ATG WEB COMMERCE

An Oracle White Paper
March 2011

# Cross-Channel Commerce: A Consumer Research Study

## Introduction

In late 2009, ATG (acquired by Oracle in 2010) commissioned a survey to look at two key questions:

- How frequently are consumers using multiple channels to browse, research, and purchase a broad range of products and services?
- What are consumers' reactions to the experiences they find in different channels?

This online study, conducted by an independent service, polled 1,054 U.S. consumers of ages 18 years and older. It analyzed their use of channels—including computers, mobile devices, bricks-and-mortar stores, catalogs, and customer service representatives—to gain more information about or to complete the purchase of a product or service. The survey also gathered data about consumers' experiences with these channels, as well as their attitudes toward e-mail marketing promotions and the incorporation of social media into their online commerce activities. Specific topics covered in the survey include the following:

- Consumers' use of multiple channels when browsing, researching, and purchasing an array of products and services
- The factors that would drive consumers to an offline channel to make a purchase when they start online
- The incorporation of social media and networks such as Facebook, Twitter, and MySpace as part of online purchasing activities
- Consumers' reactions to discounts or promotional coupons sent via e-mail
- Consumers' use of mobile devices for commerce activities

## Survey Overview

A few decades ago, consumers had two options for researching and purchasing products or services: They flipped through a catalog and completed a sale through the mail or by phone, or they walked into a store. Consumers' options have grown with the advancement of technology in recent years. Although some now prefer the ease of the internet or the convenience of their mobile devices, data suggests that shoppers are still relying on those more traditional channels for a portion of their buying experiences.

It's well known that consumers use the computer to browse and research products and services and also go to physical stores, but 30 percent of consumers today actually use three or more channels for a single transaction. Of course, there are also cases where consumers go to the store for further research but then return to the Website to make a final purchase.

Key findings of the survey include the following:

- **Consumers are using multiple channels to research and purchase, but merchants can do more to close sales online.** When purchasing a product or service, more than three-quarters of consumers use two or more channels to research and complete the transaction. Nearly one-third of consumers said they use three or more channels. When these individuals were asked why they might start their research online via a computer or mobile device but then go to a store to make a purchase, a majority said they wanted to "touch and feel the product." But respondents also said that they would go to the store or call a customer service representative because they "wanted to compare several brands of the same product" or the merchant "didn't have all the product/service information I needed to buy online." These latter responses highlight a need for better information and innovation to be provided in the online and mobile channels.

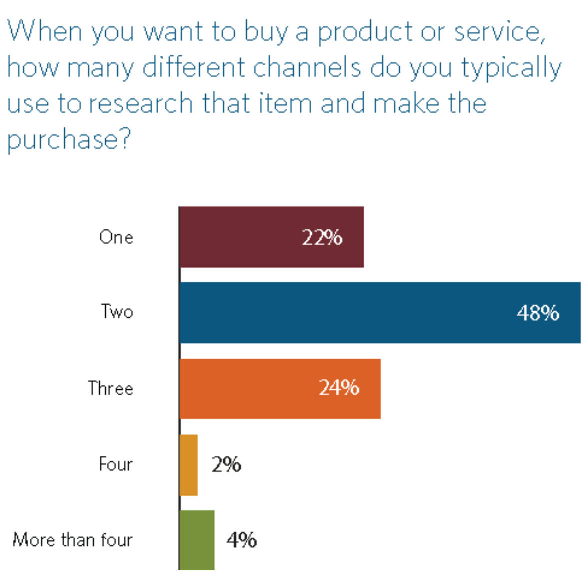


Figure 1. In a cross-channel world, consumers are increasing the number of channels they use.

- **Even though it's still in its infancy, mobile commerce is already an important part of the cross-channel experience, particularly with younger consumers.** Nearly a third of consumers are using their mobile devices to browse or research products and services at least monthly, while 15 percent are using them to make purchases.

