



Smart retail...

Why are retailers failing to capitalise on new channels to market?

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Sixty-five per cent of British consumers questioned in a recent Steria survey want more from their customer journey. They're seeking a world where traditional and new channels merge into one seamless virtual environment providing highly personalised offers, contactless payment, product location, price comparison and the flexibility to choose how and when to shop, all of which is accessible through smart technologies. So why, asks Steria UK Retail Director Heather Barson, are retailers failing to capitalise on this trend?

Do retailers really listen to what consumers want, or are they taking a prescriptive approach based on what suits their business model best? Keen to find the answer to this and to discover whether retailers really can afford to ignore the demands of the next generation shopper, Steria recently sponsored two surveys. The first of these was carried out in conjunction with Retail Week and targeted retail businesses. The second was a consumer-focused survey conducted on Steria's behalf by YouGov. This latter survey was complemented by our own video-recorded vox pop style interviews with shoppers on the street.

What's clear from our findings is that retailers and consumers are not necessarily going down the same shopping aisle: or at least, if they are, they're travelling at different speeds. I would argue, however, that retailers need to think again and look more closely at what their customers want, asking themselves: am I prescribing how our

customers buy from us? Is the goal to make this more convenient for us or for the customer?

Seize the opportunity

The retail winners in the next five years will be those who really offer their customers a seamless and fully integrated level of service. They'll be companies able to offer customers a mobile payment system allowing them to pay for their purchases via their mobile phones. Of course, this mobile-enablement is just the start of the journey. Our research reveals that consumers want more of a virtual shopping environment that breaks down traditional channels. For example, in our YouGov consumer survey, 47% of shoppers aged 18-24 and 33% aged 35-44 said they would shop more at a store if they could build a shopping list online or on a mobile phone, with pre-ordered goods waiting for them when they arrived at the store. This is multi-channel integration.

I truly believe that failing to fully utilise the mobile shopping application as one of these channels to market is a wasted opportunity for retailers. Whilst retailers sit on the fence and watch the market trends and listen to the ongoing debates regarding mobile apps versus web optimisation, business is being

lost. They need to wake up and smell the coffee. Recent research from our own focus groups and market data proves this: customers really want the option of using their phone to shop in ways which are convenient for them. There is still work to be done but the mobile applications are available now and can deliver real advantage in retail.

An appetite for mobile

Our data proves that there is an appetite for using the mobile device as a companion for shopping, fusing together the online experience whilst making it personal. Taking the online presence into the store via a mobile application, customers could now have a 360 degree access to their favourite stores wherever they find themselves. That access presents cross-marketing and value-add opportunities across all channels. Technology is removing the divide between online and in-store.

With this being the case, why are so many retailers reluctant to move ahead quickly with mobile strategies? Let's take a look at our recent survey findings to demonstrate my point. While 36% of retailers said they would like to be able to offer a transactional mobile channel within the next three to five years, only 10% rated it as their number one priority. Yet in our consumer survey, 40% of shoppers aged from 25 to 34 and 35% of shoppers aged 35 to 44 said that most of the time they had a better experience shopping online or on their mobile phone than shopping in-store. Furthermore, 37% of shoppers aged 25-34 and 29% aged 35-44 said they would like to be able to use their mobile device(s) as a personal shopping companion in-store (e.g. receiving information on products, promotions, checking previous purchases).





Make it personal – virtual loyalty

Another area of disparity between the consumer and the retailer can be seen in their responses to loyalty schemes and personalisation. 43% of all our consumer survey respondents, regardless of age or gender, said they would like loyalty schemes that were more personalised, where rewards and offers were unique and based on transaction history. Respondents in the south of England were even more enthusiastic, with 78% saying they would like or love this level of service. Yet for retailers, the personalisation of websites and mobile site experiences was rated by just 1% of retailers as the top digital/multi channel priority, with one-to-one marketing via mobile in-store not doing much better at just 2%.

While not high on the list of retailers' priorities, the ability for customers to use their mobile devices as a personal shopping companion in-store will feature in 30% of retail mobile strategies in the coming years and 42% of retailers will be marketing to customers via their mobile devices. This latter figure does reflect a consumer acceptance of receiving offers and discounts online or in-store in real-time, depending on the items they already have in their basket, with 38% of both the 35-44 and 45-54 age categories saying they would like this.

Rapid change

It is true that both the uptake of smartphones and mobile consumerism are still in their infancy, but change is happening fast and cannot be ignored. For example, analyst firm Canalys recently reported an 83% growth in the smartphone market compared to a year ago, while mobile broadband connections are forecast to hit

three billion by 2015 according to telecoms, software and IT services markets analyst Ovum. What does this mean for retailers? While consumers place more emphasis on mobile developments than the retailer, our research does show a willingness on the part of the retailers to address the mobile channel, and particularly to use mobile as part of the store experience – in the longer term, as opposed to the short term. For example, given a five-year horizon, 37% of retailers in the Retail Week survey said they expected their customers to be paying for goods in their stores using a payment application on their mobile phone.

But will consumers wait for five years? Or will they quickly switch loyalty to the retailer able to off them a virtualised shopping experience with a smartphone app that allows them to check out relevant offers and promotions based on their past preferences and shopping behaviour? Will they prefer to shop with a retailer with a GPS signal in store that recognises which outlet the customer is in when the transaction is made online and automatically replenishes the stock in that store accordingly? After all, items out of stock or in the wrong size were the second biggest annoyance cited by consumers in the Steria-sponsored YouGov survey.

Changing the game

Shopping is all about the consumer, not the retailer. So when 67% of shoppers say queuing is their biggest in-store annoyance, wouldn't the retailer be able to allow consumers to shop in-store without transacting through traditional shopping lanes prove the most successful? Perhaps it is no wonder then that 42% of retailers taking part in the Retail Week survey said they expected their

customers in the future to be able to scan goods with their own mobile phone while shopping in-store and then check out using the same device.

Mobile is a game changer and integral to the delivery of a multi-channel shopping experience. And with 44% of retailers saying they would need to upgrade some systems and/or hardware in order to make their IT infrastructure ready for a more virtual shopping experience, and a further 20% saying they'd have to replace significant aspects of their IT platform, there is clearly no time to waste.

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About Steria

Steria delivers IT enabled business services which help organisations in the public and private sectors operate more efficiently and profitably. By combining in depth understanding of our clients' businesses with expertise in IT and business process outsourcing, we take on our clients' challenges and develop innovative solutions to address them. Through our highly collaborative consulting style, we work with our clients to transform their business, enabling them to focus on what they do best.

Our 19,334 people, working across 16 countries, support the systems, services and processes that make today's world turn, touching the lives of millions around the globe each day.

Founded in 1969, Steria has offices in Europe, India, North Africa and SE Asia and a 2010 revenue of ?1.69 billion. 20%* of Steria's capital is owned by its employees. Headquartered in Paris, Steria is listed on the Euronext Paris market.

*This figure includes the Employees Shares Trust in the UK.

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contact

Steria Limited, Three Cherry Trees Lane, Hemel Hempstead,
Hertfordshire, HP2 7AH
Tel. +44 (0)845 601 8877
www.steria.co.uk