

# The Evolution of Experience Retailing



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The survey findings allow us to explore what retailers can do now to optimise their businesses for the future.

## INTRODUCTION

Oracle recognises that the pace of change in the global marketplace is unprecedented. Success requires retailers to acknowledge the pace of this revolution. Adapting to the needs of today's global customer at the necessary speed is a significant challenge. The view we have is that customers are now in charge, demanding the provision of commerce anywhere, and wanting to reap the benefits of the competitive global marketplace and the latest technologies to enhance their shopping experiences. This is the age of the individual: the customer that wants every retail interaction to be 'good for me,' to be defined and dictated by 'my' preferences.

From what we see, retailers do not necessarily understand the full extent of the challenge — possibly because the speed of the change is breathtaking. What is required to survive is focus. Staying centered on the key initiatives that matter, to compete and succeed in this all powerful consumer-led world is an absolute requirement. Is it right to open more stores or should you focus on investing capital in commerce channels to co-create brand value and experience? If geographical borders are meaningless, should you reposition your business to better compete in the global marketplace? Where is growth to be found and how can it deliver competitive advantage cost effectively? So many challenges, but where are the solutions? With this in mind, we conducted research into the shopping habits of consumers in Brazil, China, Germany, Japan, Russia, the UK and USA. The survey findings allow us to explore what retailers can do now to optimise their businesses for the future.

## SURVEY OVERVIEW

We acknowledge there are several pieces of research that seek to respond to some of these questions, including the [Future of Retail through the Eyes of Digital Natives](#) and the recent [Oracle CX Index Europe](#) report. In particular, we wanted to substantiate our point of view on the challenges facing retailers today and what we believe to be the solutions. We sought to explore the evolution of experience retailing and what the fundamentals are in delivering this to today's customers. This research, commissioned in August 2012, examines the views of consumers on the global marketplace and what this means in terms of meeting their needs, to help retailers to define their strategies and key business imperatives and enable them to compete more effectively.

Consumers between 18 and 60 years old from Brazil, China, Germany, Japan, Russia, UK and USA were interviewed for the 'Evolution of Experience Retailing' survey on their views to fundamental retail principles, including customer service, overall experience, preferences and shopping trends and attitudes to technology in the retail process.

### Specific topics included in the Evolution of Experience Retailing survey included:

- Attitudes and preferences around shopping globally and locally
- Which retail attributes matter to consumers
- Getting the most from interactions with retailers
- Understanding what service, experience and personalisation mean to consumers
- The importance of service, experience and personalisation in the shopping process



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The reality is that Amazon  
has changed the  
way we shop forever.

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### KEY GLOBAL FINDINGS

Findings from the Evolution of Experience Retailing research reveal the following:

#### The Amazon impact

When Amazon went online in 1995, there were few who predicted that within 20 years, it would be the world's highest grossing online retailer<sup>1</sup>. The reality is that Amazon has changed the way we shop forever, opening up a global marketplace that offers considerable advantages to consumers. Starting as an online retailer, Amazon has transitioned to become a global giant that is shaping not just the industry but every player within it, thanks to its low operational costs, laser focus on the individual customer and its constant transformation through adding new products and services.

Forrester estimates that globally the ecommerce market contributes 15-20% to total retail sales<sup>2</sup>, though figures vary depending upon sector and region. In the UK, this accounts for 10% of retail revenue, with an estimated 9% in the US, 3% in Asia Pacific and 2% in Latin America.



Figure 3: Question: Favourite retailer and why? (USA)



Figure 4: Question: Favourite retailer and why? (China)

Of this market, Amazon has approximately 7% market share<sup>3</sup> growing year on year, so there are few reasons to expect a decline in the company’s continued global domination.

Certainly, respondents in the countries where Amazon has a presence — Germany, UK, USA, China and Japan (Figures 1-5) — overwhelmingly named it as either their favourite or second favourite retailer. When asked to confirm why, the following words were repeated: good, products, prices, selection, assortment and service. Only time will tell whether Amazon’s expansion into Brazil and Russia, where it does not yet have a presence, will have the same impact (Figures 6-7).

Respondents identified price, product and choice as the key benefits of shopping in the global marketplace (Figure 8) and most regions, with the exception of Japan and to a lesser extent the USA, were prepared to source goods internationally to obtain the best price, product and most extensive choice. This suggests that Amazon’s strategy and knowledge of its customers is working globally and locally.



Figure 5: Question: Favourite retailer and why? (Japan)



Figure 6: Question: Favourite retailer and why? (Brazil)

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**Service must be  
'good for me' – directed  
by the customer anytime,  
anywhere.**

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So what is it that Amazon has got right? Product reviews, consistent delivery, convenience and assortment all result in high Amazon customer satisfaction. The average American Customer Satisfaction Index score for Amazon (87 points) is 11 points higher than physical discount and department stores<sup>4</sup>. A key success is around simplifying the transaction process. Amazon has set the standard around what a transaction should look like.

Perhaps one of Amazon's greatest strengths is its assortment. Amazon.com offers 78x the assortment of a sample of 20 US brick-and-mortar general merchandise stores, while comparatively Target.com has only 3.5x as many goods as its stores, and Walmart.com offers 5.6x the selection in its stores<sup>5</sup>. This is a key differentiator. Amazon brings extensive choice supported by an optimised supply chain, through a low cost, low risk marketplace, powered by its web platform. Amazon also benefits from rotating inventory rapidly and reducing inventory management costs, which enable it to offer merchandise at comparatively low prices<sup>6</sup>.

So where does this leave the traditional retailer? Should they be seeking to differentiate through service and experience? Or is it simply about doing something different? Ultimately, what they cannot do is ignore the impact of Amazon and its influence over global retailing. Consumers are waiting for the advance of this retail giant across the world. The rest of the industry needs to learn how to harness the power of customer insight and deliver on the complete experience requirements of the new consumer, which Amazon has created by shaping expectations in the image of their offer.

#### **Which elements of service truly matter?**

Perceptions of service, whether good or bad, have traditionally been built around brand confidence, interactions with sales associates and products in the store. This concept worked in a pre-online world where consumers interacted with retailers face-to-face at a time and pace determined by the retailer. However today's world operates on consumer-time where retailers must now hold a differentiated place in a global marketplace with numerous touch points, where consumers can educate themselves in a way that is good for them, make purchasing decisions from any location and direct their own interactions with retailers at anytime, anywhere. Consumers can also now broadcast their feedback on service experiences — both good and bad — to the world. This amplification of



**Figure 7: Question: Favourite retailer and why? (Russia)**



**Figure 8: Question: When choosing where to shop generally, either in a physical store or through other channels, what are the most important considerations for you?**

personal shopping experiences can have a profound impact on brands. So, what does that mean for service and what are the priority areas for retailers to address?

The research revealed that service is considered, overall, to be important in all countries. In response to the question 'how important is service to you when shopping', 98% of those surveyed in Brazil and China listed it as very or fairly important, of marginally less importance in the UK, USA, Russia and Germany (at 90%, 89%, 87% and 81% respectively), while over a quarter of Japanese registered 'neither important or unimportant' as their response (Figure 9).