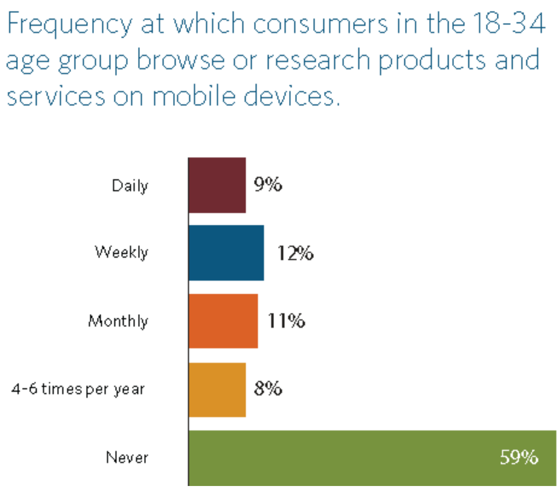


Figure 2. The data on users who browse monthly or more often reveals that nearly a third of users (32 percent) browse on mobile devices.

Respondents in the 18-to-34 age group are particularly interested in using their mobile devices to browse and research products and services. Sometimes they're even doing so from inside a store to access more information about a product, such as ratings and reviews.

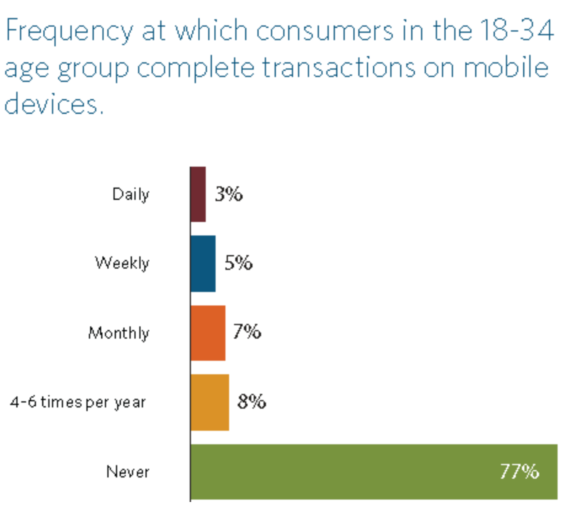


Figure 3. The data on users who complete transactions monthly or more often shows that 15 percent are completing transactions on mobile devices.

- **Catalogs are alive and well, but they must be supplemented with other sales channels.** Catalogs are a strong traffic driver to the Web. Although more than 75 percent of consumers are using catalogs to browse and research products and services, 41 percent said they never buy from a catalog. This means that, in order to make the sale, merchants must use catalogs to link potential buyers to other sales channels, such as the Web, where they might be more inclined to make a purchase.

- **There is significant opportunity to leverage social media to drive sales.** Social channels provide a great way for businesses to connect with their most ardent fans, keeping them informed and engaged to encourage loyalty and active evangelism with their social networks. Although 24 percent of consumers say they incorporate their online purchasing activities on social networks such as Facebook, Twitter, and MySpace, nearly the same number of people said they didn't even know this is a possibility. Social commerce, often viewed as today's "word of mouth" advertising, can play a significant role in the cross-channel experience and can help merchants get their brands in front of new potential customers.
- **E-mail promotions are effective marketing tools that jump-start the cross-channel experience and drive sales.** E-mail response rates are traditionally much lower, but more than half of the consumers surveyed said that, if they received an e-mail promotion, they would go to the site to see what other products and services are listed—even if they weren't interested in the promotion being offered. Some of those same consumers (and others) said that, even if they didn't take advantage of the promotion, they would "think positively of the store" that had sent it.

## Research Highlights

Listed here are some of the key findings from the survey, along with conclusions that can help marketing campaigns succeed in the world of cross-channel commerce.

### Proliferating Channels

On average, more than three-quarters of consumers are using two or more channels to browse, research, and purchase products. Because consumers are coming to merchants through multiple channels, it's necessary to link those experiences and create a continuous conversation to avoid gaps where the sale could be lost. Merchants needn't necessarily serve up the identical experience in each channel, but rather they can optimize and connect channel interactions to deliver consistent brand experiences.

When consumers were asked how many different channels they typically use to research and ultimately purchase a product or service, 22 percent said they use one channel, but the majority (78 percent) said they use two or more channels. Specific results from the survey include the following:

- 48 percent typically use two channels
- 24 percent use three channels
- 2 percent use four channels
- 4 percent use more than four channels

## Multichannel Use

Consumers often start browsing and researching on their computers and mobile devices, and ultimately make purchases in the store or through a contact center representative. This highlights the need for tight integration among the various channels to help close the sale earlier and to strengthen the customer experience.

