more people will integrate mobile purchasing into their shopping behaviors.

The potential for further integration of mobile into offline shopping is enormous. Faced with a huge range of products in a store, people can go online to check out product information, reviews, and price comparisons; they can solicit the opinions of their social networks; they can text or IM contacts whose opinions they respect; and they can even make a live call via phone or Skype. Done right, going shopping with a mobile device is like taking along a team of experts to help out as needed.

- TOTAL
- AGE 18 – 34
- AGE 35 – 54
- AGE 55+
- PROSUMER
- MAINSTREAM

By late 2013, the Internet will be accessed more by mobile devices than by desktop computers.

FACTORING IN REVIEWS AND OPINIONS

All over the world, consumers are faced with an expanding range of product choices—a range that has grown exponentially thanks to online retail. That's great in principle, but in practice it can require a good deal of time and mental effort to gather the right information, weigh it, and decide which product to buy. The stress is even greater when the product in question is a big-ticket item that will be used for years to come. It's no surprise, then, that almost half our global respondents (48 percent) agreed that shopping online can sometimes be overwhelming, with too many choices and too much information. Tellingly, this is true even for Prosumers (50 percent), who seek out lots of information, and for millennials (52 percent), who have grown up with it.

The more choices consumers have, the more they value the help provided by online reviews; quickly consulting experts, friends, and other consumers can help to make purchase decisions a lot easier and more assured.

Going online to gather information during the buying process is now routine: Some 7 in 10 mainstreamers (71 percent) and nearly 9 in 10 Prosumers (88 percent) say they do lots of consumer research online, including seeking out product information, checking reviews and ratings, and comparing prices. Expert reviews are important, but a clear majority trust the reviews of their digital peers even more. This is the case for 58 percent of the mainstream, 73 percent of Prosumers, and 67 percent of millennials. The latter two groups aren't just more apt to trust customer reviews, they're also more prone to share information online about the brands and products they use. The sharing habit is far more prevalent among millennials than those aged 55+ (59 percent vs. 35 percent) and even more so among Prosumers (74 percent).

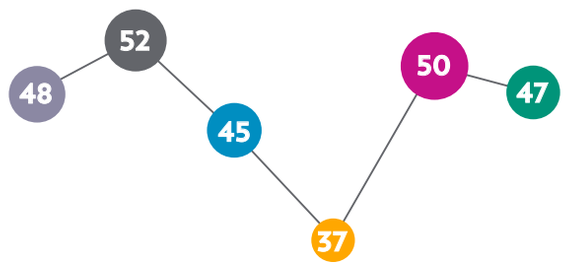
- TOTAL
- AGE 18–34
- AGE 35–54
- AGE 55+
- PROSUMER
- MAINSTREAM

Online comments and reviews can have a big impact on whether consumers go through with a purchase. On the "buy" side, almost half (48 percent) of consumers have read about a product online and then gone directly to another website to buy it. This sort of decisiveness is especially typical of millennials (53 percent) and Prosumers (61 percent). On the "don't buy" side, nearly 4 in 10 respondents (38 percent) say that *a single negative comment* online can dissuade them from making a purchase. And around half of Prosumers (51 percent) say that over the last year, nonbranded blogs or social media made them change their minds about a product or service they had intended to buy.

Conventional wisdom says that consumers are more likely to share their complaints than their compliments, but the evidence of our survey suggests otherwise. More than half the sample (53 percent) say they are equally likely to share good and bad experiences, and almost a quarter (22 percent) are more likely to share good experiences than bad. A much smaller proportion (9 percent) are most apt to share negative experiences.

It is worth noting that having a mobile device at hand will make it even easier for consumers to share their opinions of a brand experience on social media *as they are having it*, while the flush of pleasure or the flash of anger is still present.

