My Shopping, My Way

Are You Ready for the Tech-Shaped Consumer?

Cisco Internet Business Solutions Group (IBSG)

Lisa Fretwell, Jon Stine, Andy Noronha

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Agenda

- Executive Summary
- According to the Research
- A Significant Opportunity
- Achieving the Potential

Source: Cisco IBSG, January 2011

Executive Summary

- Consumers' behavior and expectations are being rapidly shaped by technology
- This situation is accelerating retail commoditization
- Cisco IBSG research indicates retailers can increase sales, grow conversion rates, and preserve margins by creating "mashops" that combine web-like experiences with the store shopping experience
- The research also shows retailers should focus on "calculating shoppers" (56% of population) rather than "extreme shoppers" (11% of population)
- Several leading retailers are already creating mashop experiences
- To begin, understand the experiences needed to enhance your brand promise, create a technology-based platform to deliver the needed experiences, and reassess / adjust
- Retailers that fail to embrace mashop experiences will be more susceptible to commoditization

Source: Cisco IBSG, January 2011

Three Transitions Impacting Retail

Technology Adoption

- **Mobile shopping clicks with consumers, retailers**
  —*Chicago Tribune,* 11/10
- **A high-tech edge on Black Friday**
  —*The Wall Street Journal,* 11/10

Generational Impact

- **Bust of the baby-boomer economy: "generation spend" tightens belt**
  —CNBC, 1/10
- **Gen X and Y pave way to economic recovery**
  —Adweek, 3/10

They're Seeking Deals

- **Shoppers flock back to the mall to hunt deals**
  —*The New York Times,* 11/10
- **Black Friday gains, but consumers stay nervous**
  —MSNBC, 12/10

Sources: *The New York Times,* MSNBC, *Chicago Tribune, The Wall Street Journal,* CNBC, Adweek (all 2010)

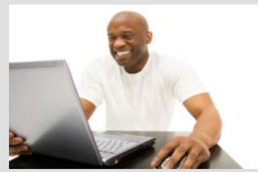
1 According to the Research

Why Cisco Conducted the "My Shopping, My Way" Shopper Survey

- Consumers using more technology to help shop
- Tested hypotheses about the future of shopping
- **Survey goals:**
  - Understand how / why consumers use technology
  - Learn how technology is shaping consumers' behavior / expectations
  - Test delivery of technology-enabled shopping experiences that empower customers

Source: Cisco IBSG, 2010

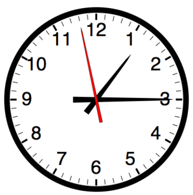
Technology Commoditizing Retail Due to Increased Data Access / Transparency

	Calculating Shoppers (56%)	Extreme Shoppers (11%)
		
	Gen Y (32%), Gen X (39%), Boomers/Silvers (29%)	Gen Y (58%), Gen X (30%), Boomers/Silvers (12%)
Deal-seeking time higher than 2 years ago	66%	73%
Deal-seeking time to increase in 2 years	51%	61%
Have used group buying sites	23%	42%
Have used retailer Facebook sites	**31%**	**56%**
Have used coupon-sharing sites	**33%**	**60%**
Use iPhones / Android devices	18%	65%

Source: Cisco IBSG Research & Economics Practice, 2010. Note: U.S. respondents.