When asked why they would switch from their computer or mobile device to another channel (they could choose multiple answers), respondents replied as follows:

- 43 percent said they called a customer service representative because they couldn't locate all the product or service information needed to buy online.
- 39 percent said they went to the store because they prefer to touch and feel the product.
- 36 percent said they visited the store to compare several brands of the same product.
- 22 percent said they opted for the store because they needed to receive the product immediately.
- 19 percent said they chose to call a customer service representative because the online buying process was too complicated or they encountered an error.
- 19 percent wanted to ask about the return/refund policy.
- 15 percent said they wanted to ask a customer service representative about shipping options.

These findings underscore the need for better-quality information to be shared via the online channels and the need for merchants to make it easy for customers to reach out to a contact center associate. They may want to do so if they have questions or concerns while shopping online or via a mobile device. This information also highlights a demand for online brand comparisons and also presents an opportunity to pair online purchase with in-store pickup for faster service. Either of these services may be a means to convert the online sale.

## Mobile Commerce

Mobile commerce is an important facet of the cross-channel experience, particularly within the coveted 18-to-34 age bracket. That said, even the overall results from all age groups are impressive because there are still relatively few smartphones in use within the general consumer population (17 percent of the U.S. population has them, according to Nielsen). The mobile market is maturing at a much faster pace than the Web did. Merchants should seize this opportunity now to stay ahead of the competition.

When the survey asked how frequently they browse or purchase products or services on their mobile devices, respondents' answers translated to the following data:

- Although 26 percent of all consumers of ages 18 and older use their mobile devices to browse or research products and services at least four times a year, that number jumps to 40 percent for the 18-to-34 age group.

- Similarly, 19 percent of all consumers surveyed are using their mobile devices to browse or research products and services at least once a month, whereas 32 percent of 18-to-34-year-olds are doing this at least monthly and 21 percent of them are doing it at least on a weekly basis.
- When it comes to making purchases, 13 percent of all consumers of ages 18 and older are doing this on their mobile devices at least four times a year.
- Again, the 18-to-34 age group shows a greater proclivity for their use of mobile devices for commerce, with 23 percent making purchases on their mobile devices at least four times a year, 15 percent doing this at least monthly and 8 percent doing it at least weekly.

## Catalogs

Catalogs remain a vital part of the cross-channel experience, but do not effectively close the sale. A number of consumers still research and browse services and products in catalogs, but they are not necessarily using catalogs to make their purchases. Some retailers are scaling back the size of the catalogs, or are publishing subcatalogs targeted at particular segments and merchandise categories. This can ease the costs of printing and mailing, yet still provide the inspiration and reminder to send customers back online. Merchants need to understand the new role that catalogs play in the cross-channel research, browsing, and purchasing processes—and adjust accordingly.

When consumers were asked how frequently they browse, research, and make purchases by viewing catalogs, they gave the following answers:

- 79 percent of consumers said they use catalogs to browse and discover products at least four times a year.

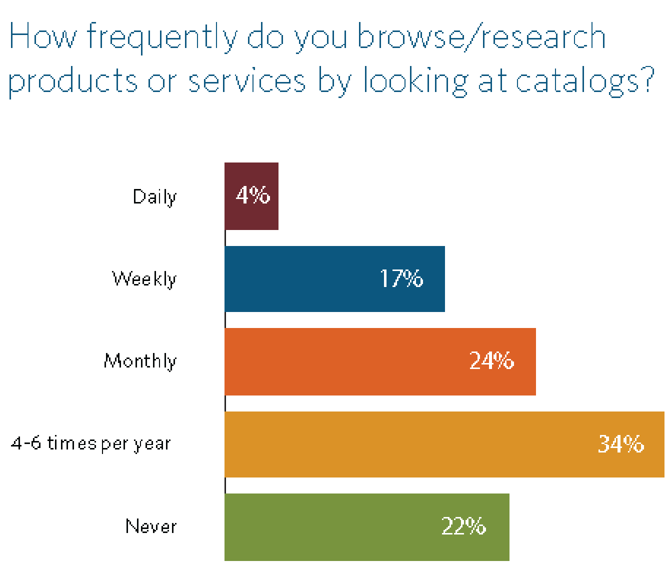


Figure 4. The data on users who browse/research in catalogs four to six times a year or more often yields a total of 79 percent—a significant majority.