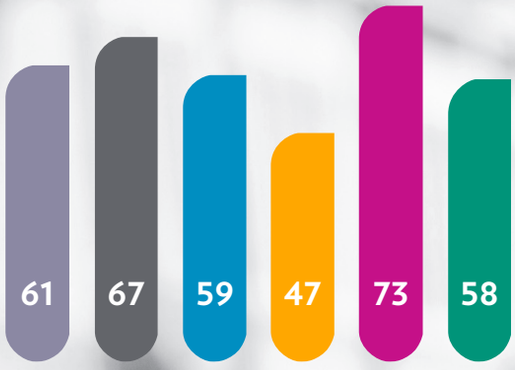
TOO MUCH INFO, TOO MANY CHOICES



SHOPPING ONLINE CAN SOMETIMES BE OVERWHELMING

BLOGS AND SOCIAL MEDIA ARE INFLUENCING PURCHASE DECISIONS

I DO LOTS OF CONSUMER RESEARCH ONLINE

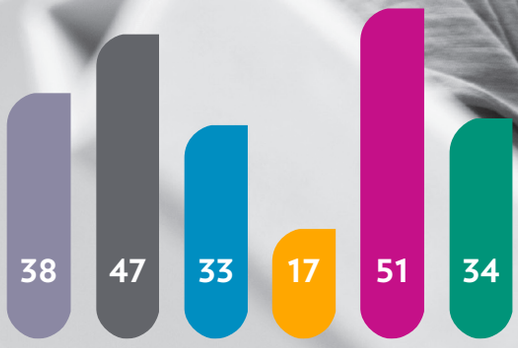


I TRUST CUSTOMER REVIEWS MORE THAN "EXPERT" REVIEWS

MORE LIKELY TO SHARE GOOD EXPERIENCES

MORE LIKELY TO SHARE BAD EXPERIENCES

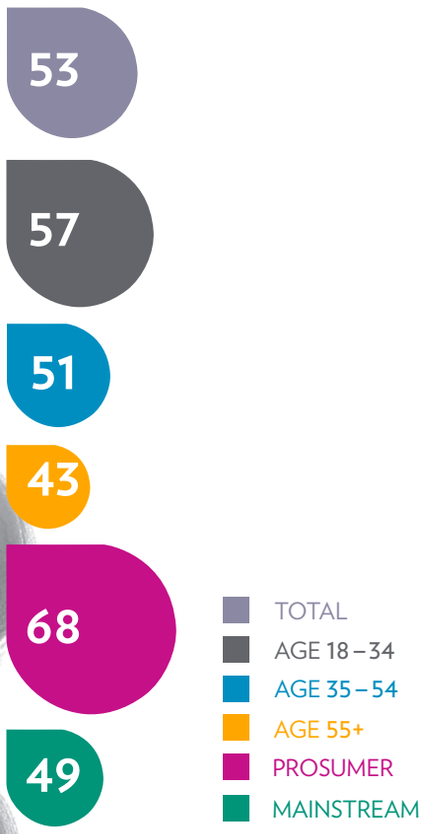
I SHARE BOTH ABOUT THE SAME



OVER THE LAST YEAR, NONBRANDED BLOGS OR SOCIAL MEDIA MADE ME CHANGE MY MIND ABOUT A PRODUCT OR SERVICE I HAD INTENDED TO BUY

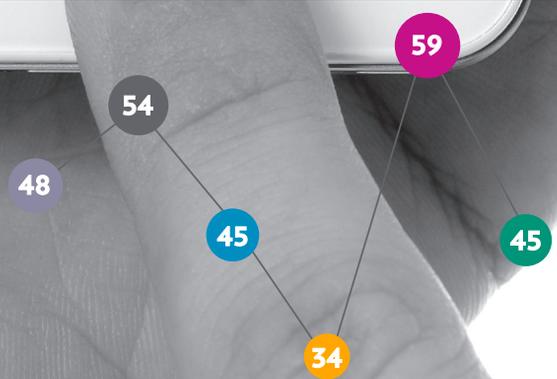
I SHARE INFORMATION ONLINE ABOUT BRANDS / PRODUCTS I USE

A NEW BRAND COMMUNICATIONS PIPELINE



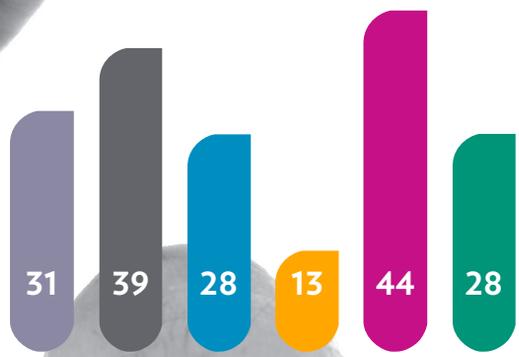
COMPANIES ARE MORE RESPONSIVE TO CUSTOMERS WHEN THEY COMPLAIN VIA SOCIAL MEDIA

HEIGHTENED EXPECTATIONS OF BRANDS ON SOCIAL MEDIA



IT ANNOYS ME IF I DON'T GET A FAST RESPONSE FROM A COMPANY OR BRAND I CONTACT VIA FACEBOOK, TWITTER, OR ANOTHER SOCIAL MEDIA CHANNEL