Top Reasons Consumers Use Technology for Shopping

1. Find lowest price: 63%



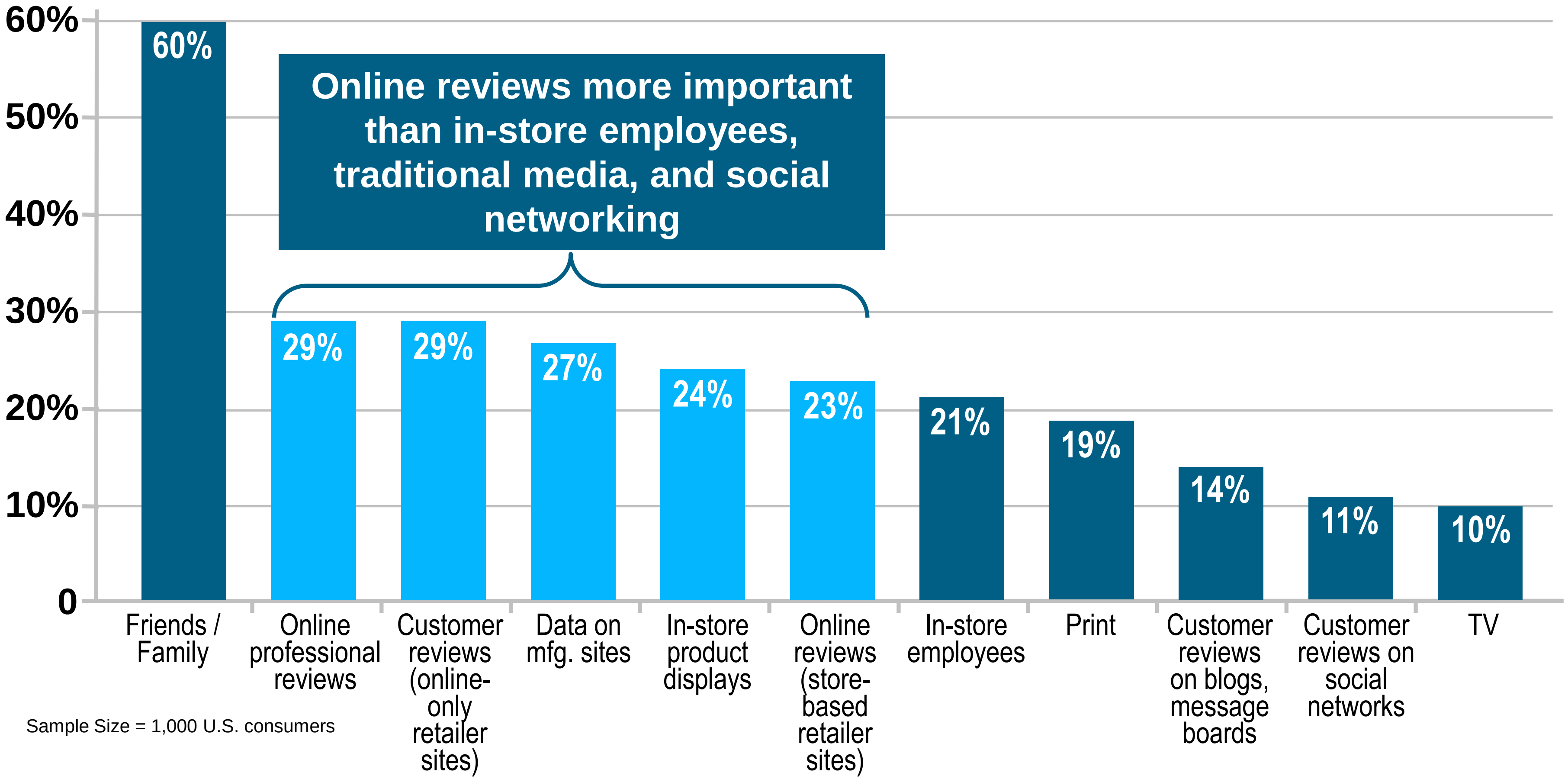
2. Save time: 47%

3. Find best selection: 26%
   Find best-quality product: 25%

Source: Cisco IBSG Research & Economics Practice, 2010. Note: U.S. respondents.

Technology Is Reshaping How Shoppers Make Buying Decisions…

Which of the following are the three most important sources of information that you use to help make buying decisions?

