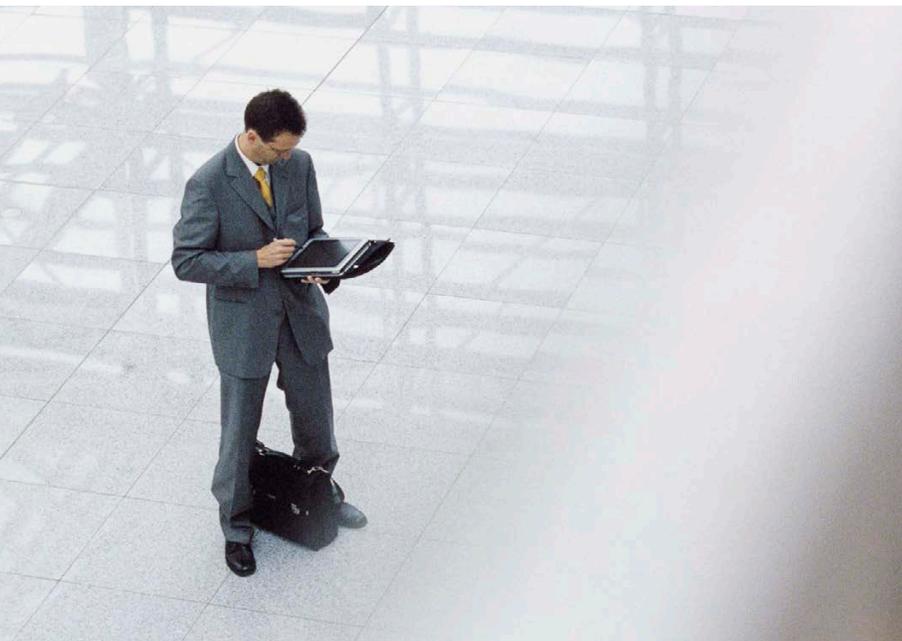


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# *Demystifying the online shopper*