PINTEREST INFLUENCES SHOPPING



PINTEREST INFLUENCES MY SHOPPING BY GIVING ME IDEAS AND LINKING ME TO PRODUCTS I LIKE

BRANDS IN SOCIAL MEDIA: YES, NO, AND OK

Social media presents a series of challenges to brands across the board. In paid media, the overall tone is set by the publishers and the content they elect to share. And that content is relatively static (e.g., an article or advertisement). In most social media, the tone is set by individuals engaging in conversations with one another; the tone varies from group to group, but it's essentially person-to-person and fluid, as the casts of characters change over time. Consequently, brands have to be more malleable and personal in the social media environment. They have to speak more as real people do. And they have to convey a sense of the real human being(s) behind the communication, not as brandbots. Conversations in social media are spontaneous, interactive, and responsive, which is very different from traditional models of brand communication. Brands that want to be involved in the space have to have something more interesting to share than a standard sales come-on.

How do consumers feel about brands encroaching upon their social space online? Ambivalent. On the plus side, well over half (58 percent) of consumers feel more connected to *certain* brands these days because they are able to learn more about them and interact with them online; this attitude is strongest among millennials (64 percent) and especially Prosumers (77 percent). Similarly, around 4 in 10 respondents feel engaged with at least one company or brand on a social media site; here, too, agreement is far stronger among millennials (52 percent) and Prosumers (62 percent). There are clear signs that brands can expect more business from being present in social media: Almost half of millennials (47 percent) and a majority of Prosumers (53 percent) rate themselves as more likely to purchase from a company/brand that is active on social media sites.

On the minus side, a sizeable proportion of people tend to think that Facebook and other social networking sites should be off-limits to companies and brands. The split on this statement was 36 percent agree, 36 percent neutral, and 28 percent disagree, suggesting there is some wiggle room for brands that do it right. Around 4 in 10 respondents say that brands on social media sites are intrusive.

So what tips the balance of opinion for or against a brand in social media? The critical factors are **responsiveness** and **usefulness**. Consumers expect brands to *listen and respond appropriately* to them online. And an expectation exists that the squeaky wheel will get the grease: A majority of global consumers (68 percent of Prosumers vs. 49 percent of the mainstream) think companies are more responsive to customers when they complain via social media. And that means there are consequences for brands that fall short in this regard: Almost half of global consumers (48 percent) are annoyed if they don't get a fast response from a company or brand they have contacted via Facebook, Twitter, or another social media channel; this touchiness is even stronger among Prosumers (59 percent) and millennials (54 percent). More than 4 in 10 respondents want brands and companies to offer something in exchange for their engagement; they claim to only interact with brands on social media if they offer discounts or prizes.

The overall lesson for brands in the social media space is that consumers regard them with a sort of conditional acceptance, just as they regard one another. If anybody name-checks a brand directly, the brand should respond, especially if there's a complaint involved. And if the brand wants to attract the interest of consumers, it must make it worth their while by offering something of value, whether it be useful information, a discount, a sneak preview, or something else.

One site that has hit the sweet spot of social media and branding is Pinterest, the image-sharing site that opened to the public in 2011. Almost one third of global consumers (31 percent) said that Pinterest influences their shopping by giving them ideas and linking them to products they like. That says a lot for a site that's been active for just two years. What's more, even higher numbers of millennials (39 percent) and Prosumers (44 percent) are influenced by Pinterest. The site is a long way off from realizing its potential as a sales tool, but it introduced new tools and terms of service last year to make clear that brands are welcome to use the site as a platform for commerce.