But how can service be categorised? What makes good or bad service? Responses to the question of what makes good and bad service would suggest that service very much still depends on the people in a retail organisation. Poor service is typically defined by a negative interaction with a store associate (Figure 10). Unhelpful or unfriendly store associates



**Figure 9: Question: How important is service to you when shopping?**

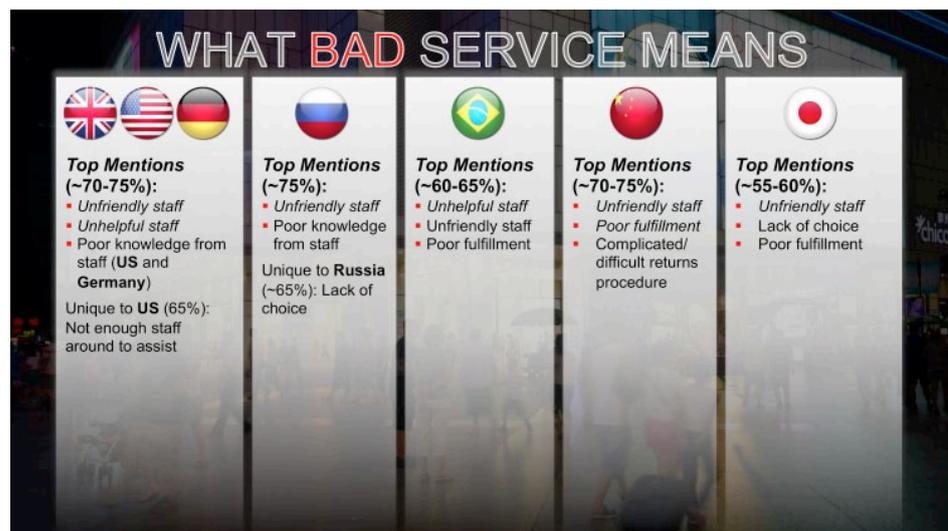
**Store associates  
are the critical  
differentiator in service  
delivery.**

were listed almost universally by respondents as the primary cause, along with poor knowledge listed by Germany, Russia and the USA, who uniquely felt that not having enough store associates available impacted service levels.

For 61% of survey respondents globally, having “the right products available for me when I want to purchase” was a key element of good service (Figure 11). So retailers need to look at how to deliver on the inventory promise and optimise availability. Sharing accurate inventory information with store colleagues and customers (for example, stock availability being shown online) is a necessary part of providing good service.

Good service in the survey also had an overwhelming focus on the rapidity and ease of the payment process, along with flexible delivery and returns options that work for the consumer and the right products available at the right point of purchase. However in Brazil, Germany, Russia, the UK and USA, finding knowledgeable store associates when required is also a key criterion of a positive service experience.

So although consumers in some countries may not want to interact with store associates during every shopping interaction, most notably in the US, the store associate remains a critical component of the



**Figure 10: Question: How would you define bad service in the context of shopping?**



**Figure 11: Question: How would you define good service in the context of shopping?**

service offering and is expected to be available and respond positively to consumers on their terms. The implication here is that the store associate can add significant value to the retail experience for traditional retailers. Amazon does not interact with customers in the same way and therefore, should retailers be considering their store associates more as a key and positive differentiator to the onslaught of online retailers?

### So how costly is bad service to the modern retailer? (Based on all respondents)

- Only 39% would give a company a second chance
- 53% of people would switch to a competitor right away
- 51% of people would never go back to that retailer
- 54% would expect money back or a gift
- 55% of people would actively recommend against using that retailer
- 70% of people stated that advice from friends/family was important when deciding which retailer to visit
- 71% of people use brand reputation as a source of information when choosing which retailer to buy from and 69% use customer reviews online
- 37% of people would go online to share a bad experience

### Will the role of experience increase for retailers competing in a global marketplace?

Experience is a word that is bandied about frequently. Getting the customer experience right has become somewhat of a mantra in retail today. But do retailers truly understand what customers expect from their retail experiences and are they meeting, let alone exceeding, these expectations?

Our group of global respondents rated the importance of the experience surprisingly differently (Figure 12). Consumers in Brazil and China reported the greatest levels of importance with 96% and 90% of respondents respectively listing this as very or fairly important. Japan and Germany rated experience importance lowest, which raises a question about whether consumers in growing retail markets have different perceptions of importance, compared to those in established markets.



Figure 12: Question: How important is the retail experience to you when shopping?

Results also reveal different perceptions of experience, whether consumers are online or in the store (Figure 13). Online experience is identified as a function of ease and convenience, with the ability to shop anytime, anywhere and use sites that are easy to navigate being the key requirements. These are clearly attributes that retailers recognise in Amazon. In store, however, experience relates to showcasing the product and perceptions of vibrant and engaging environments. Over a third of respondents in the growth markets of Brazil, China and Russia named product showcases as the key factor in the store shopping experience. Retailers like Apple have long been lauded for creating unique experiences in the physical store, focusing on personalised experiences specific to the customer, and to this point, the Oracle CX Index Europe report revealed that 81% respondents would be prepared to pay more for a better experience.

Tolerance of negative shopping experiences and reactions to them also vary by country (Figure 14). Generally, while retailers would like to think their customers would give them a second chance when they encounter a poor experience, the reality is that consumers are increasingly less likely

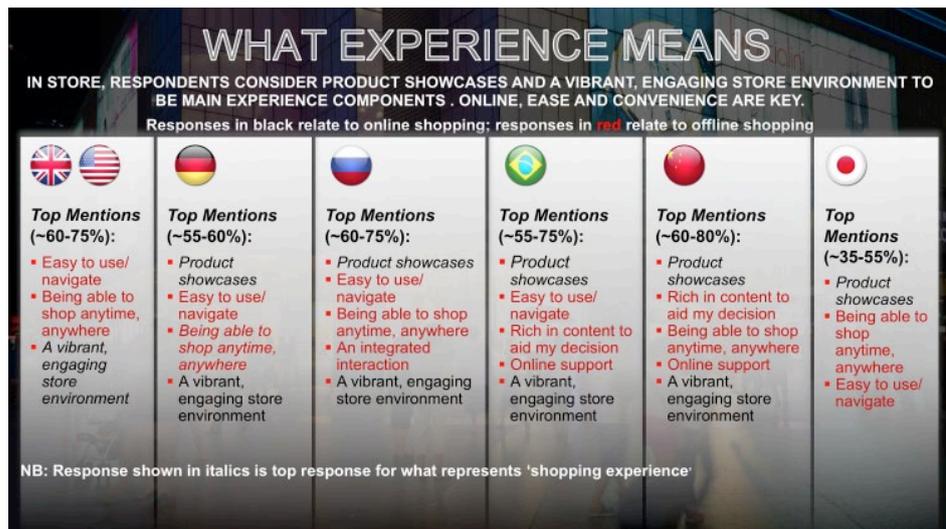


Figure 13: Question: What does the retail or shopping experience mean to you?