## 10 myths of multichannel retailing

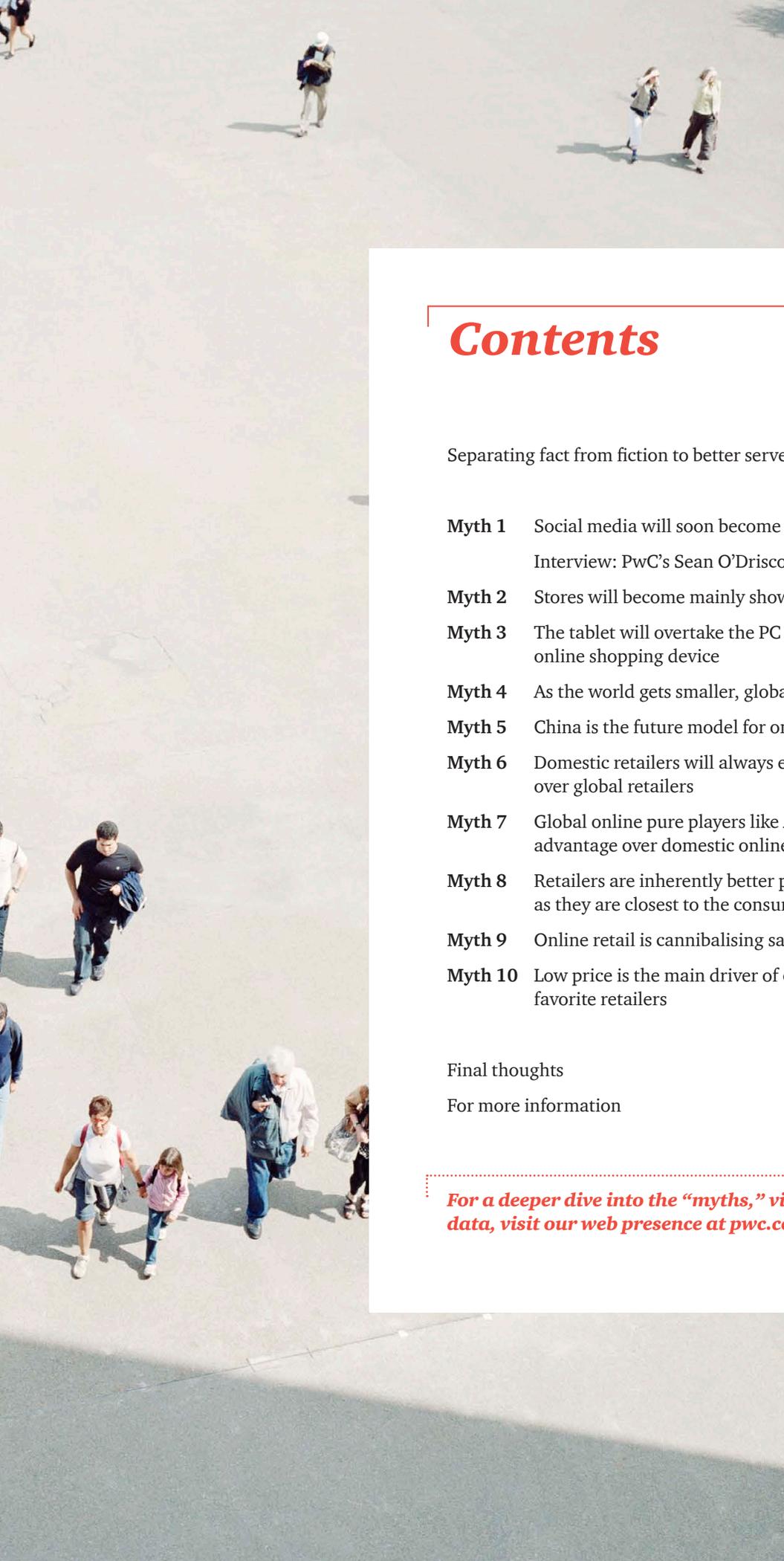


*PwC's annual global survey of  
online shoppers debunks the  
conventional wisdom about online  
consumer behavior*

*January 2013*





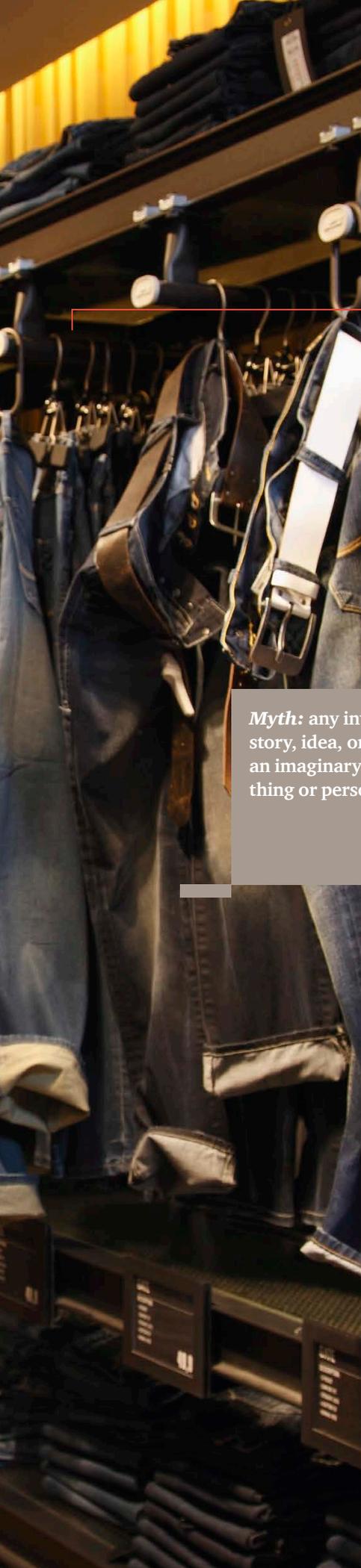


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*For a deeper dive into the "myths," video interviews, and country data, visit our web presence at [pwc.com/multichannel\\_survey](http://pwc.com/multichannel_survey)*





## *Separating fact from fiction to better serve today's multichannel shoppers*

By John Maxwell, Global Retail and Consumer Leader, PwC

*Myth:* any invented story, idea, or concept; an imaginary or fictitious thing or person<sup>1</sup>

One thing I've learned in more than three decades working with some of the world's biggest companies is that successful executives and entrepreneurs often radiate untiring optimism. And rightfully so—the thick skin and fortitude needed to make hard choices and succeed in tough times is best paired with a positive, inspiring vision.

