

What Consumers  
**WANT**



in Their

# SHOPPING Experience



 **sterling commerce**  
An AT&T Company

**Deloitte.**



# Executive Summary

## Dear Retailer,

You don't need me to tell you that convenience, product complexity, and service have all played a role in how customers shop and with whom. As a retailer, you know how dramatically consumers' shopping habits have changed. Wouldn't it be useful to understand your customer's in-store and online shopping preferences so you could better execute a cross-channel strategy?

Sterling Commerce conducted an online survey of 5,000 consumers to understand consumer preferences and attitudes when shopping online and in traditional retail channels. There were some surprising results. The responses provide tremendous insight into the consumer's expectations for selling and fulfillment. Below are highlights from some of the important findings, along with the page number where you can find more detail on the topic within this document.

Key Findings	
Page 11	Both online shoppers and offline shoppers had three major areas of dissatisfaction with their shopping experience: Lack of information availability, out-of-stock items, and lack of assistance/poor customer service from store personnel. Retailers capable of addressing these issues can expect increased customer loyalty, increased same-store sales, and improved margins.
Page 7	Consumers ranked online notifications higher than product rating and review features. Consumers also chose proactive notification of delayed shipments as one of the important features that increases trust in a retailer, creating a compelling argument for the importance of supply chain visibility and customer communication.
Page 10	Tracking an order across channels is also a necessity, with 57% of consumers stating that it is important for them to be able to monitor the status of their order via the Web, a 1-800 number, or through customer service in a store, regardless of whether that order was placed online, through the catalog, or as a special order in a store.
Page 12	Seventy-two percent of consumers say that finding sale items out of stock decreases their willingness to shop with that retailer. That is a huge number. Think how margins would improve with an integrated fulfillment system capable of managing inventory everywhere.
Page 9	Flexible inventory visibility and management processes are very important to consumers. Sixty-nine percent say it is important for a retailer to be able to locate an out-of-stock product at a different location, and then provide the consumer with various delivery options. Given the negative consumer attitude toward stock-outs, having the ability to save the sale — even in the face of a stock-out — is critical for retailers concerned about customer retention and top-line growth.
Page 9	Consumers are becoming more familiar with the experience of a single retailer offering products across multiple channels. They expect the communication and service options related to these products to be seamlessly merged. Retailers who do not provide a single face to their consumers with cross-channel execution will begin losing customers to retailers that do.

Consumers increasingly expect a higher level of sophistication in technology and choice when shopping, and they expect to experience seamless communication across a variety of channels. As emerging or alternative shopping channels become more mainstream, consumers will become even more exacting in their preferences and expectations regarding their shopping experiences — a trend that makes it difficult for retailers to keep pace. We hope that the results of this research will provide a platform for discussion and decision-making in your business.

At the conclusion of the survey analysis, you will find our take on cross-channel execution, as well as, a point of view from Deloitte. These insights give retailers food for thought on executing a cross-channel strategy; however, the discussion goes much deeper. To get more detailed results from the survey, to schedule an executive briefing to highlight how other retailers are addressing these industry trends, or just to ask a question, call me at 978.513.6330. I'll be happy to oblige.

Best regards,  
Jim Bengier  
Global Retail Executive  
Sterling Commerce

# Methodology

In June and July 2007, Sterling Commerce conducted an online survey among general consumers. The purpose of the survey was to understand consumer preferences and attitudes to shopping online and in traditional retail channels.

The sample consisted of 5,003 U.S. male and female consumers, aged 18 and older. To qualify for the survey, participants had to have made a purchase at some kind of traditional retail store in the past 3 months. Participants were divided into 2 groups: those who had made a purchase online in the past 12 months and in a traditional retail store within the past 3 months, and those who had not made an online purchase in the past 12 months but had made a purchase in a traditional retail store in the past 3 months.

Age, gender, and income quotas were established to ensure the collected sample was demographically consistent with the general Internet population. Participants were also asked several demographic

questions, including level of education, marital status, presence of children in the household, and employment status. These questions were used for analytical purposes only.

The sample source used for the survey was DMS Research, a subsidiary of AOL/Time Warner. DMS Research operates Opinion Place, which is an online sample portal that has access to more than 114 million unique users. Unlike a typical online panel that uses an invitation-based approach, Opinion Place draws samples through consistent, broad-based online promotions that engage respondents who would not otherwise participate in online research. Opinion Place's continuous source of respondents enables sampling of general online users, not just those interested in research.

All survey respondents received an incentive for participating in the survey via Opinion Place, varying from American Airlines AAdvantage miles to cash credits and online gift certificates, depending on the preference of the respondent.

<b>N=5003 general consumers</b>	
<b>Shopper Type</b>	<b>N (%)</b>
Purchased online and in-store in past 12 months	4501 (90%)
Purchased in-store only in past 12 months	502 (10%)
<b>Gender Distribution</b>	
Men	2005 (40%)
Women	2998 (60%)
<b>Age Group Distribution</b>	
18-34	1566 (31%)
35-49	1894 (38%)
50 or older	1543 (31%)
<b>Household Income Distribution</b>	
<\$40,000	1751 (35%)
\$40,000 - \$79,999	2244 (45%)
\$80,000 or more	1008 (20%)

## Consumer Demographics by Gender

	Men	Women
<b>Age Group Distribution</b>		
18-34	15%	42%
35-49	36%	39%
50 or older	49%	19%
<b>Household Income Distribution</b>		
<\$40,000	28%	39%
\$40,000 - \$79,999	42%	47%
\$80,000 or more	30%	14%
<b>Education</b>		
Less than/some high school	1%	2%
High school graduate	15%	23%
Some college/college graduate	66%	66%
Advanced degree	18%	9%
<b>Marital Status</b>		
Single	25%	22%
Married	54%	54%
Divorced/Separated	12%	12%
Living with Partner	6%	8%
Other	3%	4%
<b>Presence of Children in Household</b>		
None	76%	49%
One or more children	24%	51%
<b>Employment</b>		
Working full-time	56%	46%
Working part-time	7%	15%
Looking for a job	2%	3%
Student	1%	4%
Retired	28%	7%
Taking care of the household	2%	20%
Other/did not answer	5%	5%
<b>Ethnicity</b>		
Asian/Asian-American	2%	2%
Black/African-American	4%	6%
Latino/Hispanic-American	3%	5%
White/Caucasian	87%	83%
Other/did not answer	4%	4%



## Online Shoppers and Online Avoiders

Consumers increasingly view online shopping as an accepted channel option in the retail universe. Not only do consumers have a wide variety of traditional retail channels to choose from, they also have ever expanding options of online “stores” in which to shop.

Avoiding the in-store environment is a critical motivator for online shoppers.

Consumers were adamant that when deciding whether to make a purchase from a Web site, it was important for the retailer to be able to indicate whether products are in stock and available to be shipped. **Best Buy implemented a Web selling solution from Sterling Commerce that not only provides up-to-date inventory availability from Best Buy’s distribution partners, but it also provides order and shipment status information.** The same application powers their call center interface providing key information for cross selling and upselling.

Recent reports reveal that approximately 70% of U.S. adults use the Internet. Nearly three-quarters of those users reported ever purchasing a product online. (Pew Internet & American Life Project, August 2006)

Research findings indicate that consumers are motivated to shop online for a variety of reasons including convenience, product information, avoidance of the traditional store environment, availability of products, and pricing.

Convenience is the top-rated motivator for shopping online among consumers, with 88% of consumers stating that they like being able to shop online at any time of the day. Product shipping is regarded as quick by over one-third of consumers, shoppers can pick up their product in-store if they desire (27%), or they can return the product in-store if necessary (28%).