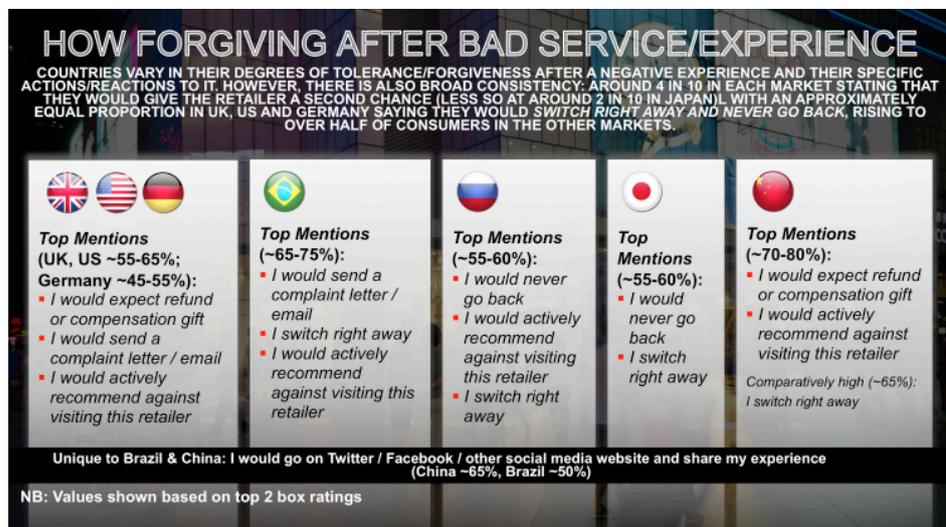


Figure 14: Question: How do you react when dissatisfied with either the service or an experience when shopping?

to accept these incidents. The impact of the virtually savvy consumer and their use of the new tools offered by social channels means that any experience, whether positive or negative, can be immediately publicised, and, if it is a poor response, retailers must then manage damage control.

In essence, generally it is seen that the new global customer values retail experience less, while the price of poor service across the board is deadly. Today's retailers have no choice but to get this right. 52% of consumers surveyed expect a simple multi-option returns service. Delivering this is more of a problem for retailers, especially as their ranges and assortment become broader and more diverse. Consumers will feel quite differently about the inconvenience of returning a book than they will a television. The survey showed that service is a big area of opportunity for retailers to differentiate, especially for commerce anywhere retailers who can embrace the store estate to offer exemplary flexibility around returns, payments, availability and delivery.

Globally, respondents are in agreement that they would actively recommend against visiting that retailer, but a higher overall percentage of respondents would switch straight away and never go back, an approach shared by the respondents of the Oracle CX Index Europe report. In the UK, USA and Germany, retailers should expect to receive complaints and to respond with refunds or compensation gifts, reactions shared by Brazil and China, while Russia and Japan are most unforgiving of poor experiences. The impact of these results is that retailers cannot risk providing consumers with experiences that are anything less than positive. In this highly competitive world where choice is a premium, consumers can and will take their money elsewhere.

How can retailers respond to this requirement for service? People still play a great part in delivering exemplary service. There is a need for retailers to equip their people with high quality information, be it customer, product, inventory, price, promotion, delivery or payment information. Information at the highest level empowers the people within a retail organisation to impact and improve service levels at every interaction. This use of information will differentiate a service offering and allow customers and sales associates to make good decisions.

### **Defining customer experience, key elements and importance:**

- Respondents' strongest answers to what defines customer experience were:
  - Product showcases (62%)
  - Easy to use/navigate (61%)
  - Being available to shop anytime, anywhere (56%)
  - A vibrant, engaging store environment (56%)
  - Brazil, China and Japan also valued rich content to aid the decision process
- The strongest single answer was Product Showcases, although this was not reflected in the US and UK as the top response
- A vibrant engaging store environment was second and scored highly across all countries aside from Japan
- Ability to shop anytime anywhere was third and scored highly across the board aside from China and Brazil
- Consumers want choice, in an engaging environment, with ability to shop whenever they want
- As for importance, 72% suggested experience was important or very important, with Brazil and China reporting the strongest answers and Japan the weakest.

## How do retailers create flexible offers engineered to the tastes of individual consumers?

The survey also looked at how consumers view offers engineered to their personal tastes and retailers' tactics to engage with them. Most consumers perceive personalisation to be primarily about receiving targeted messaging through offers or discounts or information deemed pertinent to them, through their mobile device, while in store or on the move (Figures 15-16). By this, respondents specified that these offers, discounts or information be based on their preferences. In addition, Brazil, China and Russia also identified the availability of a single shopping basket across channels as a key component of personalisation when shopping.

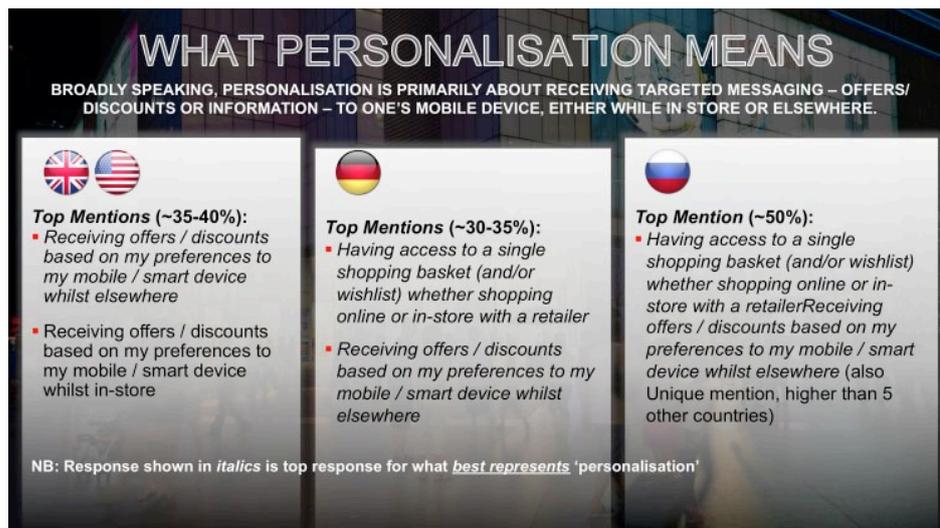
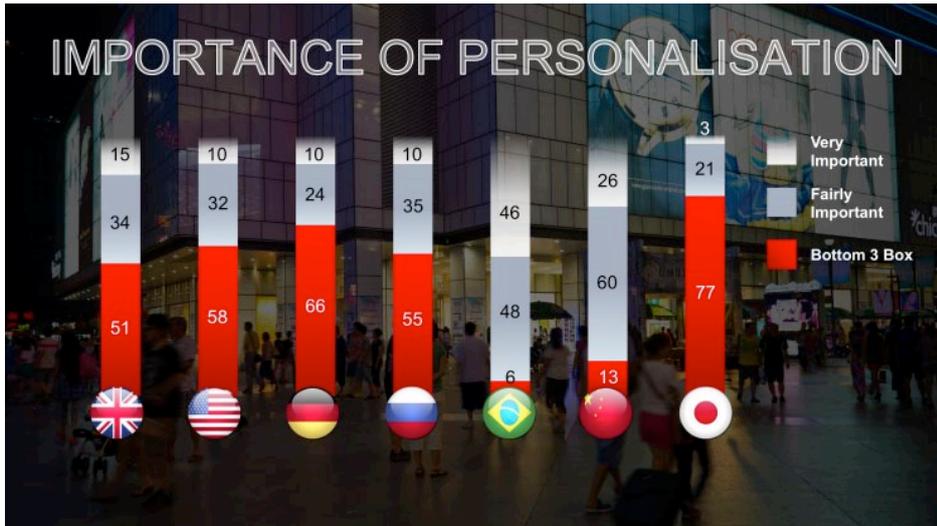


Figure 15: Question: What personalisation means in the context of shopping?



Figure 16: Question: What personalisation means in the context of shopping? (Continued)

While personalisation is not considered to be of particular importance to this sample of consumers, Brazil and China once again stand out with 94% and 87% respectively listing it as very or fairly important (Figure 17). Other regions place far less importance on the role of personalisation, with the majority of responses claiming it is neither important nor unimportant.