And yet, sometimes the optimism needed to change the world can prevent even the best of us from coolly looking at the lay of the land. It can be particularly difficult for corporate executives to cut through the hype and separate fact from fiction when it comes to the global market for multichannel retail spending.

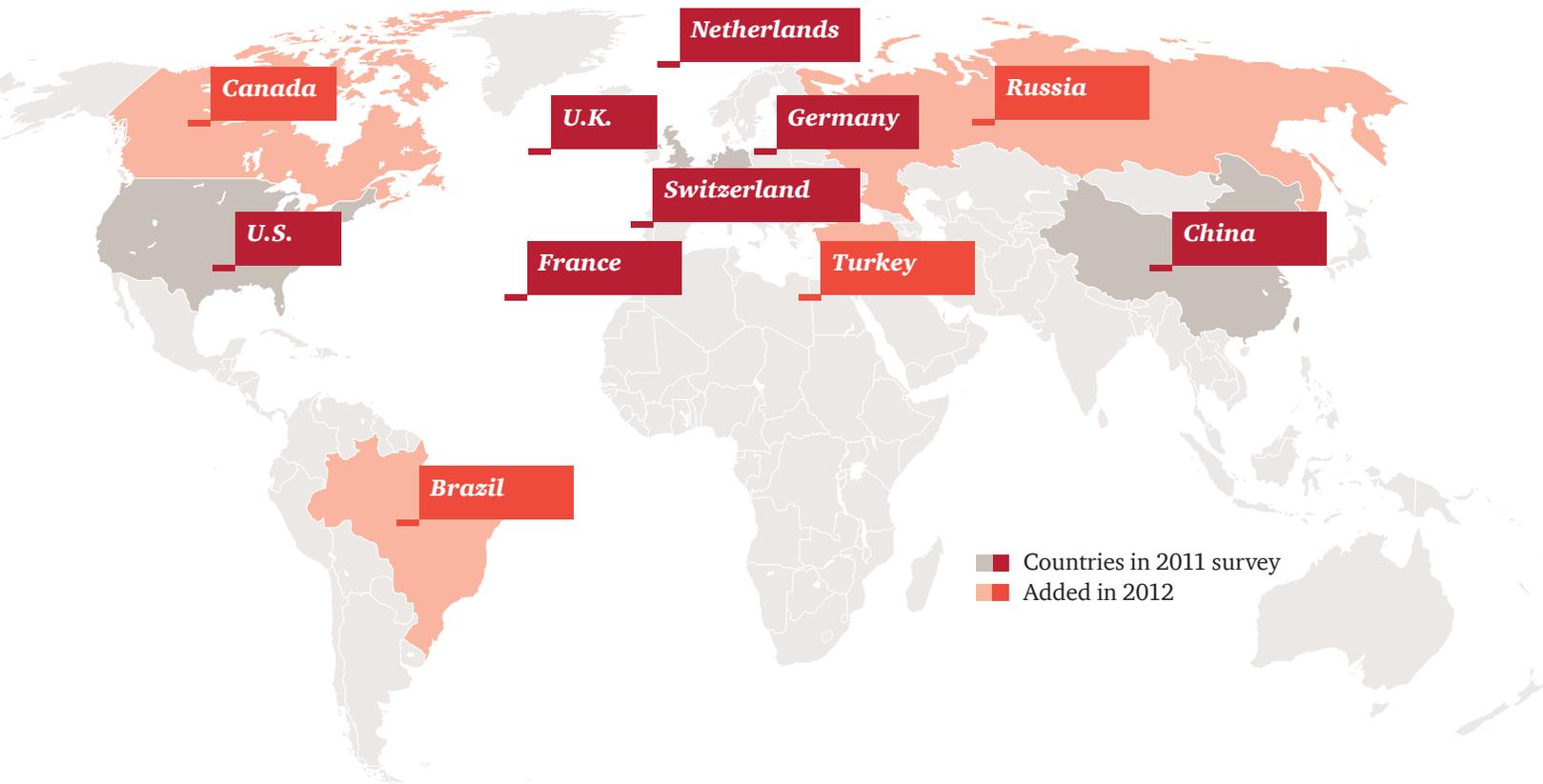
***The opportunity is real, but hype and half-truths—myths, if you will—abound***

