The Connected Consumer

ON PREDICTING AND RESPONDING TO THE EVOLVING NEEDS OF TODAY'S SHOPPER

SHOPPING HABITS ARE CHANGING

36%

US consumers bought groceries online in 2019, a **13%** year-over-year increase [1]

23%

73%

More consumers shopped online and **61%** more shopped on smartphones in just five years (in 2019 vs. 2014) [2]

FRICTIONLESS COMMERCE CHANGES EVERYTHING

Shoppers Want [2]

- **73%** Order-only stores (products shipped to homes)
- **69%** Grab-and-go stores (self-checkout from own phone)
- **49%** Digital order buttons for specific products
- **47%** Virtual try-on for glasses, clothing, etc.

CONSUMERS ARE CHOOSING RETAILERS COMMITTED TO SUSTAINABILITY

Top Influences on purchasing behaviors today [2]

- **55%** Honesty and integrity
- **42%** Environmental concerns
- **37%** Improving local communities

ZERO WASTE

SHOPPERS QUICKLY RESPOND TO THE CORONAVIRUS

"We're getting deliveries daily, but still not enough given the increased levels of demand on certain key items."

RICHARD GALANTI
CFO, Costco

298%

Hand sanitizer sales spiked in the four weeks up to March 21, 2020 [3]

HAND SANITIZ

50%

Retailers named certain products being unavailable in their supply chain their biggest COVID-19-related fulfillment issue [4]

SUPPLY CHAIN TECH MUST BE UPDATED TO PREPARE FOR THE UNEXPECTED

Digital supply networks leverage Internet of Things (IoT) sensors, applications, and artificial intelligence to make real-time decisions…Suppliers receive real-time feedback directly from point of sale (POS) data [5]

Core capabilities that most highly impact decisions on where to shop [2]

- **55%** Safe & secure payment
- **40%** Hassle-free checkout
- **33%** Helpful employees
- **33%** Ease of navigation

75%

Retailers plan to invest in predictive analytics over the next 18 months [6]

"Supply chain leaders and their teams can conduct a scenario planning exercise and develop action plans… **Being better prepared than the competition might even open new opportunities when the next disruption comes around.**" [7]

Source: 1- Coresight Research, "US Online Grocery Survey 2019;" 2- *RIS*, "2019 Shopper Megatrends Study;" 3- Nielsen Total U.S. (retail) dollar sales data; 4- *RIS*, "42% Say Sales are Surging During Coronavirus, *RIS* Survey Finds;" 5- Deloitte, "The Customer-Driven Supply Chain;" 6- *RIS*, "2019 Advanced Retail Analytics Study;" 7- Gartner, "Coronavirus: How to Secure Your Supply Chain"

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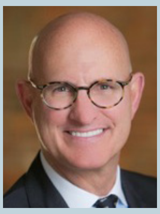
On the Mother of all Black Swans



MICHAEL FORHEZ
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Q Why is it so important that brands and retailers understand what they're in the business of?

The simple answer is that in an *instant* we now face a historic global health and economic challenge. It's a once-in-a-century Black Swan, where quarantines, social distancing, shelter-in-place orders, travel restrictions, store adaptations serving new needs, and resource-preserving closures have required massive societal and business-planning adjustments not seen in generations.

We do not know how deep the disruption will be or how long it will last. It is now clear, however, that any meaningful recovery can only follow a significant up-tick in consumer confidence, built on data, suggesting a sustained "flattening of the curve."

We don't know for certain *how* the economy of the future will be different, only that it *will* be different.

Leaders must begin to revisit today's business models, which were already under review, asking questions in preparation for a tomorrow now shaping up to look quite different:

1. What do we think we are in the business of? The answer might be surprising!
2. Going beyond survive to thrive, what can/must we change?
3. Of our precious resources — human and knowledge capital, financial liquidity, infrastructure and brand equity — how might we better leverage these to align with rapidly changing customer needs and customer preferences?
4. What's the forecasted cost, and expected ROI, for the change requirement?
5. In the absence of an agreed new remit, what are the probable costs if we do not aggressively seek and enable change?

Q Has our current reality already changed shopper behaviors?

Most certainly. But answering the question runs deeper, because there are times in history when change that might occur over a decade suddenly gets compressed into a much shorter time frame — a year or two — and this is one of those times.

Note how click and collect, frictionless commerce, direct-to-consumer and other digitally enabled initiatives have been accelerated in the quest to satisfy a sequestered shopper. Emerging technology had already begun to alter brand, retailer and consumer dynamics, with 5G, AI/ML AR/VR devices prepared for expanded deployment. Marketers forecast that 75% of Americans and Canadians expect to switch to 5G devices by 2025. All are catalysts that support the requirements for, and dynamics driving, behavioral change.

The consequences? In the technology lifecycle, the "Early Adopter" part of the growth curve now morphs even quicker into the next phase — Early Majority. Brand, retailer and consumer, all being influenced while influencing, are irrevocably altered, with connected, better informed shoppers controlling the relationship, while changing faster than some brands may be prepared for. In the next 18 months we'll see both a falling out and a settling in with the most capable and adaptable standing taller than ever.

Watch for apps moving to platforms. A fast, frictionless experience model emerging and quickly maturing, moving beyond just digital as a strictly e-commerce channel. A range of content-rich consumer experience capabilities enhanced by ML data insights being offered and rapidly adapting.

Q Speaking of frictionless commerce, exactly how might this upend our ideas of what a retail transaction is versus what it could be?

Technology has already shifted consumer buying habits. But, according to OuterBox research, with 79% of smartphone users making purchases online using their mobile device in the last six months, and with 80% of shoppers using a mobile phone inside a physical store to either look up product reviews, compare prices or find alternative store locations, the stage has been set for a big step-change which will happen faster than many are prepared for.

Think on it: handheld devices allow buyers to get quick, often free, product deliveries in as little as a day, increasingly within hours. Consumers can access reviews, visualize how a product would look or fit, get answers to questions, even returns are reasonably effortless — all making it simpler for consumers to easily and confidently complete transactions. Want more?

According to April 2020 survey results from Prosper Insights & Analytics, 65.9% of respondents shopped at Amazon and 64.6% of survey respondents say they shopped at Walmart in the last 90 days. This survey also indicates, as a testament to the e-commerce trend, that 69% of U.S. households now use Amazon most often for buying products online with Walmart, at number two, closing the gap.

Yet something is missing in the digital/retail transaction experience — the tactile and sensory experience with a product or place. Engaging consumer senses has always had a significant and persuasive impact, creating a bonding moment. A positively perceived sensory experience becomes both a powerful motivator and loyalty builder. Can digital fully substitute for that? By observation and through my own personal experience, I've never been convinced it could.

Assuming you agree, here are the sharpest questions, and best opportunities, for brands and retailers: If current channel sales of traditional products and services drop by just 10% over the next 3-5 years, do brands or affected retailers have enough initiatives in place to discover, test, and expand future revenue sources? Which new assets, products or services could a retailer or brand exploit? Getting out in front with the right answers may hold the keys to a new future emerging: one with fresh meaning, tied to vast new value creation.

Why is it so important that brands and retailers understand what they're in the business of? Now might be a good time to start thinking about that.

All hail the consumer!

Oracle provides retailers with open, integrated, and best-of-breed business applications, cloud services, and hardware that are engineered to work together and empower commerce. Leading fashion, grocery, hardlines, and specialty retailers use Oracle solutions to anticipate market changes, simplify operations, and inspire authentic brand interactions.

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