Two-thirds of consumers value the ability to research multiple products online at the same time, while nearly half feel that they can obtain better product information online than in-store.

Avoiding the in-store environment is also a critical motivator for many consumers. Over half prefer not to deal with sales personnel, while 44% found that it is easier to find product information online than it is to find a sales person to provide help.

Product selection and availability online motivates more than one-half of consumers when deciding to shop through the Web. An equal number say they can buy products online that were not available in stores, and 40% liked the fact that products were usually in stock online.

Only 40% of consumers state better prices online are a strong motivator for shopping in a particular venue. Similar prices between retail stores and associated Web sites, along with a general sense of dissatisfaction with shipping costs, play a role in the lower-than-expected perception of better prices online.

Gender differences, while few, do exist among consumers when choosing to shop online. Men are more price-conscious than women (43% of men believe that prices were better online vs. 38% of

women), while women appreciate the wider variety of products available online (57% of women vs. 51% of men).

Although online shopping is an accepted shopping method for a wide variety of products, consumers are selective in what they choose to purchase in that channel. CDs and DVDs are the most popular items purchased online, with 60% of online consumers purchasing them. Books follow at 55%, with clothing (50%), computer equipment (38%), and electronics (33%) rounding out the top five most commonly purchased categories online.

Gender plays a role here as well. Men are more likely to buy computer equipment, electronics, sports equipment, and automotive parts/supplies, while women are more likely to buy CDs/DVDs, books, clothing/footwear, beauty supplies, home décor products, gift certificates, and custom products.

Nearly two-thirds of surveyed consumers reported making an online purchase in the past 30 days. Most consumers conduct some degree of research on products before they make a purchase. Surveyed consumers are fairly evenly divided between using online comparison tools to compare products (62%) and comparing products in person in a store (58%). One-third prefer to read consumer product magazines (like *Consumer Reports*), while 22% use product catalogs to compare products.

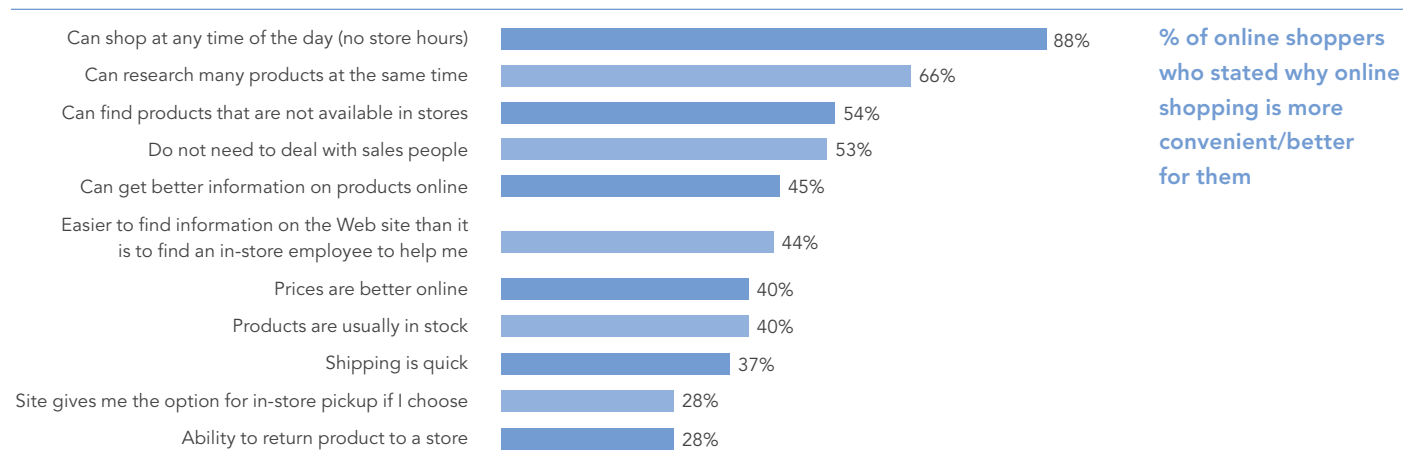
Despite the increased acceptance of online shopping throughout the U.S. consumer population, there is still a group of consumers that has not embraced the trend. Those who are less likely to

shop online tend to be 50 years of age or older, and prefer the overall in-store experience. Sixty percent of non-online shoppers would rather see and handle products in a store, rather than view them online. One-quarter of these shoppers also prefer to speak with sales personnel in-store. Credit card security is a major concern among 38% of non-online

**Consumers clearly voiced their preference for a retailer’s site guiding them through the purchase of configurable items. JCPenney addressed that need in their “made-to-measure” window blind business by implementing Sterling Multi-Channel Selling solution. With over 1.2 million possible product permutations, JCPenney needed an engine that could handle highly complex product configurations and prepare quotes with speed and accuracy. But, they were also able to capture additional revenue by automatically suggesting upsell options to customers. Within weeks of implementing the system they saw their percentage of incorrect or illegible orders drop from 33% to 0% and manufacturers’ lead time decreased by up to seven days.**

shoppers, and return policies figure prominently for this group with 37% believing that it is more convenient to return an item to a store rather than through another method.

More than one-third of non-online shoppers state that nothing can encourage them to purchase a product online. However, about half of online shopping avoiders are interested in free shipping and free returns or exchanges. In-store return options would attract one-third of these shoppers, and about 30% are interested in a no-tax price discount.





## Online Shopping Preferences

### Best Practices

Despite their relatively recent adoption of online shopping, U.S. consumers have quickly become very sophisticated and selective in their online shopping behavior. As consumers continue to shop online and experience a wider variety of Web sites, they quickly become accustomed to higher standards or “best practices,” and are exposed to leading-edge technologies. This exposure sets an increasingly high level of consumer expectation. Web sites that do not meet these expectations are removed from the consumer’s list of preferred shopping outlets.

Consumers have minimum requirements for information sources and technologies wherever they shop online. The costs of entry for a Web site include: detailed product information, pro-active communication with the consumer, quick shipping, a no-hassle return policy, and an overall convenient/easy shopping experience.

“Detailed product descriptions” is rated as very important by 81% of surveyed shoppers. It is also ranked as the #1 Web site feature by over one-half of shoppers. No other Web site feature received a #1 ranking by more than 4% of shoppers.

**70% of shoppers rank the ability to track an order once it ships as very important.**

Communication-based features are also rated very highly in terms of their importance to online shoppers. Seventy-six percent of shoppers rate “notification of any delays in filling or shipping the order” as very important, 74% feel the same way about receiving a “notification that the order has