- 41 percent of consumers said they never purchase products and services from catalogs (see Figure 5).

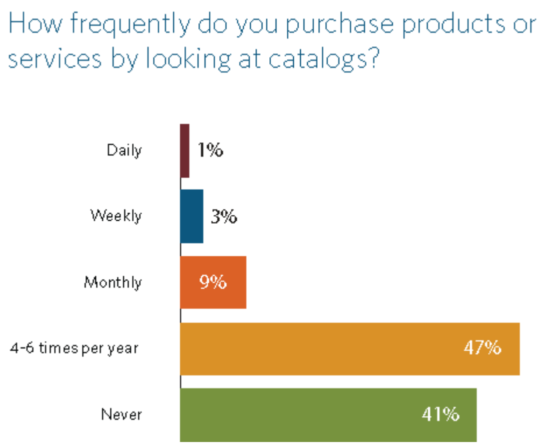


Figure 5. Although catalogs remain a vital element of the research and browsing process, consumers often shift to other channels, such as the Web, to complete a purchase.

## Social Media

Social media is an emerging marketing channel, but its role in the commerce experience needs to be more clearly defined and its value better articulated. As with mobile, the use of social media and networks is currently being adopted more frequently by the 18-to-34 age bracket, but that may be because most consumers are not yet aware that social technologies can be incorporated into their online commerce experience.

When consumers were asked how often they incorporate online purchasing activities into their presence on social networks such as Facebook, Twitter, or MySpace—that is, applications that update "friends" about recent products/services that have been purchased—the responses were as follows:

- 24 percent of all consumers said they incorporate online purchasing activities into their presence on social networks.
- When broken down by age group, 42 percent of 18-to-34-year-olds, 23 percent of 35-to-54-year-olds, and 8 percent of those ages 55 and over said they incorporate online purchasing activities into their presence on social networks.
- 22 percent of all consumers said they didn't even know people were doing this.
- Of the various age brackets, 18 percent of 18-to-34-year-olds, 19 percent of 35-to-54-year-olds, and 27 percent of people ages 55 and over said they didn't know people were doing this.

### E-Mail Promotions

Although e-mail response rates tend to be much lower than the below findings would indicate, respondents to this survey said e-mail promotions leave them with positive impressions of a company and prompt consumers to revisit or further explore merchants' sales channels.

In general, a majority of consumers said they appreciate the coupons and promotional discounts that they receive via e-mail. When asked how they would react to such an offer, respondents say the following:

- Overall, 29 percent say they would redeem the coupon and take advantage of the discount offered.
- 54 percent say they would see if the current promotion suits their needs and, if not, browse the site to see what other products or services are listed.
- Only 5 percent say they would think negatively of the store that sent them the discount, as opposed to 24 percent who said that, even if they're not interested in the promotion, they'd think positively of the store that sent them the discount.
- Another 15 percent say they would ignore the e-mail and not purchase the product or service highlighted.

## Survey Results

The survey featured the following questions, along with the responses as represented in the accompanying charts.

- How frequently do you browse or research products or services (such as consumer goods, food and beverages, travel options, cell phone plans, credit card and banking options, or insurance plans)—
  - online via a computer?

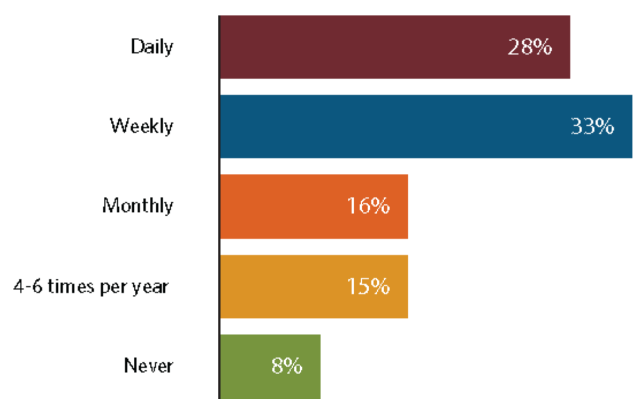


Figure 6. The internet is by far the most popular way to do daily browsing and researching of products and services.

- in a store?