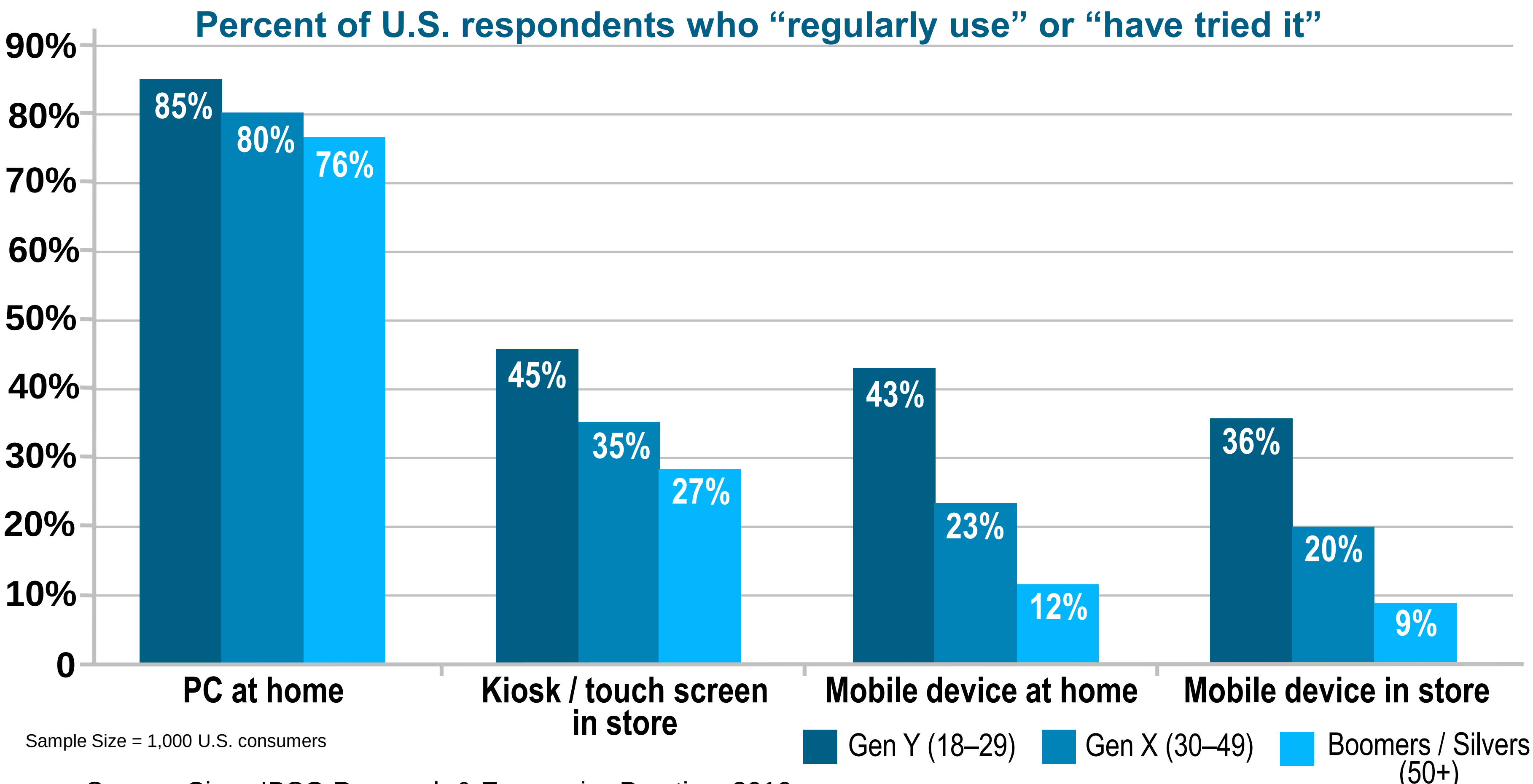


Sample Size = 1,000 U.S. consumers

Source: Cisco IBSG Research & Economics Practice, 2010

…And How They Access Information

What is your experience with using each of the following technologies to look for product or pricing information before you purchase?