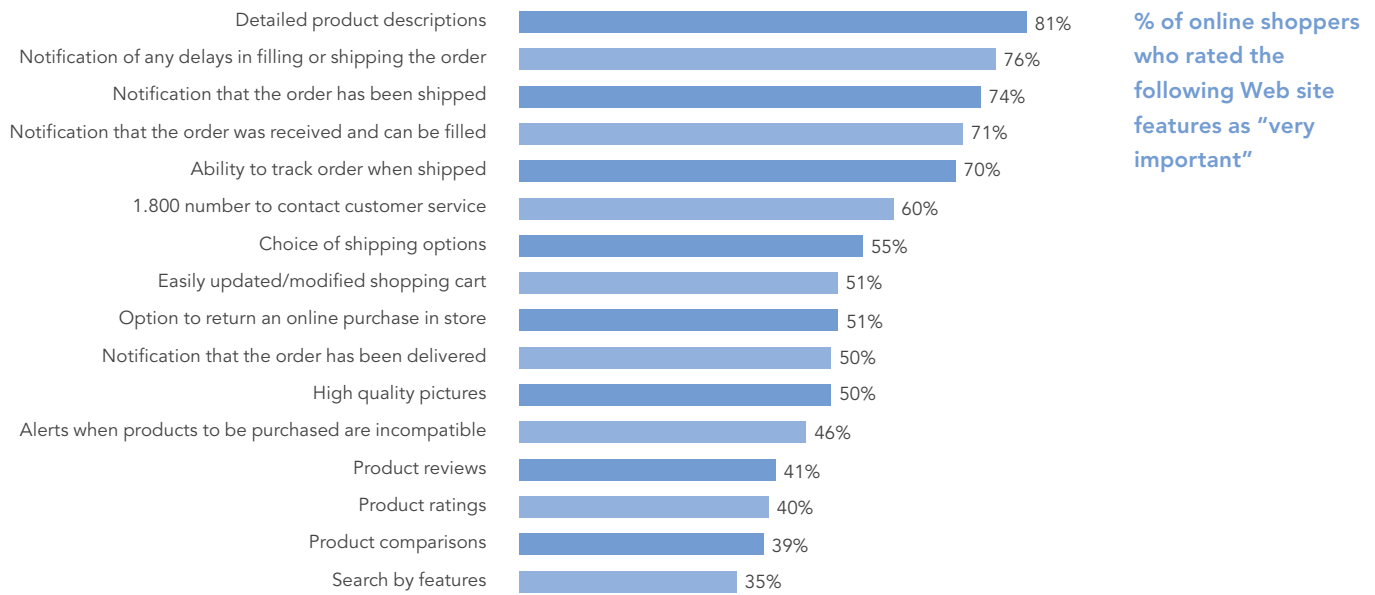
been shipped,” and 71% believe that “notification that the order has been received and can be filled” is also very important to their shopping experience online. Seventy percent of shoppers state it is very important that they have the ability to track their order once it ships, and 60% feel the same way about being able to call a toll-free number for customer service regarding their order. One-half believe that receiving a notification that their order has been delivered is also highly important.

Having a choice of shipping options available is also rated as very important by over one-half of shoppers surveyed. Online convenience features that rank highly among consumers include an easily updated/modified shopping cart on the Web site and the option to return an online purchase in-store. Both of these features are rated as very important by just over half of shoppers.

Finally, additional product information is of high importance to online shoppers. While detailed product descriptions are a base requirement for any Web site, shoppers also rate alerts when products to be purchased are incompatible with each other (46%), high quality pictures (50%), product reviews (41%), product ratings (40%), and product comparisons (39%) as very important to their shopping experience. Another 35% of shoppers feel the ability to search for a product by certain features is also of high importance.

Men and women are very similar in terms of their overall preferences and importance rankings for must-have Web site features. However, women appear to rate nearly every Web site feature about 10% higher in terms of being very important compared to men.





% of online shoppers who rated the following Web site features as "very important"

Web site feature preferences are also consistent across age groups. Some differences do appear on the need for additional product information, with a slightly higher proportion of those under 50 rating such features as high quality pictures, product reviews, product ratings, and product comparisons as very important compared to shoppers aged 50 and older.

## Major barriers to purchasing online most often are high costs and slow order/shipping fulfillment.

### Online Retailer Growth

Consumers indicate that when a Web site fulfills the five basic criteria mentioned previously — detailed product information, pro-active communication with the consumer, quick shipping, a no-hassle return policy, and an overall convenient/easy shopping experience — their trust in that Web site increases.

Consumers selected "accurate, detailed product descriptions" as the feature that most increases their trust in a Web site, with 79% of consumers choosing this feature. Notification that an order had shipped (66%), ability to call a 1.800 number for customer service (64%), and the ability to track an order once it has shipped (63%) closely followed.

Consumers were clear in their preference for visibility into the status of their orders and merchandise shipments. In an effort to improve their supply chain visibility and their interaction with suppliers, carriers, and other supply chain partners, a top-ten retailer leveraged our **Gentran Integration Suite™** to create a secure, robust supply chain gateway through which they could better access, exchange, and utilize critical externally-available business information.

Further notification that an order has been received and can be filled, or that there is a delay in filling or shipping the order, both at 59%, is also extremely valuable in increasing consumer trust.

Additional customer service, such as quick and useful responses via e-mail, increases trust among nearly one-half of shoppers surveyed. Another 42% indicate that product reviews on a Web site would increase trust, and 41% feel that a prominent Web site security certificate would help them feel more comfortable in shopping at a particular Web site.

Both genders share equal views on Web site trust. In terms of age, those under 35 place a higher importance on additional product information (such as product ratings and reviews) and are more comfortable in using online options (such as chat sessions) in which to receive customer service.

Retail Web sites must provide detailed product descriptions and excellent communication in terms of notification that an order has been received

**% of online shoppers who believe the following Web site features increase their trust**



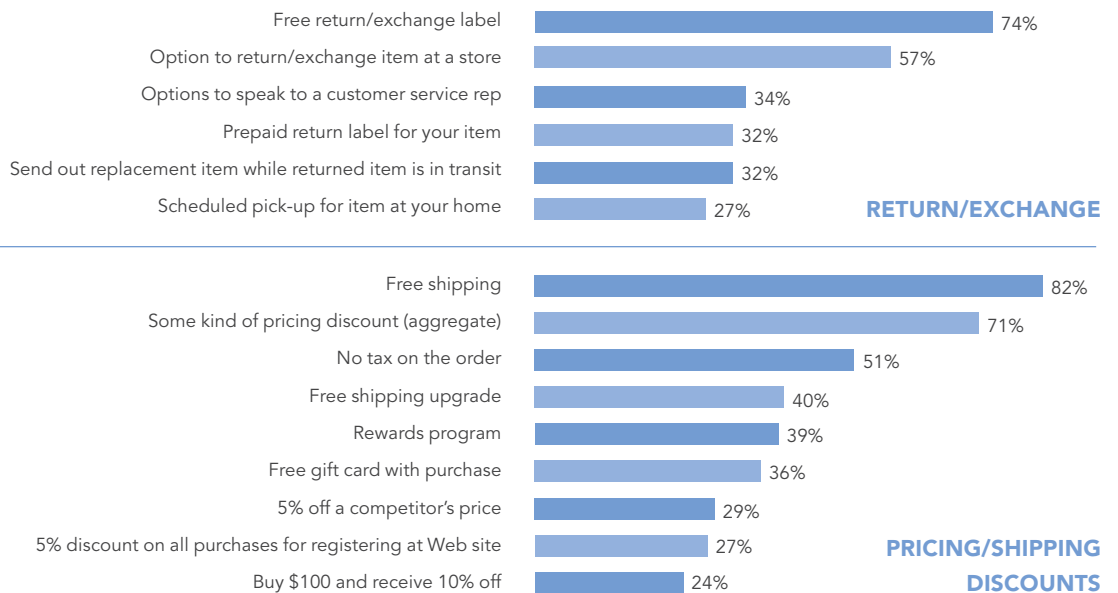
and can be filled, has been delayed or has been shipped, the ability to track an order, good customer service, and a menu of shipping options.

After choosing a Web site, consumers then refer to another set of criteria and/or considerations when making a purchase decision. Price, reputation and reliability, communication, and shipping methods play a significant role in moving the shopper from a browser to a purchaser. Nearly three-quarters of shoppers indicate that prices offered on the Web site are very important to them. Continuing with price, 69% of shoppers say free shipping is a very important factor when choosing to make a purchase and 58% feel that product discounts/deals/promotions are also important. Reliability of the

Web site (69%) and past experience with the Web site (63%) are both of high value to shoppers, while various levels of notification (such as order status, product availability and shipping delays) are very important to nearly two-thirds of shoppers.