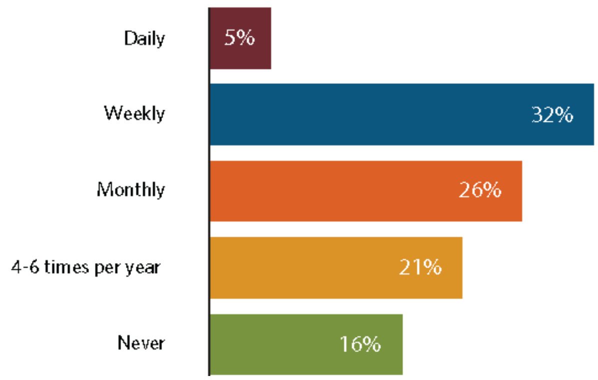


Figure 7. Physical stores rival only the internet in drawing a sizable number of weekly potential buyers.

- on your mobile device?

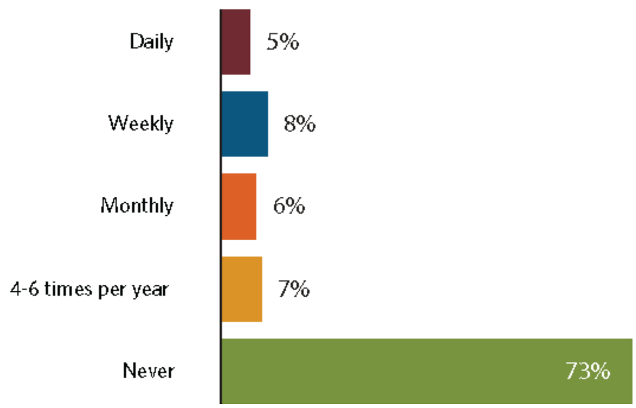


Figure 8. Only about one third of respondents ever use a mobile device to research a potential buy, but this number is expected to rapidly increase.

- by looking at catalogs?

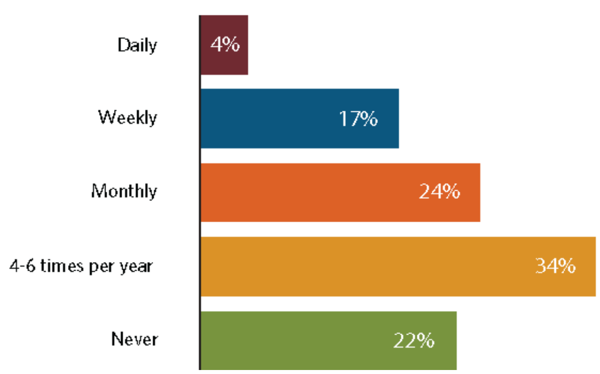


Figure 9. The percentage of consumers browsing catalogs quarterly is roughly the same percentage as consumers browsing online or in stores weekly.

- How frequently do you purchase products or services (such as consumer goods, food and beverages, travel options, cell phone plans, credit card and banking options, and insurance plans)—
  - online via a computer?

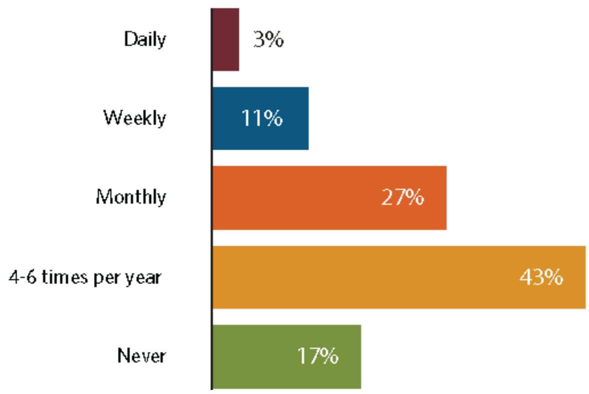


Figure 10. For purchases, physical stores are still ahead of the internet in weekly purchases.

  - in a store?

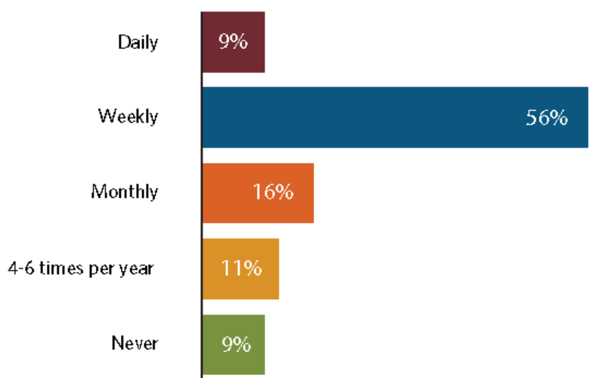


Figure 11. Traditional buying practices hold strong, with stores being the top means of weekly purchasing.