SEAMLESS AND RICHER BRAND EXPERIENCES

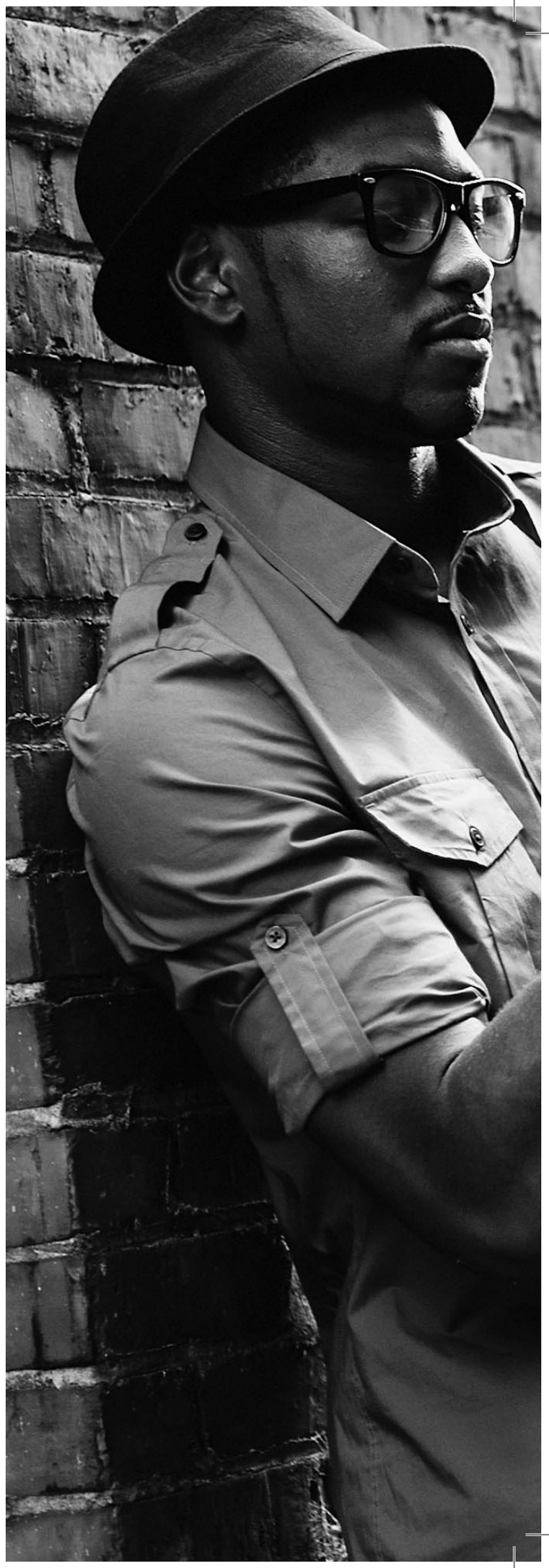
Digital has come so far, so fast, it is tempting to imagine that the pace of development will slow down. It won't. What has been happening thus far has been about establishing the basic digital components of new ecosystems for consumers:

- Interactive devices—initially computers, then mobile devices such as smartphones and tablets
- Networks and technologies that connect them all together at high speeds
- Software that performs useful tasks
- Storage systems to hold, manage, and deliver huge amounts of data

These are the foundations that will enable new developments, which in turn will create completely new levels of customer experience.

Consumers' deal-seeking appetites can be well served by brands that understand how online and offline can fit together. Meat Pack is one of the trendiest shoe stores in Guatemala. In an initiative that's become a viral legend, the brand created an enhancement for its official app. Thanks to GPS, the app detected when users entered a competitor store and flashed an alert offering a 99 percent discount at Meat Pack, but with a catch: The discount decreased by one percentage point per second, so the would-be sneaker buyer had to move very fast. The initiative was aptly called Hijack, and it enabled Meat Pack to snatch 600 customers in one week with a blend of location, connectivity, smart discounting, and motivational incentives.

With location-based services and QR code scanners on mobile devices, there is infinite scope for brands to create this sort of smart, attention-grabbing promotion. People online are probably even more price-sensitive than people offline, since good prices and great deals are one of the main benefits of shopping via the Internet. We know from our study that before buying a product or service, more than two-thirds of global consumers (68 percent) ask themselves whether what they're seeing is the lowest price possible. When all offers can be seen and compared, why would anyone pay more than they have to?



It turns out, there may be some reasons to do just that.

One reason is that online not all brands and not all low prices are what they seem. It's easy for determined deceivers to set up slick websites offering hot products at unbeatable prices. For example, Vibram, maker of running shoes, created an unlikely hit product with its FiveFingers shoes in 2007. They're like gloves for the feet, fitting each toe and giving runners the feeling of going barefoot while providing essential protection. Despite their apparently simple design, they're not simple to make, and at US$75 to $160 a pair, they're not a casual purchase. By 2010, more than 100 websites had sprung up selling fake FiveFingers shoes at much lower prices. The company had to create a page with detailed instructions to help consumers distinguish between legitimate products and the fakes.

Just as they do offline, brands have an important role to play as guarantors of quality and trustworthiness online. That's one of the big benefits of established online consumer sites such as eBay and Amazon Marketplace: They enable consumers to buy low-price goods offered by third parties, but with the guarantee of the host brand and the reassurance of customer reviews.