Encouraging shoppers to make purchases from Web sites more often involves select price-related strategies; however, shoppers are also looking for offers that will increase the speed and convenience of their shopping experience. Shoppers indicate that the major barriers to purchasing online more often are high costs and slow order/shipping fulfillment. Shoppers do not take issue with the prices of the products themselves, but rather with the shipping costs attached to those products or the requirement

**% of consumers who selected an offer or a return/exchange option that would encourage them to shop online more often**



to purchase a minimum amount before receiving free shipping. Nearly one-third of shoppers believe that shipping costs are too high, and 35% feel that they need to buy too much in order to receive free shipping. Another 35% of shoppers say the shipping process takes too long, and 20% report that the order fulfillment process (the time it takes between placing an order and having it shipped) is excessive.

Consumers clearly state what online retailers need to do in order to remove the barriers to more frequent online purchasing. Four-out-of-five shoppers expect to receive free shipping, regardless of how much they spend at a given Web site. Some shoppers are prepared to compromise on the shipping issue, with 40% willing to pay for basic shipping, but expect to receive a free upgrade, such as from ground to two-day shipping.

Nearly three-quarters of shoppers expect to receive free return/exchange labels and over one-half require an option to return or exchange an item at a store.

Further options to make the return/exchange process easier and more convenient also resonate with shoppers. One-third of shoppers find the option of a prepaid return label to be attractive, while another one-third are interested in Web retailers that offer to send out a replacement item while the returned item is still in transit. A one-quarter of shoppers prefer scheduling in-home pick-up with a shipping company for any item they want to return.

For promotions, just over one-half of shoppers expect not to pay tax on their order (or receive an equivalent discount), while 36% insist on the receipt of a free gift card with their purchase. Another two-fifths of shoppers want to participate in a rewards program at the Web site. Fully 71% of shoppers are interested in some kind of price promotion or discount offer. Offering competitor price-match guarantees, discounts for registering at a Web site, or discounts for higher purchase levels are other price-related ideas of interest among shoppers.



## Cross-Channel Preferences

As consumers increasingly take advantage of the wide variety of retail channel options available to them, their expectations for a seamless shopping experience across multiple channels are growing. Consumers are becoming more comfortable with a single retailer offering its products across different channels. As a result, they expect the communication and service options available to be seamlessly merged. Retailers that manage their channel offerings in a mutually exclusive manner, that is, their Web stores are not aligned with their retail stores, are not providing the shopping/customer service solutions demanded by today's sophisticated consumer.

The majority of consumers in the survey indicate that it is important to be proactively notified if their order, regardless of how it was made, can be filled/shipped/delivered (68%). An even higher proportion of consumers feel that it is important to be proactively notified if there is a delay in filling or shipping the order (72%).

Consumers prefer flexible ordering processes across channels, with 69% saying it is important for a retailer to be able to locate an out-of-stock product at a different store, a warehouse, or a supplier and then provide the consumer with various delivery

options. Special orders are another area of interest, with 55% of consumers expecting to be able to make a special order at a retail store, while the store arranges for shipping to the consumer's home from either the warehouse or supplier.

## Retailers have a strong opportunity to gain customer loyalty with customer service-based, cross-channel solutions.

Nearly two-thirds of consumers expect to be able to cancel or modify an order through a store, the store's Web site, or a call center, regardless of which channel was used to initially place the order. Another 55% feel it is important to be able to complete an order through a store, the store's Web site or a call center, regardless of which channel was used to initially place the order. If an order needs to be returned, two-thirds prefer to return it to a store, regardless of how the product was initially purchased.

Tracking an order across channels is also a necessity, with 57% of consumers stating that it is important for them to be able to monitor the status of their order through the Web, a toll-free number, or through customer service in a store, regardless of whether that order was placed online, through the catalog, or as a special order in a store.

Another growing set of consumer expectations regarding cross-channel shopping involve the acquisition of information. Shoppers are increasingly looking for additional ways to further research products, even while in a store. Rather than speak to sales personnel, 41% of shoppers feel it is important to be able to research product prices online while in a store. Another 37% want to use Web kiosks to research product features. The desire to use an online tool in a store moves beyond basic research needs, with 40% of shoppers preferring to locate their product of choice from the inventory available, and select it for purchase from an in-store kiosk.

Retailers have a strong opportunity to gain customer loyalty with customer service-based, cross-channel solutions. Three-out-of-five consumers surveyed say they appreciate being notified when products they purchase frequently are on sale, regardless of whether they buy these products in a store, on the Web, or through a catalog. Another 48% expect to be proactively assisted when purchasing a product that must be compatible with a previous product purchased from that retailer, regardless of which channel the shopper used when purchasing the new and previously purchased items.

The importance of providing cross-channel solutions to ever-sophisticated consumers increases by gender and age. The younger the consumer, the higher their expectations for seamless cross-channel shopping experiences. Women appear to have slightly higher expectations overall regarding the cross-channel shopping process than men.

**% of consumers who rated the following cross-channel experiences as "very important" or "important"**





## In-store Limitations

While retail stores provide the only way for consumers to see and handle products; there are significant limitations with the in-store shopping experience that are becoming a liability with today's consumers, as well as an opportunity for retailers.

**38% of consumers state that sales associates cannot determine whether a given product is in-stock or not.**

Although nearly one-half of consumers surveyed preferred to see and handle products in a store before buying them, the vast majority (88%) of those who shop online find that the convenience aspect of shopping online outweighs the fact that they cannot handle products when shopping online.

There are three major areas where both online and non-online shoppers find dissatisfaction with the in-store shopping experience: not having enough information available in the store, out-of-stock items, and lack of assistance/poor customer service from sales personnel.

Lack of information can be divided into two subcategories: incorrect or missing price information and inadequate product information. Pricing that is missing on the product itself or on the shelf is a major complaint for nearly three-quarters of consumers. Incorrect pricing at the shelf (62%) or erroneous pricing charged at the register (59%) are also triggers for consumer dissatisfaction.

Nearly one-half of online shoppers believe they can find better information on products online than elsewhere. Two-thirds of online shoppers value the fact they can research many products online at the same time, something that is difficult for them to do in a store, no matter how wide the selection.

Experiencing out-of-stock sale items in a store is another negative for consumers. Nearly three-quarters of consumers say that finding sale items to be out-of-stock decreases their willingness to shop at a retail store, while about one-half of shoppers indicate they experience out-of-stock sale items on a regular basis (often or nearly every time they shop). Many shoppers take a proactive approach to out-of-stocks by asking for assistance or for a rain check voucher, but more than one-quarter of

**Recognizing consumers' desire to have a unified shopping experience, leading outdoor recreation retailer, [Cabela's](#), implemented the [Sterling Order Management solution](#) giving them global visibility and management of orders and inventory across all of their demand and fulfillment channels. The solution links disparate systems by spanning application boundaries. It enables Cabela's to globally schedule and source orders based on configurable business rules. Using this solution, they are able to manage and monitor fulfillment across all stocking and fulfillment locations including stores, warehouses, suppliers, and partners.**

shoppers will "suffer in silence" when they find that the item they have come to purchase is out of stock. Once a consumer has left the store, there is a high probability that the retailer has lost the sale. Only 21% of shoppers will check another store

## Effects of out-of-stock sale items

72% of consumers say that frequent out-of-stock sale items decrease their willingness to shop at a retailer