  - on your mobile device?

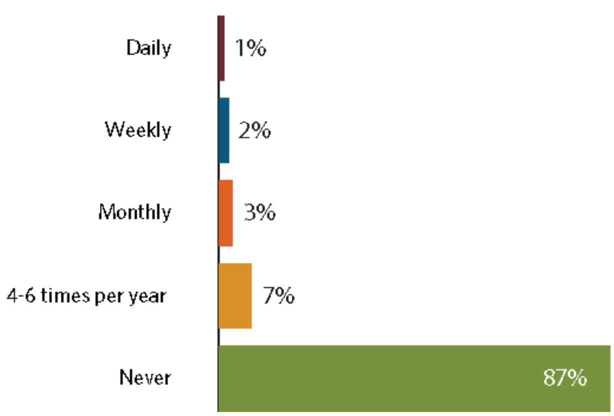


Figure 12. Purchasing via mobile devices is clearly an emerging trend, but rapidly gaining ground.

- by looking at catalogs?

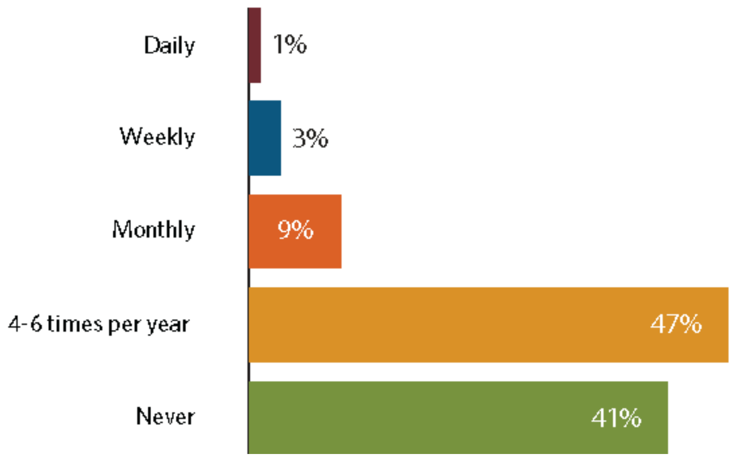


Figure 13. Still an important driver of product discovery, catalogs are a much less popular channel for purchases.

- How often do you utilize customer service or call center representatives to inquire about products or services (such as consumer goods, food and beverages, travel options, cell phone plans, credit card and banking options, and insurance plans)?

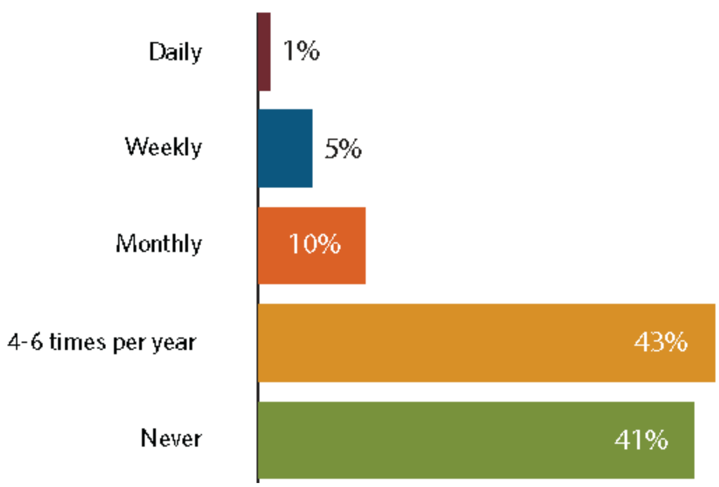


Figure 14. The use of customer service representatives as a means of gathering information is less popular.

- How frequently do you purchase products or services (such as consumer goods, food and beverages, travel options, cell phone plans, credit card and banking options, and insurance plans) by calling a customer service or call center representative?