In theory, digital technology can connect any retailer or CPG company to any customer in the world who has access to the Internet. For their part, consumers

have a lot of options at their fingertips: information, services, and—not least—the ability to shop from anywhere via all manner of personal technology devices: mobile phone, PC, iPad and, soon enough, futuristic accessories like the wearable Google-developed smart phone eyeglasses. And there are a lot of new consumers buying more in the emerging markets. Together, that should mean good long-term growth prospects for global retailers and consumer goods manufacturers.

Yet many companies see the multichannel bullet train leaving the station and, instead of feeling excitement, are actually more overwhelmed than anything else. Their confusion is heightened by misinformation and false assumptions that gain currency through anecdotal evidence, a few highly publicized media stories of success (or failure), and individual experience bias. In this report, based on a survey of more than 11,000 shoppers in 11 different countries spanning four continents, we debunk some of the mythology concerning consumers and discuss what our findings mean for retailers and CPG companies.

<sup>1</sup> Random House Dictionary, Random House Inc. 2012



### ***Building on last year's results***

This is the sixth consecutive year that PwC has published a study of online shoppers, and our second truly global study.<sup>2</sup> In last year's survey, which included seven countries,<sup>3</sup> we talked about how multichannel shopping is here to stay and how global consumers are becoming increasingly sophisticated. We found retailers were sometimes having trouble adapting their operating models to keep up.

Some of our 2011 data was, to us, staggering; for example, more than 90% of online shoppers bought books, music and films online. Even the categories at the bottom end of the online shopping scale, such as jewellery, watches, sports equipment and outdoor goods, attracted more than 60% of online shoppers.

Among different countries we also found some eye-popping differences. In

China, for example, 70% of our survey respondents shopped online at least once a week, compared with about 40% in the US and the UK, and around 20% for the Netherlands, France and Switzerland. In fact, our 2011 findings showed that Chinese online shoppers were shopping online nearly 4 times as often as their European counterparts.

But in a testament to the accelerated pace of change in how consumers are shopping online, our results from last year—when compared to this year's survey of 11 countries<sup>4</sup>—already seem a bit dated. For example, in just one year we've seen a major increase in the

<sup>2</sup> PwC commissioned 11,000 online surveys across four continents in July and August 2012. Respondents in each market were chosen to reflect the national profiles in terms of age, gender, employment status, and region.

<sup>3</sup> Our 2011 study included the U.S., U.K., China, Switzerland, Germany, France and the Netherlands

<sup>4</sup> Our 2012 study includes the U.S., U.K., China, Switzerland, Germany, France, the Netherlands, Brazil, Canada, Russia and Turkey.

adoption of social media across our global sample.<sup>5</sup> Whereas last year 49% of our sample reported that they follow brands or retailers on social media, this year 59% claimed to do so. Last year, just 17% of our survey sample discovered brands they previously didn't know about via social media; this year more than one-quarter—27%—did so. It was our simplest survey question concerning social media—how often do you use it?—that illustrated the starkest turnaround between 2011 and 2012. This year, fully 49% of our survey participants said they use social media every day; that's an increase of 14% over last year. In a mirror image of that figure, 14 percentage points less of our sample—24%—said that they don't use social media at all.

Last year we were struck by how strongly domestic players dominated the lists of top multichannel retailers. That's still true for some countries, but non-domestic retailers are also breaking through in some markets. In China, for example, non-Chinese retailers/brands numbered four out of the top 10 favorites.

Besides the tension between domestic and foreign retailers, another kind of friction apparent in both last year's and this year's survey is that between retailers and manufacturers. Many manufacturers today have the stated goal of vastly increasing their sales directly to consumers, potentially bypassing their

retail partners as they do so. According to our survey, more than a third of consumers have already bought products directly from brands or manufacturers. In China (56%) and the US (52%) more than half of shoppers are going directly to brand sites.