**Figure 17: Question: How important is personalisation to you when shopping?**

Perhaps the lack lustre pick up on the importance of personalised offers is more a reflection that relatively few retailers are delivering personalisation with impact. These are the early days of the art of engineering meaningful personal retail experiences, identifying the role of the mobile device as key for retailers to engage with customers at the immediate and individual level. Consumers want to browse and engage on mobile devices, researching up to the point of purchase, so retailers need to consider new ways of making recommendations, showing availability and incentivising the customer with custom data that motivates a buying response while avoiding any disappointments. The new dynamic in retail comes from taking a vast array of permutations and moving range to being good for every individual.

### Defining personalisation, meaning and importance:

- The strongest definitions of personalisation, similarly and equally picked as most important by respondents were:
  - Having access to a single shopping basket (36%)
  - Receiving information to a mobile/smart device based on my preferences (36%)
  - Receiving offers/discounts based on my preferences to my mobile/smart device while in store (39%)
  - Receiving offers/discounts based on my preferences to my mobile/smart device while elsewhere (39%)
- As for how important is was, 54% rated the importance of personalisation
- This figure varied country by country, with Brazil (94%) and China (84%) recognising importance, compared to just 23% in Japan

**Ideas around personalisation dovetail neatly into preferences about communications with retailers.**

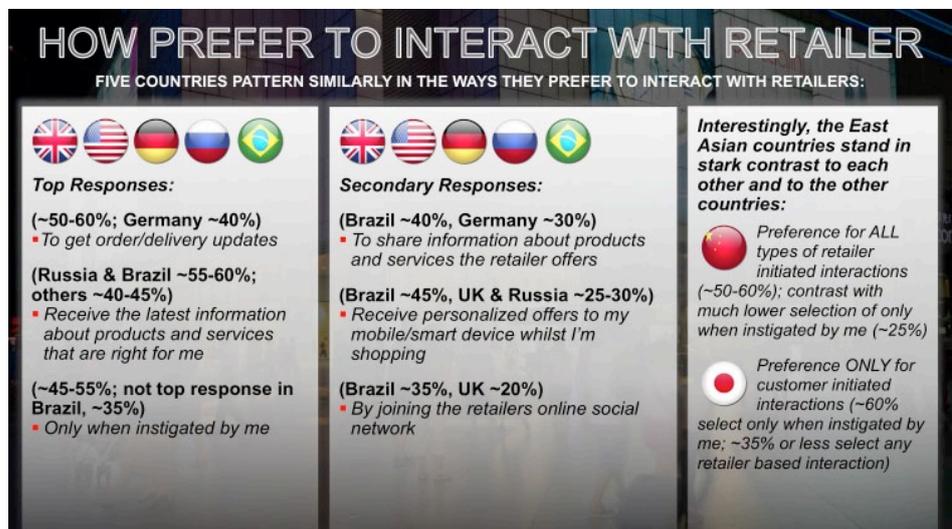
**Profitable interactions with retailers**

Ideas around personalisation dovetail neatly into preferences about communications with retailers. Returning to this concept of pertinence or relevance based on preferences, the research highlighted some interesting results around preferences and acceptability for how consumers choose to interact with retailers and delivered some culturally interesting observations.

When it comes to consumers' views of the relationship with a retailer as a partnership, or a two-way street, as a means of facilitating the best experience, there were considerable differences in the willingness to share information with retailers (Figure 18). Respondents in Brazil are most open to sharing personal information with a retailer, while those in Germany and the US were most reluctant to do so. In China, there is a preference for all types of retailer-initiated interactions but a far lower interest in interactions instigated only by the individual (Figure 19). This contrasts heavily with responses from other countries, most heavily in Japan, which has a stronger preference for only customer-initiated interactions.



**Figure 18:** Question: How willing are you to share information with retailers?



**Figure 19:** Question: How would you like to interact with a retailer?

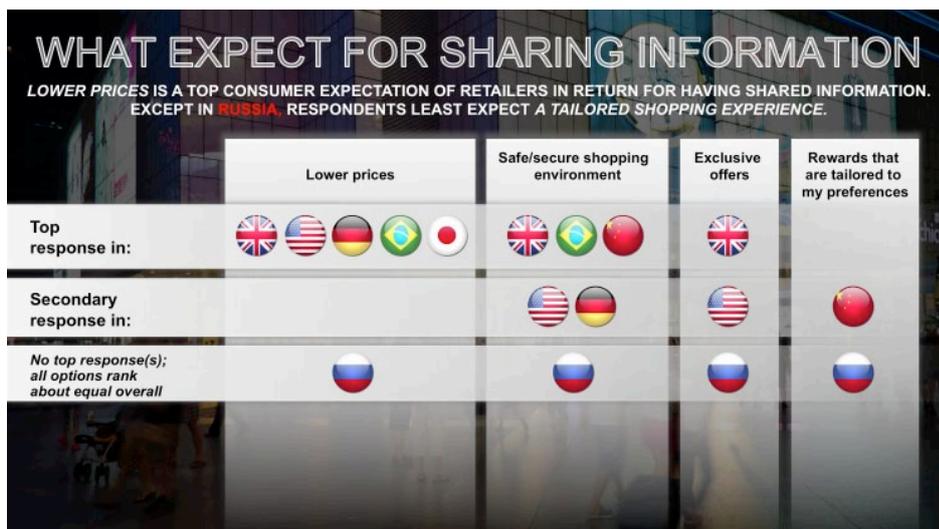
If retailers are generally discouraged from initiating contact unless it is based on order and delivery updates or the latest relevant information about products and services, and there is a lack of willingness on the part of the consumer to share information which will help to identify these preferences, then retailers face no easy task in engaging and communicating better with their customers.

One light on the horizon is the interest from consumers in receiving something in return for sharing their information (Figures 20-21). Lower prices were listed as the top response for those willing to share information, particularly in Japan, alongside the provision of a safe/secure shopping environment — a priority for Brazil and China above other countries. Exclusive and relevant offers were of most interest to more established retail markets, while Russia placed no significant importance on any particular options. In essence, the key to better understanding your customers and their preferences is to offer something in return as a way of opening and building that two-way communication and using the data gleaned from this to build up a profile of each customer. This two way communication has to add value for the individual consumer — and retailers getting it wrong run the risk of alienating their customers. Moreover, they should be prepared to manage the fall out on Twitter and other social media platforms.

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**The key to better understanding your customers and their preferences is to offer something in return. Lower prices was the top response.**

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**Figure 20: Question: What do you expect from a retailer in return for sharing your personal information?**



**Figure 21: Question: What do you expect from a retailer in return for sharing your personal information? (Continued)**

## Identifying the best way to interact and share information with customers

- Customers wanted to interact with retailers to:
  - Receive the latest information about products/services that are good for me – 50%
  - Get order/delivery updates – 51%
  - Only when instigated by me – 44%
- China was most open to retailer contact for a multitude of activities
- 69% of Brazilians were willing to share personal information in exchange for better services and offers
- Expectations in return for sharing information:
  - Lower prices rated highly, followed by exclusive offers and deals that are good for me and a safe and secure environment

**Retailers can not ignore the need to incorporate social and mobile into their overall retail experience now.**

### Are retailers responding to the impact of social media?

Managing the growth of social platforms is a subject that continues to gain momentum and challenge retailers. Yet, this study reveals that the use of social media in relation to shopping is influenced strongly by culture and region, rather than the global growth of the phenomenon.