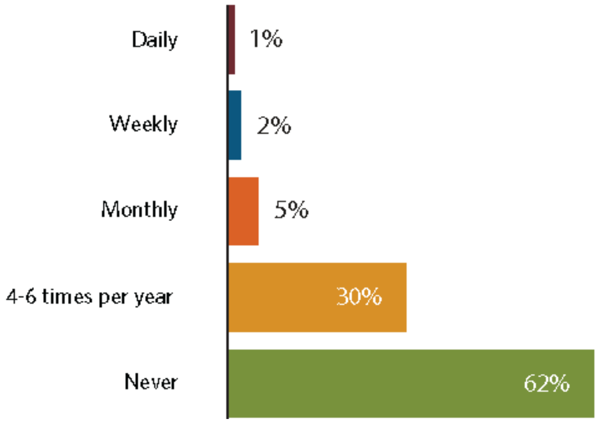


Figure 15. The use of customer service to purchase is an even less popular option.

- If you have ever researched a product online via your computer or through your mobile device but then called a customer service or call center representative to complete the purchase, what was your reasoning? Please choose all that apply.

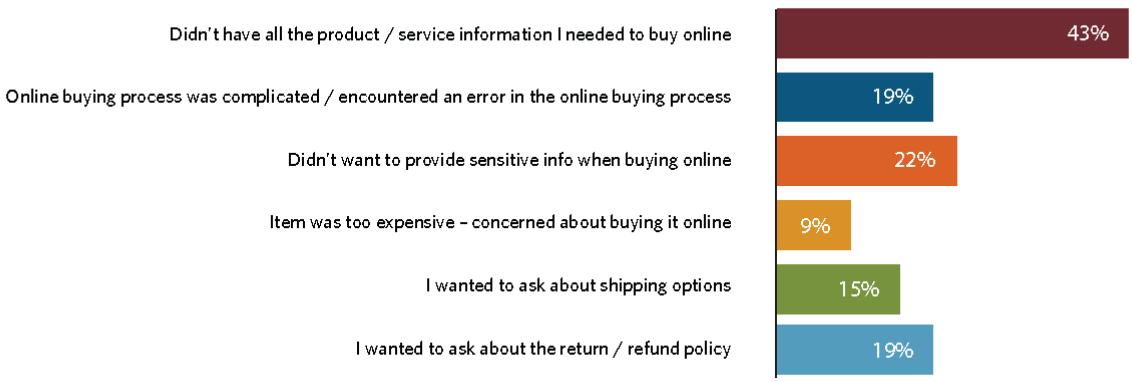


Figure 16. Customers were most likely to need a customer service representative as a way to augment missing information on the Website.

- If you have ever researched a product online via your computer or through your mobile device but then went into a store to complete the purchase, what was your reasoning? Choose all that apply.

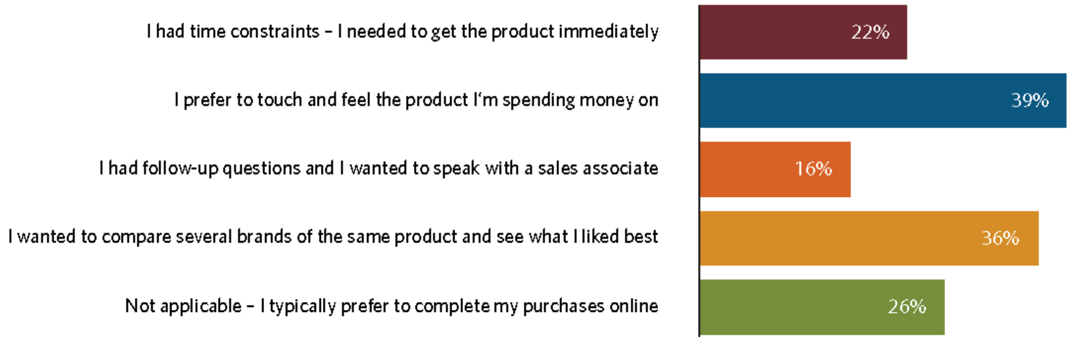


Figure 17. Comparison shopping and the need to "touch and feel" are the top reasons to go from an online store or mobile site to the physical store.

- Please choose one, from the following options, that best describes your reaction upon receiving e-mail promotions touting a product or service offered at a discounted rate (such as a "20 percent off" coupon from a bookstore, or credits toward a holiday from an online travel site). Choose all that apply.