### ***The making of myths and how to spot them***

The heart of the matter for both retailers and consumer companies trying to expand their global footprint and manufacturers hoping to connect directly to their potential customers is this: What are the actionable takeaways from these year-to-year changes in consumer behaviour? The answer is not always so clear, which is why we decided to use this “10 Myths” framework. Recently we've noticed that much of the literature on online retail shoppers seizes on a few data points and parlays them into a trend. Presto—more conventional wisdom.

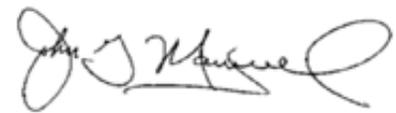
Take social media, for example. There's no denying that the world is changing fast as consumers use social media to research brands, praise their favorite products, and point out the weaknesses of other products.

But our survey data reveals that just 12% of our respondents have purchased an item through a social media site—up from 5% in 2011—and only 18% purchased a product as a result of information obtained through a social media site. So despite rising participation of online shoppers in social media, a major disconnect occurs somewhere between researching and learning about

products through social media and actually conducting a sales transaction. This example shows how otherwise good information can be used to lend currency to a myth and, perhaps, encourage corporate strategy or investment that goes in the wrong direction. The goal of this “10 Myths” paper is help companies look before they leap when making those decisions.

Thanks for reading, and I hope you find this report helpful.

Best regards,



John G. Maxwell



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**John G. Maxwell**  
Global Retail and  
Consumer Leader

5 Throughout this document the sample differences between our 2011 and 2012 study includes should be duly noted by the reader; namely our 2012 study includes four more countries and 4,000 more online shoppers surveyed than our 2011 survey. PwC's survey arm, the ISU, has confirmed that valid comparisons can be made between the two studies.

# Myth 1: Social media will soon become an indispensable retail channel

On its own, social media isn't likely to become an important retail channel anytime soon. But it's becoming more popular every year—and it's driving more shopping across all channels, not just online ones.

Our survey data shows that social media will for the near future remain a backwater sales channel, if you can call it a sales channel at all. The use of social media sites like Facebook has exploded in recent years—the site recently hit one billion users. But our survey sample shows that while about half of respondents say they're checking out social media sites daily, only a tiny minority uses the sites frequently to shop. In fact, seven out of ten online shoppers who took our survey say they never shop this way. That should remain the status quo for the immediate future, as only about 5% say they'll shop more via social media in the next 12 months.

So what are online shoppers doing on social media? Essentially they're commenting on companies and products they know and discovering new ones. But there are differences in motivation among these social media users, and we've divided them into three groups based on their behavior: "brand lovers," "deal hunters" and "social addicts" (see Figure 1).

In this year's survey, trends around brand lovers are the most striking. We found that 38% of our respondents are following their favorite brands and retailers, up from 33% last year. Brand lovers may be using social media as a way to "warm up" for future online or physical store shopping

excursions. For example, for those brand lovers who say they interact with brands via social media, 53% go shopping in a physical store daily or weekly, compared to 45% of the overall sample, and 58% buy something in a physical store at least once a week. Forty-five percent of this same group reports that they make an online purchase at least once a week (see Figure 2).

As it turns out, despite its inability to lead directly to a purchase, social media activity is a pretty strong indicator of

how much some shoppers will buy, both online and in stores. So, despite the fact that social media has not emerged as a stand-alone retail channel, the impact social media has on the brand needs to be part of every multichannel strategy discussion.

Indeed, while social media is not yet a separate retail channel for most markets, it's clearly a robust marketing and communications tool for retailers and consumer product companies. According to our data, nearly half of our

**Figure 1: Brand lovers, deal hunters and social addicts have different motivations for visiting brand social media sites**

Q: What attracts you to go to a particular brand's social media site?



Sample size: 8,335 social media users out of the 11,067 online shoppers responding

survey respondents—our group of “deal hunters”—say they’ll click through to a specific online store if offered a good sale or an attractive special offer. Appealing to deal hunters looking for good offers and contests can be a great way to drive traffic to your website.