Major digital players such as Apple and Amazon understood early on that they had an opportunity to combine basic digital components into seamless and distinctive brand experiences. With its Kindle family of portable devices, Amazon has created a new platform for purchasing and consuming the digital content it sells. For Apple, the iPhone and the iPad have become centerpieces of the brand experience, giving owners easy access to music, movies, and apps through the iTunes store online, as well as reasons to visit Apple Stores offline. And payment is as easy as typing in a password.

IMPLICATIONS FOR TODAY

SMARTER IN-STORE SHOPPING: To battle "showrooming" and the allure of online bargains, brick-and-mortar retailers need to make full use of mobile analytics and capabilities to engage shoppers in-store with everything from instant coupons and price matching to interactive product demos. In-store-only products and bundles also give shoppers a reason to buy on site. Office product company Staples is experimenting with a new retail format that incorporates a business lounge with meeting space and mobile workstations.

COMBINING COMMERCE AND COMMUNITY: Smart retailers will make e-tail shopping a more social and fun experience the way Woot has done with its engaging brand personality, fast-paced deals, and user interaction.

MOBILE AS FIRST SCREEN: People are increasingly using mobile as the starting point for purchase decisions, whether to search for information or tap-to-purchase. Brands should be developing mobile-first strategies that are responsively designed to user behaviors, including user experience, location, time, and place.

STOCKPILING SOCIAL CURRENCY: A brand's social identity matters—and requires more care than simply maintaining a Facebook page that pushes out content most people don't value. Social currency is earned through cross-platform relationship building centered on a vibrant brand identity. Important: Being active in social media does not require being omnipresent. Focus on the channels that work best for you—and your customers.

PERSONAL SHOPPERS FOR ALL: We all put a lot of information out there—through profile preferences, social media posts, email sign-ups, and more. As a result, we increasingly expect the world to know us better, and that especially includes our brand partners. To stay relevant on the path to purchase, brands need to actively listen and respond appropriately by knowing to whom they're talking and delivering individualized value (e.g., personalized product recommendations, gift finders, reviews from social peers).

SPEED COUNTS: The ubiquity of overnight delivery has eroded consumers' patience for delays. Amazon is adding distribution centers across the US to ensure more of its products reach their targets within 24 hours and is giving customers the option of quick delivery to secure lockers in nearby retail locations. eBay and Walmart are among the retailers experimenting with same-day delivery via courier.

WHAT TO EXPECT IN 2025

THE END OF CASH: Offline, in most of the world, payment systems still rely on cash or physical credit cards. The exceptions are Japan, Korea, and parts of Africa, where digital wallets have become an established part of the commercial ecosystem. Much of the rest of the world will move in that direction as increasingly sophisticated functions and biometrics make the device not just a way of paying for products in any store, but also a way for retailers to communicate and engage. For consumers, as envisaged by electronic transactions consultancy Hyperion, this means that when you walk into your favorite coffee shop, your wallet will open up to show you any offers, invite you to order, and confirm payment. All you have to do is go to the waiting area and listen for your name. Goodbye, POS. And goodbye, cards too.

THE WORLD AS YOUR COMPUTER: Just as we have already moved away from wired computing, we'll see today's discrete devices transformed into interactive surfaces throughout our worlds—e.g., imbedded into refrigerators, cars, and restaurant tables. Biometrics will make all our digital transactions a seamless part of our everyday lives.

DIGITAL SHOPPING 2.0: Already we're seeing e-shoppable storefront displays that allow passersby to order goods for home delivery. In New York City, sidewalk shoppers can order products from Kate Spade Saturday via a giant touchscreen window display. Purchases—made via PayPal—are delivered by courier within the hour. This system requires minimal space, meaning companies can "stock" many more items in high-end locations than would otherwise be cost-effective.

PERSONALIZED CURATION: As buying decisions become more complex, we'll maintain individualized databases of preferences and needs to make smarter—and simplified—choices. In the market for a new car? Your personalized curator will narrow down the options based on a wide range of collected data, including typical number of passengers, driving style, entertainment and style preferences, area weather patterns, and more.

COMPETING ON APPS: Currently, around 80 percent of all m-commerce purchases take place via apps. The race to secure app loyalty will propel a rapid rise in development—and lead innovative retailers to persuade consumers to install their app above those of competitors. Look for more apps to get "smarter" through use, giving consumers reason to remain loyal.

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