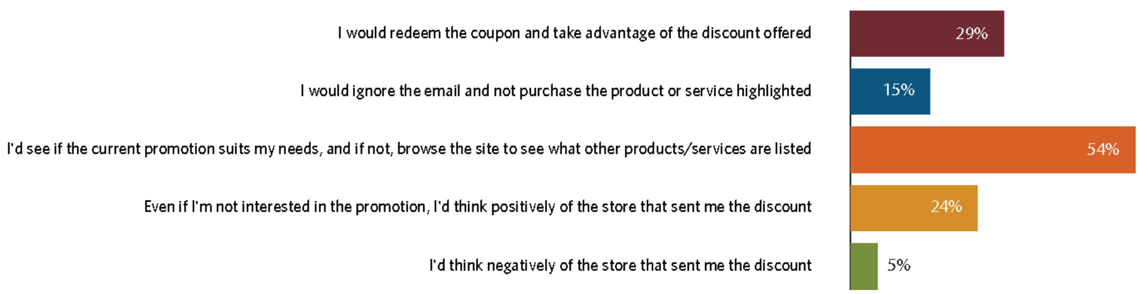


Figure 18. In general, e-mail promotions are received in a positive light.

- How often do you incorporate your online purchasing activities into your presence on social networks such as Facebook, Twitter, or MySpace (that is, applications that update your friends on recent products or services you've purchased)?

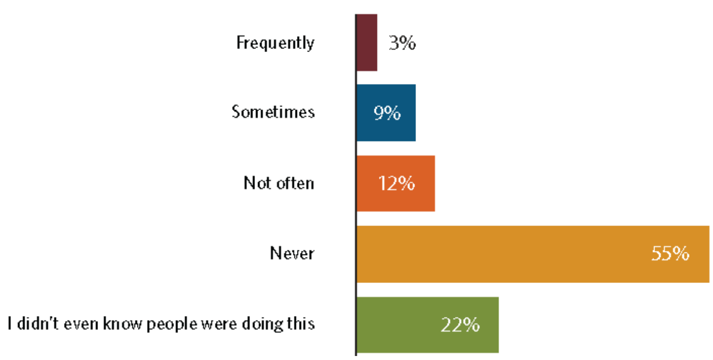


Figure 19. Incorporating social networks into the purchasing process is still an emerging practice.

- When you want to buy a product or service, how many different channels (such as computer, mobile device, catalog, or store) do you typically use to research that item and make the purchase?

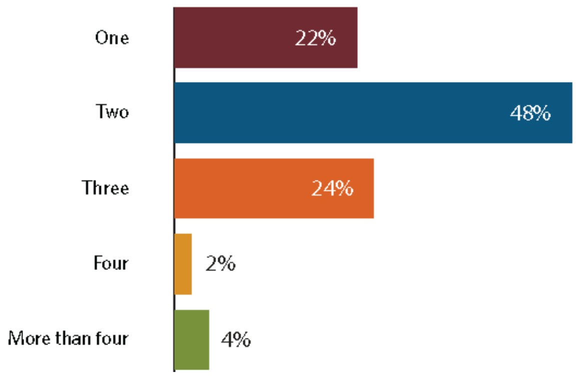


Figure 20. 78 percent of respondents are multichannel shoppers, typically using at least two channels to research items and purchase. 30 percent use three or more channels.

## Methodology

Responses to this cross-channel survey were generated from a pool of 1,054 respondents, ages 18 and older, living in the continental United States. Survey respondents were selected from a panel of more than 2.5 million individuals and were profiled across more than 500 attributes, such as demographics, lifestyle, and behavioral characteristics. Respondents were further differentiated by characteristics such as browsing and purchasing frequency online, to ensure that the participants were active on the Web. The study was commissioned by an affiliate of Oracle and deployed by independent online market research firm MarketTools during the fourth quarter of 2009. This survey has an error rate of +/– 3 percent for each 1,000 respondents.

## Conclusion

As the number of channels available to consumers continues to proliferate, companies offering products and services must capture those potential buyers at as many channels as possible. This survey's findings reveal that many consumers still rely on traditional channels for research and purchasing, but that 30 percent of consumers are using three or more channels—representing a window for marketers to extend their reach. The findings from this survey can help marketers hone campaigns and target the consumers who are likely to purchase, on the channels where they are most likely to be found.

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