And companies can’t afford to ignore “social addicts,” either. While there are fewer social addicts than brand lovers or deal hunters, a minority of consumers are also using social media to talk about their experiences with brands, learn what their friends like and recommend, find customer service answers, and submit ideas and product feedback to companies. Getting the message out to social addicts can support the brand, while ignoring them carries significant reputational risk, as these very active online users tend to have huge social media networks and wield an outsized influence among them.

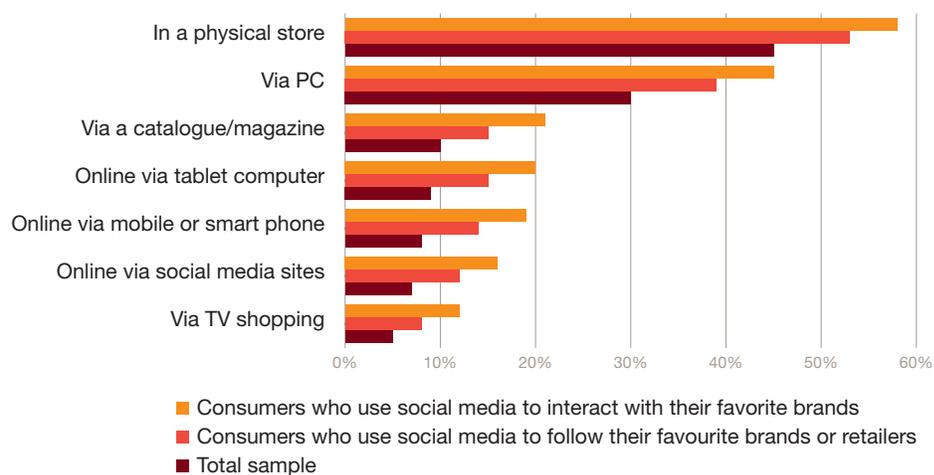
### The China factor

As so often is the case in this and other studies that look at online retailing internationally, China is in a class by itself. If China eventually serves as any kind of barometer, social media may indeed one day become a viable sales channel. According to this year’s survey, more than one in four Chinese shoppers made purchases through a social media site.

In general, Chinese shoppers seem to be more actively engaged with social media: 57% of them say they’re following brands or retailers on social media, compared to 38% of our global sample. And more Chinese online shoppers are using social media to interact with brands, provide comments on companies and products, and find new brands.

**Figure 2: Social brand lovers shop more often in every channel**

Q: How often do you shop in (each of these channels)?



Sample size: 11,067 online shoppers

All in all, there’s good reason for retailers to continue focusing on social media investment. Most of the world’s top retailers, of course, already realizes this. Campalyst analysed the world’s 250 biggest internet retailers and found that 97% of them are already on Facebook, 96% have a presence on Twitter, and 90% use YouTube.<sup>6</sup> The social media traffic generated in many cases is impressive; 43 of the 250 can claim more than one million followers on Facebook, led by Victoria’s Secret, with over 18 million followers.<sup>7</sup>

<sup>6</sup> <http://blog.campalyst.com/2012/05/15/top-250-internet-retailers-on-social-media-q1-2012-infographic/>

<sup>7</sup> Ibid.

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## ***PwC's Sean O'Driscoll urges companies to get beyond the myths and take the long view***

When Sean O'Driscoll and Jake McKee co-founded consulting firm Ant's Eye View in 2009, it didn't take them long to assemble a blue-chip client list consisting of, among others, Google, Microsoft, P&G, Starbucks, Bloomingdales, Unilever and AT&T. It turns out that many organizations need help getting customers more engaged with their brands through social media, which was one of the Seattle-based firm's greatest service strengths. PwC acquired Ant's Eye View in August 2012, with Sean and Jack joining as principals. We talked with Sean about his take on our social media–related myths.



**Sean O'Driscoll**  
Principal, PwC

***Sean, one of our 10 myths centers around the role of social media and its future as a retail channel. We posit that, based on our online shopper responses, social media isn't likely to become an important retail channel anytime soon. What's your take on the future of social as a sales channel?***

There have been quite a few attempts at Facebook commerce, and most of these pilots have been pretty disappointing. I'd call them nothing more than experiments. Setting up a storefront on Facebook—companies are still trying out how to do that successfully and in some cases debating if it's even the right model. There are some notable exceptions. You can purchase a Delta Airlines ticket through Delta's Facebook page and Ticketmaster has been an innovator. One issue is that there are some limitations from a design point of view with Facebook. On the other hand, learning about a company and its

products through friends on Facebook or on Twitter, which eventually leads to a purchase, that obviously goes on all the time.