Social channels do not currently play a major role in shopping, except in China and less so in Brazil, despite this research being focused on online consumers (Figure 22). In particular, almost two thirds of Chinese respondents will take to their social networks to share negative retail experiences. This group also showed the highest percentage of use of such networks when shopping or seeking reviews or recommendations. This indicates the growing power of a consumer's social network is becoming an important part of the decision-making process around purchasing. Again this shows the importance of making the service and experience elements good for the individual.

Of the opponents to integrating social into their shopping experiences, approximately half of respondents from Germany, Japan and the US do not use social networks and believe that recommendations via these channels are unimportant. Culturally, it is interesting to see that mature retail markets rely less on new technologies and retail revenue streams than emerging markets, which are more willing to embrace these elements to achieve a complete and integrated retail experience.

However, these results are deceiving. Just because consumers in a particular country are not utilising social media networks for shopping

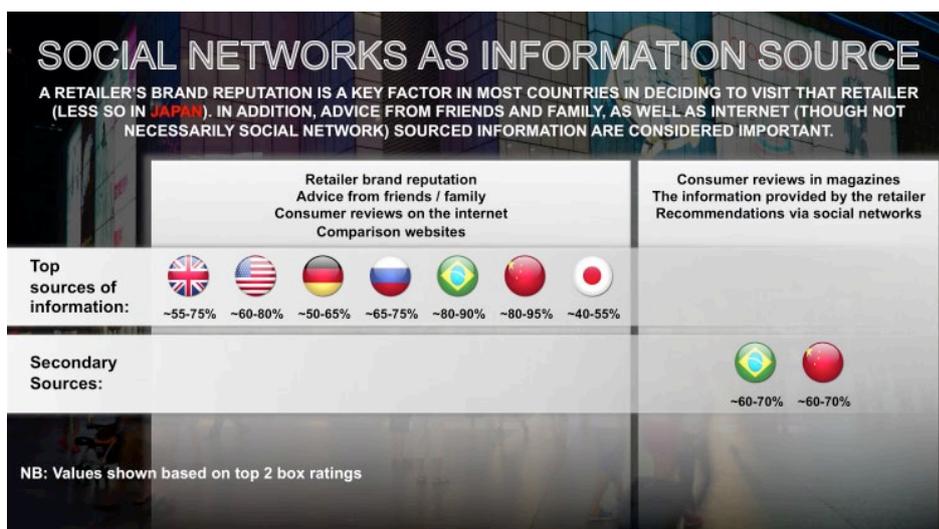


**Figure 22: Question: How, if at all, do you use online social networks when shopping?**

at this stage, retailers should not ignore the need to incorporate social, mobile and other strategies into their overall retail experience. There's real immediacy around sharing good and bad news. Social plays a very important role in taking recommendations from friends and family and in influencing purchases (Figure 23). This trend will continue to grow. It may not yet be a place where people shop, but it is a place where retail experiences are shared and amplified and it is key to the way the brand experience is delivered. The data produced by these channels is highly valuable and needs to be collected and used to develop actionable insight that will benefit each customer. For instance, a fan of a brand on Facebook is more likely to spend up to 117% more than a non-fan<sup>8</sup>, while only 30 of the top 500 Internet Retailers offer Facebook login as a registration option on their sites, losing out on a wealth of customer info<sup>9</sup>. It is only a matter of time before social media infiltrates the shopping experience and retailers need to be prepared.

### The role of social media in the retail experience

- Russians equally prefer to shop through their social networks, as they do through stores and mobiles
- 48% Chinese most willing to join a retailer's social media networks, compared to 5% of Japanese
- 67% Chinese and 51% Brazilians would use social media networks to share negative shopping experiences, compared to 37% globally
- 29% global respondents follow retail brands on social media networks
- 34% rate recommendations on social networks as important



**Figure 23: Question: How important is each of the following sources of information when deciding which retailer to visit?**

## Analysis By Country:



### BRAZIL

Latin America's largest economy has led retail growth in the region for many years, thanks to a growing middle class empowered by increasing purchasing power, supportive consumer demographics and access to credit. Ranked number one in the 2011 Global Retail Development Index<sup>7</sup> up from fifth in 2010, Brazil's retail market is estimated to be worth about US\$537 billion and is predicted to grow 7.9% between 2011 and 2015<sup>10</sup>. Such figures have helped it to become a key territory for international retailers, including Carrefour and Wal-mart, who want to take advantage of the world's third largest grocery market and match the success of home grown retailers, such as Pao de Azucar and Lojas Renner.

With internet adoption rates at 42.2%<sup>11</sup>, ecommerce sales in Brazil for 2011 totalled US\$9.8 billion<sup>12</sup> and are expected to grow between 2011 and 2016 by 18%<sup>13</sup>. Results reveal that Brazilians are equally comfortable shopping online or visiting a store and interacting with store associates to enable their shopping experience, depending upon what items are being purchased. Overall, Brazilians showed a willingness to use the latest technologies to support this process and the retail experience with equal preference for purchasing items via self-service, mobile or through social networking websites.

In general, Brazilians' use of technology is reflected throughout their responses. They revealed higher than average responses around using mobile point-of-service to facilitate a quick and easy payment process as a means of making their retail experience good for the individual. In addition, their understanding of personalisation relates strongly to their use of mobiles and using technologies to make retail good for them.

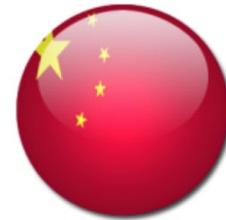
Brazilians understand the value of facilitating a relationship with a retailer with over two thirds willing to share personal information in return for a more personalised service and better offers, a considerably higher percentage than other regions. This group also rated the importance of the retail experience very highly with 96% listing it as very or fairly important.

When unhappy with the service or experience provided by a retailer, this group rated strongly that they would voice their dissatisfaction by not returning to that retailer, complaining and sharing their negative experiences online, rating higher than other regions in most responses to that situation. Brand reputation is important to Brazilians with 87% revealing this is a factor in deciding which retailer to visit. In addition, 78% of respondents (the highest number in the survey) are happy to use the internet to shop globally, with the majority seeing the global market as offering the best choice and price.

The impact of these results for retailers is harsh. As suggested above, emerging retail economies like Brazil seem to accept new technologies and methods with less hesitancy than mature retail economies, driving retailers within these regions to align operations and deliver a consistent integrated approach across each touch point. Brazilians typify the new breed of customer, created by social media and the internet. Well informed and price conscious, these consumers are willing to use every tool at their disposal to make choices based on quality, price, convenience and differentiation.

## CHINA

Despite dropping to fifth in the 2011 Global Retail Development Index<sup>7</sup> down from the top spot, China's continues to demonstrate robust growth with an estimated retail market of US\$2,755 billion, which is predicted to grow 19.2% between 2011 and 2015<sup>14</sup>. Like Brazil, rising disposable incomes, a stable economy and increasing and rapid growth in the use of online shopping are all contributing to a healthy, growing retail industry, which sees global giants, such as Tesco and Wal-Mart continue to expand their businesses alongside domestic retailers. With internet adoption rates in China at 40.1%<sup>15</sup>, ecommerce sales for 2011 totaled US\$72.2 billion<sup>16</sup> and are expected to grow between 2011 and 2016 by 21%<sup>17</sup>. China also appears to be embracing Amazon with the same fervour as Japan, Germany, USA and UK.