44% of consumers experience out-of-stock sale items often or nearly all the time

Consequences for the Retailer		
<b>Loss of Potential Sale (In-store)</b> <ul style="list-style-type: none"> <li>26% leave the store without asking for help</li> </ul>	<b>Loss of Potential Sale (Post-Store)</b> <ul style="list-style-type: none"> <li>46% shop at a competitor's store</li> <li>21% decide not to purchase the item at all</li> </ul>	<b>Effect on Retailer Loyalty</b> <ul style="list-style-type: none"> <li>44% shop less often at that retailer</li> <li>38% shop more often at a different retailer</li> </ul>

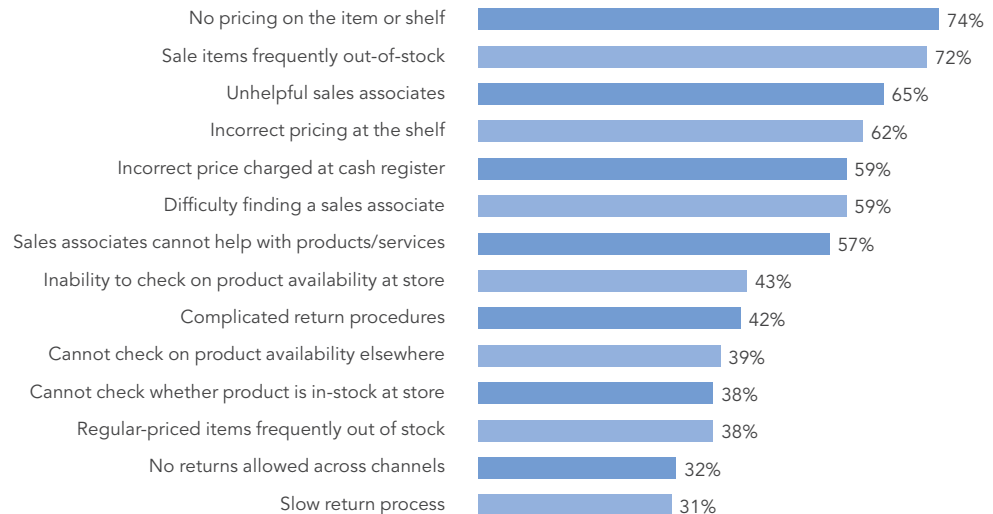
within the same retailer chain for the item. Nearly one-half look for the item at a competitor's store, 13% order it online instead and about 20% decide not to purchase it at all.

Continuous/frequent out-of-stock experiences can significantly damage a retailer's reputation. Nearly one-half of the consumers surveyed said they shop less often at that retailer, regardless of store location, and nearly 40% switch to another retailer. Less than one-quarter of shoppers continue shopping at the same retailer, but at another store location. Another 16% of shoppers give up on the retailer store option

completely, and shop online more often for items that they find are often out-of-stock in-store.

There are ways for the retailer to ensure that customers remain loyal in the event that the product they need is out-of-stock. About two-thirds remain a customer when they are given a rain-check voucher for the out-of-stock item. Slightly more than one-half feel that the retailer should go a step further, and locate the out-of-stock items at another location (at another store, at the warehouse, or directly from the supplier), then ship it to the customer free of charge. Another 40% expect the retailer to transfer the item

### % of consumers who selected the following in-store issues that would affect their willingness to shop at a retail store



from another store, to the store where the customer experienced the out-of-stock, and another 30% require the retailer to hold the item at another store where it is in-stock for the customer to pick it up.

Lack of assistance within the store is the third major theme of dissatisfaction among consumers. Nearly two-thirds of shoppers report that unhelpful store sales associates decrease their willingness to shop there. Issues with in-store customer service continue with about 60% of consumers complaining that it is difficult to find a sales associate to assist them, and more than one-half say sales associates are not knowledgeable enough about the products and services available. Another area in which sales associates are lacking is the ability to check inventory for a customer. Forty-three percent of consumers find that sales associates are not able to check on product availability at the store, or at

other store locations (39%), and 38% of consumers state that sales associates cannot determine whether a given product is in-stock or not.

Dissatisfaction with store assistance continues with return policy complaints. Two-out-of-five shoppers feel that in-store return procedures are complicated or inconvenient, or are too slow (31%), while one-third of shoppers resent that many retailers do not allow cross-channel returns — returning a product in-store if it was purchased online.

The older the consumer, the less forgiving they are regarding their willingness to shop at a store after a poor experience. Consumers aged 50 or older, were significantly less likely to shop at a store if they experienced any problematic in-store issues compared to shoppers under 50. Men and women have similar views of in-store issues.



## What's Next

### Mobile Phones

One of the more promising opportunities in retail is mobile phone shopping. Nine percent of surveyed shoppers report that they purchased a product using their mobile phone. The primary purchases through mobile phone technology are digital products (32%); and mobile phones, mobile phone accessories, or games (22%). About one-in-five mobile phone shoppers have purchased food through their phones, 14% have purchased CDs/DVDs, and 12% have purchased books.

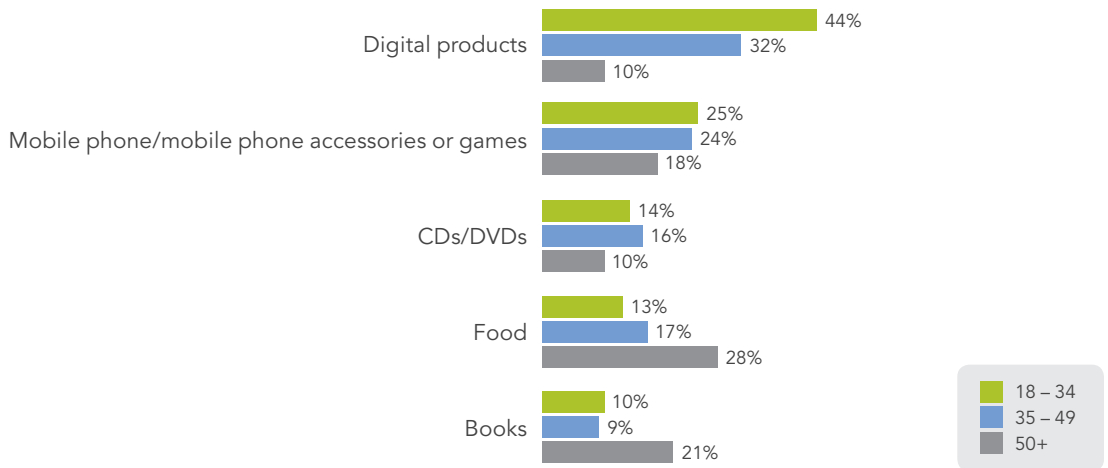
The majority of shoppers are reluctant to use their mobile phones for shopping, with 42% feeling that mobile phone shopping is not secure enough for them. Technical difficulties with the phone itself inhibits a large proportion of consumers. One-

quarter of shoppers find mobile phone screens too small, another one-quarter find it difficult to visualize products, and 18% find it difficult to enter checkout information on the keypad. These issues may diminish over the next few years, as mobile phones become increasingly user-friendly and utilize new, feature-rich technology.

### Younger consumers place a higher level of importance on cross-channel shopping options.

About one-quarter of surveyed shoppers expressed interest in buying products with their mobile phone. The products they are interested in remain the same as those that consumers are already buying using

% of consumers who purchased a product in each category using their mobile phone (by age group)



their mobile phones, namely CDs/DVDs (40%), digital products or mobile phone accessories (both at 30%), books (28%), and food (22%).