Sample Size = 1,000 U.S. consumers

Source: Cisco IBSG Research & Economics Practice, 2010

2 A Significant Opportunity

New Technology-Based Shopping Concepts “Mash Up” Virtual / Physical

Physical (stores)

+

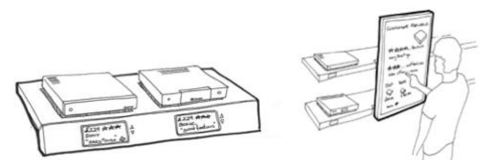
Virtual (web)

= “Mashop”

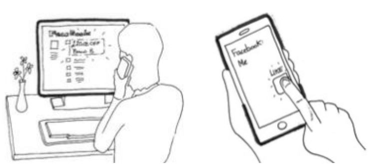
Mashop Experiences Empower Shoppers in Your Store

Personalized product offers

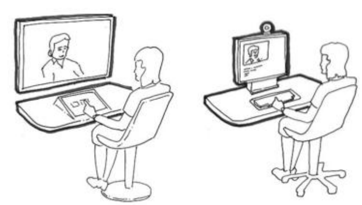
One-click mobile payments



Shelf-edge access to deep, net-like knowledge



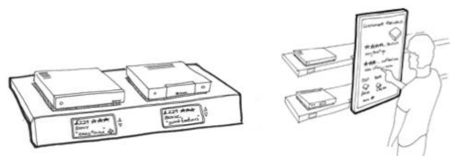
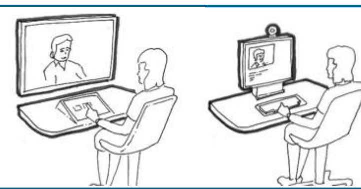
Multi-touchpoint social media customer care



Virtual expert adviser

Source: Cisco IBSG, January 2011

Cisco Technology Can Be "Mashed Up" To Deliver Mashop Solutions

Mashops		Cisco Solutions
Shelf-edge access to deep, net-like knowledge		Cisco Digital Media Suite (DMS) + interactive signage + content distribution network (CDN) + medianet
Personalized product offers		DMS + interactive signage + CDN + Wi-Fi + context- / location-based services
Virtual expert adviser		Cisco TelePresence + Unified Contact Center (UCC) + Cius + medianet
One-click mobile payments		PCI solution for retail + Wi-Fi + POS integration + web
Multi-touchpoint social media customer care		Cisco SocialMiner + UCC + Wi-Fi + context- / location-based services + network + interactive signage

Source: Cisco IBSG, January 2011

Why Shoppers Prefer Mashop Experiences

Physical (stores)

+

Virtual (web)

= "Mashop"

- Physical availability
- See, touch, smell
- Try it, use it
- Human interaction

- Peer reviews / ratings
- Feature and functionality comparisons
- Price comparisons
- Detailed product information, specifications, videos
- Recommendations

Combined physical / virtual experience

Source: Cisco IBSG, January 2011

Mashops Offer Self-Discovery In the Store To Drive Sales

Information from Web (55% Interested)

- **Shopper preference**
  - 65%: touch screen at shelf
  - 54%: touch screen in aisle
- **Shopper value**
  - 28%: comparative pricing
  - 25%: detailed information
- **Pilot indications**
  - Shelf-edge conversions: 8%+

Personalized Offers (54% Interested)

- **Shopper preference**
  - 73%: touch screen at shelf
  - 60%: store-entrance kiosk
- **Shopper value**
  - 48%: relevant offers
- **Pilot indications**
  - Increased traffic from loyalty program participants

Virtual Video Adviser (44% Interested)

- **Shopper preference**
  - 53%: tablet PCs
  - 44%: TelePresence
- **Shopper value**
  - 41%: real expert
  - 28%: convenience
- **Pilot indications**
  - Cross-channel customers increase 2x, spend 3x

Source: Cisco IBSG Research & Economics Practice, 2010

Leading Retailers Already Creating Mashop-Type Experiences

Best Buy Connected Store

- Web / physical / mobile experiences in store
- Shopper self-discovery
- Endpoint options

John Lewis

- Multichannel ordering / multi-endpoint delivery
- Store: staff / kiosks / web / contact center / mobile

Home Improvement Retailer

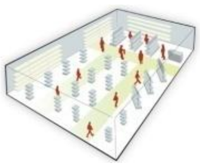
- Mashed-up web, physical, video experience
- Design services in store

Cisco IBSG's View

- Shoppers like control / self-discovery
- Shoppers get best prices / quality, save time
- Pilots show increased sales from conversions, upselling, cross-channel spend
- Opportunity to rethink store operating model