China's embrace of new technologies and the willingness to absorb information from every angle in support of a more complete shopping experience is unmatched by any other region. This group of respondents are far more open to all retailer-initiated interactions, particularly if that interaction delivers the latest information that is "good for me," whether that be personalised offers, updates on deliveries or orders or details on products (between 65-76%), and they want to receive this information on their mobile devices. This group is also most interested in the opinions of their friends/family, consumer reviews and comparison websites when considering whether to visit a retailer, with brand reputation being the most important factor in the decision with 94% listing this as important.

Like Brazilian respondents, the Chinese respondents are vociferous users of mobile and social media channels in their sourcing and sharing of information. From ordering groceries while on the move (48%) to their use of recommendations via social networks (69%), to following brands (52%) and buying via these retailers' social networks (48%), this group want their interactions with retailers at every touch point to be connected.

When it comes to understanding what the retail experience means, Chinese respondents shared the general acknowledgement around product showcases and engaging environments in store. However, online this group displayed a higher than average interest in an integrated approach and interaction that is tailored across channels and available any time. Similarly, their perceptions of service highlighted that product, choice, speed and flexibility all contribute to this concept of making retail good for me and ensuring that my preferences are catered for.

The Chinese are the most vocal of respondents when it comes to poor service, particularly when delivered through poor fulfilment and difficult returns process. Retailers must overcome operational challenges and seek to align every aspect of their business to create organisational and channel alignment and efficiencies, and thus maximise their operational agility to better manage such processes.

With their thirst for knowledge, the Chinese consumers' knowledge of product, price and brand reputation and their desire for an integrated and flexible approach across every channel poses a considerable challenge to retailers. To combat this, retailers need to provide experiences that are superior to that of their competition and align them with smarter internal decisions and processes to ensure they market, interact and transact consistently across touch points, whether the consumer is online, in the store or on the go.

## GERMANY



Having evaluated the responses of two countries that stand out for their higher than average results across a number of questions, German respondents generally provided a broader range of feedback, rather than delivering more extreme reactions. This suggests there are some significant differences in the way consumers from mature and emerging economies perceive the global marketplace and the decisions they take around shopping.

Germany has an estimated retail economy of US\$500 billion and is predicted to grow just 0.5 % between 2011 and 2015<sup>18</sup>. Price and choice are the key influences in selecting where to shop, which is no surprise, given the strong presence of discount and grocery retailers in the region championing these two elements. However, while German consumers generally agree that the global marketplace offers advantages around sourcing the best choice, availability and price, a significant number rated the internet as neither important nor unimportant to facilitating these benefits. With internet adoption rates at 82.7%<sup>19</sup>, ecommerce sales for 2011 totaled US\$29.2 billion<sup>20</sup> and are expected to grow by 12% between 2011 and 2016<sup>21</sup>. Interestingly, the ambivalence shown by respondents to internet importance seems at odds with the relatively high proportion of Germans who shop online for fashion (29%) and speciality (37%) items.

When it comes to interacting with retailers, German consumers show willingness to receive the latest information or delivery updates but generally only when they initiate the interaction. When asked for their perception of personalisation, two of the most significant results related to receiving offers and discounts based on their preferences, yet 40% of respondents (the highest percentage) are unwilling to share information with retailers. Having access to a single shopping basket across channels is also important to this group, again at odds to the desire to share information to facilitate this capability.

Germans value the role retail store associates play in the delivery of good service, with their importance being rated as highly as having the right products available. However, 66% identified bad service as relating to issues with store associates but were more reasonable in their response and less likely to react strongly to a poor experience.

German consumers are perhaps the most independent of the groups of respondents with large numbers rating indifference to many questions raised in this survey. One area where this group stood out and marked one of the most notable differences with emerging markets was in relation to social media. German respondents were the strongest opponents to the influence of social media within their shopping experiences. The highest proportion globally (56%) do not use social networks when shopping and over a third do not perceive recommendations via these networks to be important.

Results reveal that retailers targeting the German retail market face a challenge in understanding their customers better. Getting choice and fulfilment right has to be a key focus and so retailers must commit to architecting their businesses in the support of these fundamental elements of retail, which are essential to a retailer's profitability and growth objectives. To better engage with customers, retailers also need to deliver a consistent experience across channels by allowing shared shopping baskets and introducing a seamless, transparent and consistent pricing strategy across channels.

## JAPAN

If Brazil and China sit at one end of the spectrum of findings delivered by the Evolution of Experience Retailing survey, then Japan sits firmly on the other side. A mix of cultural differences and a mature, tough retail economy contribute to some rather extreme results.

While Japan's retail market is estimated to be worth US\$1,648 billion, predictions are that this will grow just 0.8% between 2011 and 2015<sup>22</sup>. In addition, although it has one of the highest internet adoption rates at 80% penetration<sup>23</sup> and a current ecommerce market delivering US\$50.9 billion in sales<sup>24</sup>, estimated ecommerce sales growth is scheduled to be a relatively low 8.8%<sup>25</sup> on a par with the USA.

When asked to consider the value of the global marketplace, Japanese respondents identify with concept that there are no barriers to shopping in an online retailing world, but at a much lower level (50%) than every other country, while almost 40% respondents are unsure of the value. Even fewer respondents agree that the global marketplace should be used to source items regardless of price (36%), country of source (14%) or choice (16%). So while price, followed by choice and availability are the most important credentials in choosing where to shop, these results imply that the Japanese will not do so at any cost, results which contrast strongly to other countries.

Perceptions of experience provide more interesting insights into Japanese consumers and their priorities. In general this group did not agree with many of the statements on what encompasses an experience in retail. 50% were ambivalent to the shopping experience and 15% felt that this is unimportant when shopping, more than double the result of any other country surveyed. While associating with other global respondents that product showcases are the most important element of the store experience, an engaging store environment held less interest. Online, the ability to shop anytime, anywhere rated highest but received considerably lower responses than other regions. Amazon did come out as the most favoured retailer with this nation.

This pattern was reflected in Japanese responses to the importance of personalisation and service. Half of respondents were undecided of the value of personalisation and only 3% felt it was very important. The largest percentage of respondents (20%) desired the benefit of accessing a single shopping basket across channels, sharing this similarity with the Germans. Although service is important to this group, the percentages continue to be fairly low in comparison to other global respondents. Poor service relates strongly to lack of product availability at the point of purchase, although store associates are also highlighted as proponents of a negative engagement. However, Japanese consumers are not as unforgiving as other regions and although almost 60% would immediately transfer their custom to another retailer, they were less likely to broadcast a negative experience, particular on social media platforms.

While this group places little importance on the value of third party opinions on retailers — whether friends/family, consumer reviews, recommendations or information provided by retailers — the Japanese respondents understand the value of receiving information on offers and discounts but strongly prefer only self-initiated contact with retailers (58%), creating a challenge for both retailers and consumers in providing and receiving the right level of information.

The findings of this survey in relation to Japanese responses emphasises the challenge that retailers face in facilitating seamless cross-channel fulfilment. While the Japanese may not be as keen to interact with the global marketplace at this stage, there is no doubt that it will infiltrate the local market. Additionally, although attitudes to experience, service and personalisation are not priorities for the consumer, what is clear is that product choice and availability is important. The consolidation of merchandising and inventory information to promote commerce anywhere, combined with the support of efficient transaction systems to move products to fulfil consumer demand, is no longer optional, but rather a necessity.



## RUSSIA

With a population of 141.9 million, Russia is expected to become Europe's largest consumer economy with rising disposable incomes and an expanding middle class, making it a priority for retailers<sup>26</sup> who want to take advantage of a retail economy that totalled US\$649 billion in retail sales in 2011<sup>27</sup> and is expected to rise by 12.7% between 2011 and 2015<sup>28</sup>.