A big box specialty retailer recognized the consumer desire for a unified, seamless experience, and partnered with several product and service companies to expand its offerings to customers. The retailer implemented a Sterling Commerce Delivery and Service Scheduling solution to manage the sequence and timing of multi-step, multi-partner interactions with customers. In so doing, the specialty retailer created a unified view of its brand for the customer while increasing operational efficiency for in-store personnel who needed to set up and manage multiple appointments between customers and partners.

Consumers under 50 years of age are more open to mobile phone technology as an alternative retail channel, than consumers 50 or older. Those aged 18 – 34 are much more likely to have purchased digital products by mobile phone (44%), compared to 32% of those aged 35 – 49, and 10% of those aged 50 or older. Mobile phones and mobile phone accessories, as well as CDs/DVDs, are more popular purchases in younger age groups than those aged 50 or older. Consumers aged 50 or older are much more likely to have purchased books (21%), and food (28%), than those 18 – 34 (10% for books and 13% for food), or 35 – 49 (13% for books and 17% for food).

### Emerging Trends

The younger consumer, those aged 18 – 34, are the barometer for future shopping trends. This age group exhibits many notable shopper-based characteristics, especially with regards to online shopping preferences.

The younger consumer places an even higher level of importance on the cross-channel shopping options most valued by consumers overall. Notification across channels, the ability to modify/cancel/complete an order regardless of the channel in which it was initiated, using online Web kiosks in stores, order tracking, product location and special orders, product returns, and customer service — all of these cross-channel options ranked more highly in the younger consumers’ set of expectations than among those aged 35 and older.

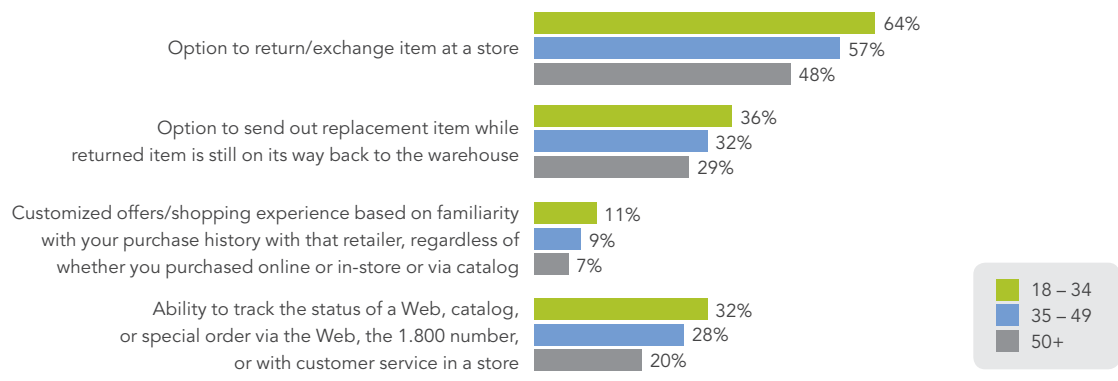
Younger consumers are more impatient than consumers aged 35 or older, with 41% of the younger consumers reporting they will shop online more often if it takes less time for them to receive their purchases. Less than one-third of shoppers 35 or older express the same sentiment. The younger age group responds well to time-saving solutions, such as, a personalized shopping experience based on their shopping history on a Web site, the option to pick up an online purchase in a store, and the option to send out a replacement item while a returned item is still in transit.



Younger consumers also exhibit more impatience in-store. They are the most likely to leave a store without asking for assistance when they encounter out-of-stock situations — one-third of those aged 18 – 34 exhibit this behavior, compared to 27% of those aged 35 – 49 and 18% of those aged 50 or

older do so. The 18 – 34 age group also is more sensitive towards online product pricing than those aged 35 or older. They also respond more favorably to discount offers over the Web, especially those involving the receipt of a gift card with a purchase (49% for those 18 – 34 vs. 37% for those 35 – 49 and 22% for those 50 or older).

**% of consumers who would prefer time-savings solutions (by age group)**



# Final Summary

**Today’s consumers are well-informed, technology-savvy, short on time, and demanding.**

They also have more products available to them, and more choices of channels in which to buy these products than ever before. As emerging, or alternative shopping channels become more mainstream, consumers will become even more exacting in their preferences and expectations for their shopping experiences. Consumers increasingly expect a higher level of sophistication in technology and choice when shopping, and they expect to experience a seamless integration of communication across a variety of channels. Consumers who do not find that their needs are met in one retailer, or even in a channel, have no reservations about shopping elsewhere. Retailers who offer products through more than one channel, must be able to satisfy their customers’ needs across channels, or they will find themselves at a competitive disadvantage.



Status	Price	Quantity	Total
In Stock	£12.99	1	£12.99

Continue ▶

Check the delivery  
information for your order.





# Satisfying Today's Spoiled Consumer

Consumer expectations of retailers have evolved, and those expectations are setting new challenges for retail professionals. For those retailers able to rise to this challenge, the rewards are significant.

Consumer expectations of retailers have evolved, and, those expectations are setting new challenges for retail professionals. For the retailers able to rise to the challenge, the rewards are significant. However, for those choosing to sit on the sidelines, the competitive threats are real.

The great news for those willing to act is, the requirements for satisfying this new class of spoiled consumers are growing clear, and the tools for addressing them are available. The question becomes: When will you begin the journey?

## Consumer Expectations Have Evolved Logically

The channels through which consumers can research and buy merchandise have expanded. Today's shopping channels go beyond mere brick and mortar to include catalogs and call centers, the Internet, special order systems, self-service kiosks, TV, and mobile access. This plethora of choice has created a new class of consumer who views retailers differently.

When retail was only brick and mortar, consumers compared retailers to those competitors who carried similar merchandise, and had similar

store formats. But, the wide-spread availability of additional shopping channels has changed that. With store associates and format playing a lesser role in the total shopping equation, retailers are now judged on a broad spectrum of consumer interaction points.

With more retailers offering cross-channel conveniences (buy online, pick up and return in store), consumers understand the difference between multi-channel and cross-channel retailing, and are disappointed if a retailer is just multi-channel. Today's consumers have higher expectations of what they consider important features of a retailer — any retailer, through any channel, regardless of store format or product mix.

## What Does Today's Consumer Really Want?

**Access to Information** — Consumers want online access to product information including detailed product descriptions and in-store product availability.

**Proactive Notification** — Consumers want to be notified of purchase opportunities, purchase orders, and shipment statuses. They want to be

notified of future product promotions and sales, and they want to be able to track their order status:

- Received and filled
- Filling or shipping delays
- Shipped
- Delivered

**Flexibility** — Consumers want to extend their shopping experience across multiple channels.

- Complete the order through any channel (regardless of where it was started)
- Track the status of the order through any channel
- Cancel or modify the order through any channel

**Convenience** — Consumers want the freedom to pick up or return merchandise through any channel — regardless of how it was purchased. They want to avoid shipping charges and enjoy the instant gratification of immediate access to the merchandise purchased. In fact, the majority of today's multi-channel shoppers are likely to buy more while in the store.

**Product Availability** — Consumers expect the product they want, when, and where they want it. The problem of stock-outs should no longer be an issue. Consumers will penalize the retailers that are not addressing this problem, by taking their business to competitors. Interestingly, consumers are willing to allow retailers to recover from a stock-out provided they can hold the item at another store location for customer pick up, or have the item transferred to the original store where the stock-out occurred.

## Most Retailers Have Significant Gaps

Though more and more retailers are trying to live up to consumer expectations of a seamless purchase and delivery process across multiple channels, they face significant obstacles. Many have created a highly complex multi-, multi-, multi-, multi-channel world, in which seamless execution can be challenging.