Sources: Best Buy, 2010; John Lewis, 2010; Cisco IBSG, January 2011

Mashop Solutions Will Drive New Operational Models

		Specialty / Service-Based	Mass-Merchandisers
	**Labor Productivity**	▪ Self-discovery ▪ Multistore experts ▪ Mobile checkout / warranty	▪ Self-discovery ▪ Self-checkout / warranty
	**Range / Space**	▪ Exhaustive / personalized range ▪ Inspirational experiences ▪ Larger range, smaller stores	▪ Virtual ranges at many touchpoints ▪ Smaller stores ▪ Virtual pop-up retail
	**Fulfillment**	▪ Buy online, pick up in store ▪ Try before you buy / pick up ▪ Micro slots / same-day delivery	▪ Direct supplier delivery ▪ Multichannel ordering ▪ Multipoint delivery
	**Pricing**	▪ Dynamic cross-channel pricing	▪ Dynamic cross-channel pricing
	**CRM**	▪ Real-time customer view	▪ Self-managed customer view

Source: Cisco IBSG, January 2011

3 Achieving the Potential

Three Development Phases

Established: Shopping *with* Technology

Shopper preference

- Self-checkout
- Loyalty offers
- Price check / lookup
- Self-scanning

Web

- Product search
- Price comparison
- Peer reviews
- Personalized offers
- One-click checkout

Emerging: Shopping *Shaped by* Technology

Net-like behaviors reach store

- Mobile Internet
- Location-based services
- Comparison apps.
- Social networks
- Augmented reality
- Group consumption
- Interactive touch screens
- In-store online ordering
- Digital signage

Empowering: Technology *Ingrained in* Shopping

Mash up virtual into the physical

- Self-checkout
- Loyalty offers
- Price check / lookup
- Self-scanning

Examples

- Deep search / finding
- Peer reviews / comparisons
- Virtual expertise
- Personalized, location-based offers
- Social customer care

Source: Cisco IBSG, January 2011

Looking Ahead: Target Demographics Should Guide Your Roadmap

	In-Store / At Home Shopping *with* Technology	**All About Mobility** Shopping *Shaped by* Technology	**Mashop Solutions** Technology *Ingrained in* Shopping
 **Gen Y**		**Now**	**This year**
 **Gen X**	**Now** →	**This year** →	**1-2 years**
 **Boomers / Silvers**	**Now**	**Bypass mobility-centric phase?** →	**1-2 years**

Source: Cisco IBSG, January 2011

Looking Ahead: Segments / Competition Should Also Guide Your Roadmap

	In Store / At Home Shopping *with* Technology	All About Mobility Shopping *Shaped by* Technology	Mashop Solutions Technology *Ingrained in* Shopping
 **Food**	**Today's Baseline** **The Store** ▪ Self-checkout ▪ Loyalty offers ▪ Price check / lookup ▪ Self-scanning	▪ Smartphones ▪ Digital signage	▪ Location-based offers ▪ Personalized offers ▪ One-click mobile checkout ▪ Social customer care
  **Nonfood**	**The Web** ▪ Product search ▪ Price comparison ▪ Peer reviews ▪ Personalized offers ▪ One-click checkout	▪ Smartphones ▪ Digital signage ▪ Social media	▪ Deep search at shelf edge ▪ Shelf-edge peer reviews / comparisons ▪ Virtual expertise: store, web, on the go ▪ Interactive / immersive experiences ▪ Social customer care

Source: Cisco IBSG, January 2011

Key Business and Technology Questions To Ask for My Shopping, My Way

1. Brand Promise

- What's the differentiating brand promise?
- Where are customers digitally active?

2. Customer Experience

- Which net-like experiences will deliver brand promise in stores?
- What's the tech roadmap?

3. Operations

- How can labor be reallocated / optimized?
- Which infrastructure improvements will be required?
- How will CRM be delivered to all touchpoints?

4. Business Value

- How can mashop solutions reinvigorate your store?
- How can they increase basket size, stock turnover, margins?
- How will shopper self-discovery optimize labor allocation?

Source: Cisco IBSG, January 2011

I expect the Internet experience in the store *and* the store experience on the Internet.

CISCO