Store-based grocery retailing dominates the Russian marketplace, so it was little surprise that findings revealed that consumers value their store experiences to be vibrant and engaging (73%) and deliver the product showcases they expect (77%), overall higher statistics than any other country. Russians rate the importance of the shopping experience at 77%, less than Brazil and China but more than the other regions surveyed.

Although store-based retailing dominates, Russian consumers showed they equally prefer to shop through their mobiles or smartphones or social networks, as they do in store, yet are less interested in shopping online. Less than half of the population are currently using the internet (44.3%<sup>29</sup>) contributing to only US\$10.5 billion in ecommerce sales in 2011<sup>30</sup>, yet sales are expected to grow 23% between 2011 and 2016<sup>31</sup>, suggesting online shopping with increase strongly. Findings confirmed that 65% of consumers will purchase groceries while on the move, a higher percentage than any other country shopping across the spectrum of goods.

This interest in social continued with a greater number of Russians selecting the ability to shop through their social networks as a priority over any other factor in deciding which retailer to visit, whether in store or across channels, revealing that price and choice matter less to this group of consumers. In fact, social peer group opinions rated of equal importance to price and choice, strengthening further the value of social media networks to the Russian consumer. In an unusual twist, only 28% rate recommendations via social networks as important, nor are they overly willing to complain of negative experiences on social platforms such as Twitter (36%) or see the value in joining a retailer's online social networks with only 16% willing to do this.

Although unwilling to share negative experiences on social networks, this does not mean this group are more forgiving of unsatisfactory shopping experiences. Findings revealed above average responses to taking custom away from the retailer responsible, yet a lower percentage - 40% will send complaint letters. In line with global responses, store associates are listed as primarily responsible for poor service.

This might suggest that this group are more relaxed when it comes to service but 87% rated service as very or fairly important. Russians identified good service equally as the availability of products at the point of purchase, alongside a quick and easy payment process. In addition, 55%

identified good service as self-service facilities in store, a considerably greater proportion than any other country, contributing to the suggestion that consumers value a speedy and efficient shopping experience.

Other priorities for Russian consumers lie in the ability to receive information pertinent to them, whether this be the latest information about products or order updates, but only at their instigation, which over half of respondents rated the latter as a priority — more so than other regions. When considering the value of personalisation, the largest majority of answers globally came from this group which is focused on receiving discounts and offers to mobiles while on the move, with 29% listing this as a key.

This group's interest in mobile and social networking means that retailers must focus on delivering cross-channel integration to empower customers to shop in the way they want, rather than how the retailer feels they should shop. This also presents a further challenge in the mass of data that retailers must collect, manage and utilise better to gain actionable insight into customer behaviour across channels. With this insight, retailers can accurately measure consumer interest in one channel and apply this knowledge across other channels.



## UNITED KINGDOM

Despite the economic slowdown that has impacted the British economy over the last few years, there are positive signs and internet retail has been one area that has seen growth. With retail sales in 2011 totalling US\$483 billion<sup>32</sup>, ecommerce sales hit US\$109.5 billion<sup>33</sup> that same year and findings reveal that consumers are equally happy to shop online these days as in store, although less comfortable with shopping over mobile and social networking websites. The UK demonstrated a greater percentage than any country to shop online for groceries and fashion (other than China) and speciality goods (other than Brazil).

Unsurprisingly in the current times, price remains the priority (76%) when shopping, followed by choice and convenient store locations. The benefits of online retailing in relation to convenience and lower prices may well have influenced responses around the shopping experience, with 66% listing ease of use as the best definition of the term, followed by 59% identifying experience as the ability to shop anytime, anywhere. These figures were equal or higher than responses around store experiences, where the UK followed the global pattern with vibrant and engaging store environments (59%) and product showcases (44%).

Although British consumers are relatively open to sharing information with retailers, delivering a greater result than other mature economies, there is an expectation for lower prices and exclusive offers that are 'good for me,' in return for engaging in a more collaborative relationship with a retailer. While respondents prefer not to shop on their mobile device, interpretations of personalisation relate most strongly to receiving offers and discounts to their mobiles (21%), followed interestingly by a willingness to be identified when shopping online (13%). However, alongside the US, the UK does not identify personalisation with having access to a single shopping basket, whether online or in-store, rating lower than all other regions.

Despite this last point, British respondents do want a simple returns policy that is integrated across channels, with 54% identifying this as a key factor in the provision of good service. Equally important are flexible delivery options and product availability at the point of purchase, while speed around the payment process rated highly at 64%. This group reacted similarly to other countries naming store associates as the key proponents of bad service, followed by poor fulfilment, but did not react as strongly as many emerging markets to a negative experience. The highest number of respondents (63%) would expect some form of refund or compensation gift and be prepared to complain, but scored lower than global averages around taking their business away from and actively recommending against that retailer.

Returning to the point around British interest in the internet and the benefits this brings, it is no surprise to see that consumers are open to the global marketplace. 76% (equal to Russia and marginally less than Brazil) felt that the internet offers no barriers to where they can shop,

influencing the estimated ecommerce growth of 11% between 2011 and 2016<sup>34</sup>. Price and choice, once again, are two of the significant reasons the British are embracing the global marketplace.

As internet retailing adoption rates continue to rise (currently the highest percentage of the population of the countries' surveyed at 81.4%<sup>35</sup>), retailers are under pressure to deliver against service and experience expectations. British consumers have unprecedented options in a highly competitive domestic retail economy, in addition to the global retail economy. With access to vast amounts of product information from multiple sources, consumers can compare retailers in seconds. As such, they expect high value, targeted assortments, competitive offers and uninterrupted availability from a retail brand, whenever and wherever they choose to shop. In addition, retailers must optimise their operations to fulfil on the complex supply chain flows to ensure that home delivery and customer pick up is available if the customer requires. The logistics behind the process matter little to the consumer, they just need to be right to support customer priorities.



## UNITED STATES OF AMERICA

The last few years has brought changes to US retailing and with a sluggish economy and diminished purchasing power, US consumers have continued to focus on value — a pattern that was visible throughout many of the responses in this survey. Despite this, the US retail market achieved sales of US\$3,297 billion in 2011<sup>36</sup> and this is expected to grow 3.6% between 2011 and 2015<sup>37</sup>.

Price is undeniably the greatest influence in where Americans choose to shop. While additional responses paid lip service to being able to shop through social networks and convenient store locations, price is the primary concern for this group. As the world's second largest grocery market, it may be no surprise that Americans overwhelmingly still prefer to shop in-store, particularly for their groceries and it would be fair to suggest that competition in the market maintains low prices around such goods. Approximately one fifth of respondents prefer shopping online but there is very little interest in purchasing goods via mobile or social networking sites at this time.

Although price might dictate where consumers shop, this effect does not necessarily translate to the global marketplace. 78.3% of the population have internet access<sup>38</sup>, contributing to ecommerce sales of US\$197 billion<sup>39</sup> in 2011, yet only 70% of Americans acknowledge that the internet enables consumers to shop anywhere in the world. Price is an influence here, but this group has reservations when it comes to sourcing goods off-shore with only 26% admitting they have no concerns. In addition, choice is not perceived to be a benefit of shopping globally, potentially contributing to a low ecommerce growth rate of 8.8% — in comparison to other respondents and equal to Japan — between 2011 and 2016<sup>40</sup>.