- **Multi-Channel Selling** — Selling through stores, the Web, catalogs and call centers, special order systems, kiosks, TV, and mobile access creates complexity.
- **Multi-Channel Sourcing and Supply** — Beyond branded products, retailers are increasingly

offering private label merchandise, expanding their international business, and adding product and service partners to broaden assortment and offer new services.

- **Multi-Channel Distribution** — With domestic and international product flows passing through a maze of supply chain intermediaries, to various downstream distribution points, the number of distribution channels and the complexity of effectively managing them has mushroomed for many retailers.
- **Multi-Channel Fulfillment** — Retailers offer an expanding variety of fulfillment channels; for example, ship to home from the supplier, the DC, or store; store-to-store transfers; hold in store for customer pick up; and in-store customer pick up and return of online or catalog purchases. To add to the challenge, many have outsourced some part of the fulfillment process.

Such complexities are wide spread and increasing. Unfortunately, many retailers have established organizational units and implemented systems that operate in isolation. These silos of operation and automation create an additional point of disconnect in the quest for seamless execution.

## Cross-Channel Execution Solves the Dilemma

By bridging the gaps between functions, systems, and enterprises with a layer of visibility, management, and security, the expectations of today's spoiled consumer can be met efficiently and effectively.

### Meeting Information Access Expectations

Accurate, detailed, online product descriptions are only possible if the retailer is able to establish efficient, timely product information updates from suppliers. This requires an integrated, automated enterprise process by which information updates are conveyed to the retailer, reviewed and validated, and posted to all back-end systems at the appropriate time.

Satisfying consumer expectations for confirmation of product availability, before the purchase, creates additional challenges. It requires more than simple integration into the inventory management system of the facility monitoring fulfillment stock. It also means having the necessary back-end mechanisms

to trigger reserving, picking, packing, shipping, tracking, and reporting the order's contents internally and to the consumer. It also means that, unless specific inventory is to be reserved for online sales only, back-end accommodations must be made for accounting the ownership of inventory, and the maintenance of proper reserves for other channels.

### **Meeting Proactive Notification Expectations**

Proactively notifying consumers when an item they purchase frequently — regardless of channel — goes on sale, requires a host of cross-channel capabilities missing in most retailers. Meeting such expectations means being able to:

- Access and present an aggregated view of customer purchases across all channels
- Access indications of upcoming promotions and proactively notify consumers
- Identify the confluence of frequent purchases and an upcoming promotional item

It is critical for retailers to have automated mechanisms in place that can access, analyze, and act upon cross-channel business information that signals conditions where proactive notification can deliver value to the customer.

Proactively notifying customers of order and shipment status poses additional challenges. Retailers must gain access to information that is neither in their hands, nor under their control. This requires the ability to integrate with a broad spectrum of organization types, company sizes, and levels of technical sophistication. This implies tremendous flexibility in the many ways that a retailer is willing and able to connect to external supply chain participants. It also implies

that whatever methods are used must be reliable and secure — to ensure that sensitive data is not exposed to unauthorized access.

### **Meeting Flexibility Expectations**

The expectation that an order can be started in one channel, and completed, modified, or

anceled through another, presents one of the biggest challenges for many retailers. Systems implemented to support one channel are often not designed to provide visibility and management across channels.

This consumer expectation implies the need for a cross-channel inventory and order management mechanism capable of interfacing with each channel's siloed system, while providing a single view of the customer, their orders, and the status of inventory everywhere. With such a mechanism in place, any channel is capable of accessing the customer's order — regardless of the channel through which it was started. Order status can be viewed independent of the channel that initially captured the order. Changes can be made to the order through any channel — rather than being restricted to the original order capture channel, and a truly seamless customer experience can be delivered.

### **Meeting Convenience Expectations**

Enabling in-store pick up or return of merchandise ordered through other channels requires several critical capabilities. Much like meeting flexibility expectations, this requires the ability to access and manage an order across channels — order capture, fulfillment inventory, and fulfillment location.

This expectation also requires a heightened degree of precision within the store itself. With pared-back workforce in many stores, retailers can hardly afford inefficient use of in-store personnel. Systems provide a much more consistent and cost-effective means of ensuring that the necessary actions take place in time to meet consumer expectations, while efficiently utilizing limited in-store resources.

### **Meeting Product Availability Expectations**

Heightened consumer focus on addressing stock-outs has created a delicate balancing act for most retailers. Much has already been invested to improve planning and forecasting. Paper-thin safety stock, and the need to stay in stock on critical items, have put increasing pressure on retailers to improve execution across all of their selling and fulfillment processes. This escalated focus on execution means being able to recognize and recover from disruptions that threaten to



undermine in-stock positions, quickly enough to avoid or minimize the negative ripple effect of stock-outs.

Consumer expectations that retailers should be able to find out-of-stock items at locations that have inventory and make that merchandise available pose significant challenges for many retailers. This implies having store-level inventory management and visibility across the retailer's internal network of stores and DCs. It also implies having the necessary in-store systems and processes to enable store associates to locate available stock in another location, efficiently execute a store-to-store transfer, hold for customer pick up, or ship to the consumer's home.

### Make the Dust or Eat the Dust

The signals from today's spoiled consumer are clear, and the proclivity of leading retailers to respond to those signals is evident. Fortunately, the

path from multi-channel to cross-channel execution can be defined for each organization, and it can be successfully traversed — one step at a time.

It's time to take action and live up to your customers' expectations for seamless cross-channel execution. Case after case demonstrates the ability to drive revenue, improve operational efficiency, and profits, and elevate the customer's cross-channel experience. Cross-channel execution has become the minimum ante against which each retailer is judged by today's consumer.

The growing reality for multi-channel retailers is, in the eyes of today's consumer, cross-channel trumps multi-channel, and the resulting competitive advantage will accrue to those who move first. For everyone else, it's a matter of how quickly they think they can catch up.

For more information  
on trends in the retail  
industry contact:

John Stelzer  
john\_stelzer@stercomm.com  
614.793.7046



**John Stelzer**  
Director of Retail  
Industry Marketing

**John Stelzer** is Director of Retail Industry Marketing at Sterling Commerce. His work with retail industry leaders, associations, standards bodies, and industry councils has placed him at the forefront of nearly every major industry initiative in the last twenty-three years. He pioneered many of the standards used by companies today to drive operational efficiency and accelerate supply chain execution. Stelzer is a highly-respected thought leader having created dozens of courses and videos and thousands of articles, white papers, and speeches continually redefining the next level of retail innovation. He has provided education and consulting on the use of technology to enhance business for more than 27,000 professionals from over 16,000 companies to date. And, his more than 23 years experience with the retail supply chain has made him a valuable industry resource — regularly providing guidance to senior retail executives on the strategic application of technology for competitive innovation.




**Jim Bengier**  
Global Retail Executive

**Jim Bengier** is the Global Retail Executive at Sterling Commerce. He is a seasoned supply chain executive with expertise in forecasting and location management. He has over 25 years of supply chain experience within the apparel, footwear, and electronics categories. His background includes developing inventory improvement metrics and processes, business optimization strategies, and merchandise system implementations.

His most recent role was Vice President of Supply Chain for the Tweeter Home Entertainment Group where he launched the supply chain initiative that helped drive down inventory and increase in-stock levels. Previously, Jim spent four years at BestBuy.com developing the inventory, distribution, and fulfillment model. Working for Stage Department Stores, Marshalls, and numerous divisions of the Woolworth Corporation, Bengier has been involved in every aspect of supply chain.

# Making the Most of Multi-Channel Selling



**To us, it's clear! Customer expectations are changing — and customers are clearly in the driver's seat.** In the Sterling Commerce first annual consumer survey, "What Consumers Want In Their Shopping Experience," the data speaks volumes.

Customers expect to deal with retailers across multiple channels. They expect seamless experiences, access to information, and endless products. Further, they expect to choose how and when to interact with retailers.

The findings are consistent with a study that Deloitte Consulting LLP (Deloitte Consulting) conducted recently. In response to the survey, consumers cited a myriad of reasons as to why they shop online versus in-store — reasons such as convenience and time, to the high price of gas or the desire to avoid crowds.

But, recognizing this change is the easy part. We believe the challenge is to determine how to effectively build the organization and business capabilities to meet and perhaps even exceed the customer's expectations.

A retailer must do more than ask "What are the capabilities of effective multi-channel retailers?" This question is not enough, since the multi-channel capabilities that are important to a specific retailer are tied to the competitive market for their individual retail brand.

Our own survey found a range of consumer experiences. One major book retailer was perceived by our survey respondents as being primarily an online retailer, despite the fact that it also operates nearly 800 stores nationwide. Grocery and drug retailers, on the other hand, were overwhelmingly seen as in-person shopping experiences.

Further, multi-channel capabilities must be tied to the strategic direction of the brand. For example, a tech-savvy consumer electronics customer will likely have different expectations than a home improvement do-it-yourselfer. Visiting a retailer's







## Setting the Multi-Channel Retail Strategy

Increasing shareholder value through a multi-channel retail strategy requires that a company's front-end and back-end support capabilities can live up to the task.

Web site, both sets of customers would expect detailed pictures and product information. But someone considering a new DVD player will expect much more robust product information — as well as comparisons of several models — and an option to pick up the item in a physical store. Someone buying paint, meanwhile, would probably expect more 'how to' information and ideas on how to use the product creatively. Home improvement retailers also have an extreme potential SKU base, so customers would probably expect to be able to purchase from a set of SKUs that dramatically exceeds what is carried in a store — which implies significant 'drop ship from vendor' capabilities.

### Setting the Strategy

To begin with, we believe a retailer must set its own multi-channel retail strategy. In addition, the strategy must directly tie to the retailer's overall brand strategy and must address six key choices each retailer must make:

- Which channels should be part of the platform?
- Which products or services should be offered within each channel?
- Which customers should be targeted by each channel?
- Which partnerships should be established?
- What capabilities are required across channels?
- How should the combined channels be utilized to create a unique value proposition?

It is through these six questions that each retailer can define its unique multi-channel strategy. We have seen some retailers develop a strategy to utilize their online channel or call center channels to drive traffic to the store. We have seen others employ a 'save the sale' approach in the store by which out-of-stock merchandise can be purchased in store and shipped to the home. Still others have defined an 'endless aisle' strategy that dramatically expands the assortment of products that can be sold online or in the store.

Through these examples, you can see that simply saying 'we want to be a multi-channel retailer' is not enough. Each retailer must think hard about the six choices that ultimately comprise its multi-channel strategy.

### Defining the Capabilities

Once the strategy is set, each retailer must define the set of capabilities that support the strategy and determine when and how these capabilities will be brought online. There is a common set of capabilities that tends to be core to multi-channel retailing and a set that can make that strategy unique.

At the core is visibility to three things across channels: Customer, Orders, and Inventory.

- Retailers must have visibility to orders, regardless of the channel the customer used to place the order.
- Customers must have visibility to the inventory and its availability, regardless of where the inventory is located.
- Retailers and retail systems must have access to customer history and customer profile information across all channels.

Beyond these core capabilities, Deloitte Consulting has identified a set of capabilities that cross 17 distinct functional areas that ultimately make up the value proposition for a retailer. They span eCommerce, merchandising, analytics, call center, POS, warehouse, and transportation, among other functional areas.

### Nothing Worthwhile is Easy

We have noted that many retailers are finding that multi-channel strategies are much more difficult to implement than earlier efforts to launch stand-alone eCommerce Web sites. The required point-of-sale, distribution, and call center, and the technology investments can be significant. But the greatest challenge we see is the dramatic business transformation effort required. New processes, organizational models, and incentives are all required. And the scope of change can be broad, encompassing eCommerce, call center, order management, fulfillment, transportation management, marketing, merchandising, store operations, and IT.

But the payoff can be significant. Look at out of stocks, for example. The Sterling Commerce survey found that frequent out of stocks would prompt

82% of consumers surveyed to make fewer trips to that retailer — and 39% said they would shop more often at the competitor's store. The survey clearly indicates that the consequences of getting this strategy wrong can be painful.

### Making it Happen

We believe organizing and preparing for the transformation is critical. Many traditionally separate business areas — including eCommerce, call center operations, IT, marketing, and store operations — must now come together to deliver a truly integrated business platform. Strong executive sponsorship is often required to break through organizational silos. In addition, a sense of shared vision and mission is necessary to overcome potential internal competition for control and resources.

Finally, the technology landscape in a multi-channel world is complex. Unlike initiatives of the past, no one system can deliver upon the universe of required multi-channel retail capabilities. Complex technology integration involving multiple vendor products and interconnecting middleware is necessary.

Identifying the right opportunities and right approach to support each individual retailer in today's highly competitive, dynamic market is difficult and transforming the retail organization to capitalize on the opportunities is even tougher. But we are seeing many retailers trying their hand at starting the journey. Consequently, we believe that defining what exactly that means to each retail organization and developing the appropriate business capabilities is the key to effective retail transformation.

**For more information on Deloitte's Multi-Channel Consulting Practice contact:**

Kasey Lobaugh  
klobaugh@deloitte.com  
816.802.7463



**Kasey Lobaugh** is a principal in Deloitte Consulting's Retail Technology Integration practice, with a focus on the retail industry since 1996. He currently leads Deloitte Consulting's Multi-Channel and Direct to Consumer practice where he works with major retailers to define their multi-channel strategy and execute large, complex multi-channel programs and projects.

Over his career, he has brought innovative technology solutions and led major retail transformation initiatives for many retail clients. He has established himself as a thought leader in the areas of multi-channel retail and direct-to-consumer operations, technology and infrastructure.

This publication contains general information only and Deloitte & Touche USA LLP is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte & Touche USA LLP, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.



# What Consumers Want in Their Shopping Experience

## About Sterling Commerce

Sterling Commerce helps 80% of the FORTUNE® 500 thrive in a global economy. We provide innovative solutions to process integration challenges between companies and their customers, partners, and suppliers to help them achieve higher levels of performance — and business without borders. With over 30,000 customers worldwide, we have unparalleled experience in the retail, manufacturing, banking, wholesale distribution, logistics and telecommunications industries. Sterling Commerce is an AT&T (NYSE:T) company. Learn more at [www.sterlingcommerce.com](http://www.sterlingcommerce.com)

## Corporate Headquarters — Dublin, Ohio

4600 Lakehurst Court  
P.O. Box 8000  
Dublin, Ohio 43016-2000  
USA

Phone +1.614.793.4041  
Toll-Free +1.800.299.4031

For all Sterling Commerce offices worldwide,  
visit [www.sterlingcommerce.com](http://www.sterlingcommerce.com)

To request additional print copies of this report  
contact [cindy\\_thierry@stercomm.com](mailto:cindy_thierry@stercomm.com) or download  
a soft copy at [www.sterlingcommerce.com/retail](http://www.sterlingcommerce.com/retail)



©2007, Sterling Commerce, Inc.  
All rights reserved. Sterling Commerce and the Sterling Commerce logo  
are trademarks of Sterling Commerce, Inc. or its affiliated companies.  
All products referenced are the trademarks, registered trademarks or  
service marks of their respective owners. Printed in the U.S.A.

SC0504 08/07