Brand reputation is another factor in influencing where Americans shop. 78% respondents identified this as important, followed by advice from friends and family (70%), online consumer reviews (65%) and comparison websites (58%). This group based less importance on reviews in magazines, retailer-supplied information and recommendations on social platforms.

For this group, experience online predominantly relates to ease of use (77%), followed by the ability to shop anytime, anywhere at 60%. In the store, consumers felt an engaging environment was most important (58%) although product showcases were less important. A more diverse finding, compared to that of the other mature retail economies, was the result that over a quarter of Americans relate experience and personalisation to being recognised or acknowledged in store.

In contrast, this group were relatively unwilling to share personal information with retailers to facilitate a more personalised service or better offers. Only 37% were amenable to this idea, almost matching the figure of those opposed. Respondents recognised that lower prices were

an acceptable trade for information but the importance of personalisation is listed lower than any other country bar Japan, at 42%. In addition to being recognised in-store, 40% Americans identified personalisation as receiving offers and discounts on their mobiles, yet were not interested in interacting with retailers to obtain these benefits and 52% listed they only wanted to engage with retailers when instigated by themselves.

Similar to the UK, good store associates, integrated fulfilment and operational flexibility are key to optimising service with availability, delivery, returns and a simple payment process all being components of good service, while store associates and logistics are responsible for bad service. Likewise, as with other mature retail economies, US consumers are less likely to take their business away when suffering a negative experience and their response is generally to send a complaint and expect some form of compensation.

US responses deliver an interesting and rather converse perspective. While price is very important to this group, they are not willing to engage with retailers to obtain the best value in return for sharing information on themselves and their purchasing habits. This hesitancy to be more open challenges retailers to find new ways to learn how to interact better with customers and encourage participation and engagement that will help form greater insight into consumer behaviour and the result of a far superior customer experience.



## ANALYSIS OF COUNTRY RESULTS

**These local results reveal some fascinating insights into the status and development of the customer within the retail world.**

It appears there are two clear ends to the retail spectrum. At one end, China and Brazil heading up the advance of the emerging retail world and at the other, Japan, the most extreme of the mature markets which are facing challenges in accepting this new consumer-driven world. Of course, this is a very generic statement but there is truth to it.

Emerging retail economies such as China, Brazil and to a lesser extent, Russia are embracing the goal of a complete retail experience delivering commerce anywhere. Both retailers and consumers are willing to engage collaboratively to achieve a better retail experience. From the consumer perspective, customers are prepared to share information about themselves and their preferences to help retailers better understand, create and deliver strategies that meet their requirements. Retailers acknowledge that they have to encourage customers to engage more effectively and are doing so by meeting their demands for better pricing, exclusive offers and deals, investment in safe and secure shopping environments and tailored and connected shopping experiences.

More mature retail economies have perhaps a greater challenge in achieving the complete retail experience. Both consumers and retailers do not seem as willing to engage for the greater good. There is a certain stand-off, perhaps influenced by cultural elements that means consumers are less willing to share information and lack the understanding of the collaborative benefits doing so can deliver. This is not to say this is entirely the fault of the consumer. For too many years, retailers in mature retail economies have operated by their own rules, and with legacy systems and siloed functional areas, are now struggling to meet expectations in this consumer-driven world.

The key to resolving these challenges, no matter where you are in the world, is data. One of the reasons Amazon is so successful is because it is a data-driven business committed to customer. Most retailers, whether established or relatively new, struggle to manage the mountain of data being created every second by credit card transactions, Facebook and Twitter updates, SKUs — the list goes on. First and foremost, retailers need to understand how to find the information in the data that will help them make better retailing decisions that facilitate commerce anywhere and differentiate themselves.

In working more collaboratively, retailers need to find a way to persuade their customers to share information — perhaps easier in some regions than others — but it is necessary to effectively transform the retail business into a consumer-driven enterprise and deliver that individual, 'good for me' experience.

## CONCLUSION

### What can we take from the wealth of information revealed by the Evolution of Experience Retailing research?

The Amazon impact and the growing influence of the global marketplace might suggest we could be heading for a future with two rather distinct groups. The first is a group defined by product, where our favourite global brands dominate the marketplace and interact directly with consumers through this global marketplace. The second group could be defined as specialists, bespoke and local retailers catering specifically for the individual customer within their specific community. In essence, going back to the future in providing a local community with an offer that speaks directly to its needs, potentially built around strong service and experience fundamentals that are defined directly by the communities they serve.

If this scenario were to become reality, what becomes of the retailers of today that do not assimilate themselves into either of these groups? If great product can stand on its own merit, is the role of the retailer diminished? How do today's retailers truly differentiate themselves and refocus to compete more effectively and deliver what tomorrow's consumer needs?

The growing dominance of the global marketplace means that large retailers are in danger of becoming little more than distributors, if they are not prepared to engage with this business model and learn from its success. Tomorrow's retailer must move from being transaction-oriented to being interaction-focused and co-create an experience that is good for the individual customer. The opportunity for retailers is to differentiate on service and the experience to distinguish value for the customer. If a retail business becomes completely aligned around its customer, leveraging truly integrated operations that are designed to serve and meet those customers' needs on demand, then retailers can differentiate and compete against the Amazons of the world with an arsenal that includes the very important store environment.

However, customers are disillusioned with the knowledge gap, primarily in the store. The frustration means that it is the exception, rather than the norm, to find that the store associate is equipped to deliver the customer the individual experience they crave. Today's empowered consumers often have access to more information and will utilise this data to devastating effect — whether that be taking their business to a competitor or negatively broadcasting their experience. Ultimately, the store environment and the service and experience that it is traditionally famous for delivering is being eroded because the customer now holds the power. It is essential that retailers harness the power of their information, using data to drive their decision making and processes. By making the right information available retailers will be able to empower associates to serve their customers better across every touch point.

Catering to the needs of the individual is a key tenant of experience retailing and retailers must move from simply deducing preferences to interacting proactively and collaboratively with their customers to serve them best. By working progressively with declared preferences identified through the customer's social networking communities for example, retailers can co-create profitable experiences for both parties.

Mobile and social may not be preferential commerce channels just yet, but there's no denying their growing importance, which retailers should ignore at their peril. Social networks may be utilised more for sentiment management currently, but it is only a matter of time before these become more commercial, while mobile commerce is expected to contribute to US\$10 billion by the end of 2013<sup>41</sup>. We consider the notable differences in the adoption and use within emerging and mature retail economies suggests traditional barriers to new technologies do not matter to those markets and that they are more determined to use and benefit from consistent and connected interactions with retailers across multiple channels.

Customers across the world are demanding the evolution of experience retailing — one that is individual and 'good for me,' that is local and provides the advantages of the global marketplace. The concern is whether retailers are listening and are committed to meeting these demands.

Oracle is in a unique position to help retailers address these issues. Technology is an important part of delivering on the evolving experience. Mobile, social, service and consumer-driven content are critical components which help to facilitate relevant, differentiated and targeted experiences, providing the data to better shape and drive those experiences. Yet, the priority must be to focus on the fundamentals of aligning the business to fulfil on the customer promise. Effective operational execution — the ability to achieve consistency in inventory availability, pricing, assortment and service across channels — can only be achieved by integrating operations from the head office, through the supply chain to individual channels. Only once retailers achieve this operational flexibility, can retailers really focus on putting the customer at the heart of their business, enabling customer priorities to become business priorities and delivering an experience that meets the needs of the individual.

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