Part of the issue is the debate on what exactly constitutes an online transaction. From a survey perspective, people may say they aren't buying on a social network, but isn't Amazon a social network? It certainly is an online community. Jeff Bezos made it social through the strength of Amazon reviews and how much credibility people give those reviews, in addition to the social data that enables the experience to be shared with others.

The value of advertising on Facebook is certainly a debate. It's quite big news to talk about companies walking away from Facebook or other sites because of the number of ad impressions or the perceived lack of productivity of those investments. It's just not as interesting to talk about the nuts of bolts of how brands

***“If you allow risk concerns to paralyze you so that you don’t create that Facebook storefront, or you don’t engage consumers in a way they enjoy, then you are missing opportunities to create lasting value.”***

can create engaging and participatory content in social spaces that builds traffic to traditional e-commerce, or even in-store purchases. That’s the real issue: how can brands build compelling content, engagement and advocacy through their social environments, and leverage the content and relationships to inspire intent to purchase?

Frankly, this is no different than the world of brick and mortar. If you put up four walls, fill it with product and add sales people, will you be successful in retail? Not likely. Success comes down to creating a distinct experience that engages a shopper. Social media is a compelling part of successfully creating that sort of engagement online, but simply being in the channel isn’t good enough—you must make it compelling to the user.

***What can companies do to turn their social media presence into that kind of participatory environment that leads to a purchase?***

There is a philosophical challenge that is stopping many of them. A lot of the brands have been fearful because, in a sense, they are creating a channel for negative sentiment. If they create a channel, will they create a group that dislikes them? One example is the health club industry.

Back in the 1990s the industry was terrified that membership complaints about being locked into an annual contract would move online and be visible to everyone. For that reason, many health clubs were very slow to create a social community for members, which was strange since this is an industry in which people connect and share their goals and experiences.

Companies should really think about it the other way—have they created a dynamic, participatory presence for the vast majority of their customers who like them? If you allow risk mitigation concerns to paralyze you so that you don’t create that Facebook storefront, or you don’t engage consumers in a way they enjoy, then you are missing opportunities to create lasting value.

Do you run a risk of a negative customer experience creating negative buzz online? Of course, but you run that risk regardless of what you do. So embrace the moment, and ensure that you have a great online presence and protocols to listen, discover and respond to those moments of truth.

***So you don't think negative social media comments are a big deal for brands?***

It's something a company needs to deal with, sure, and most have set up "listening posts" so they can engage in complaint management and customer recovery, whether that's through coupons or some other outreach. We've seen brands like Comcase, AT&T, Wells Fargo, and Jet Blue doing that. But as a brand you can spend all your energy managing the risk and save a couple of bucks, or you can embrace the social media opportunity and generate a lot more revenue and growth. I can't think of a business that ever managed their risk into growth.

***In our survey, we asked about consumers' "purchase journeys," and how those are evolving. Whether it's setting up a Facebook storefront or trying to attract buyers over Twitter, it's really about changes in the purchase journey, right?***

That's right. The questions both brands and retailers should be asking themselves are, how is the buyer's journey changed from 10 years ago, and at what points does that journey touch digital channels?

As a brand, if you haven't significantly changed your channel, connecting and marketing mix over this timeframe, then you're clearly not optimized. I chose the phrase "10 years" for a specific reason. It seems like for many of these trends, not much seems to change over five years, but absolutely everything changes over a decade. Look at your own survey. I'll bet over five years, shopping trends online aren't that much different. But 10 years ago? Hardly anyone around the world was shopping online.

***One of our themes is that China's online shopping model is unique and not replicable in other countries.***

***What's your experience with China?***

South Korea, Northern Europe, these are populations with heavy smart phone and broadband access over the past 10 years, and they are at the "tip of the spear" in terms of social engagement with brands and retailers. It's amazing to think that the most shared piece of content ever on Youtube is Gangnam Style from a South Korean pop singer! And in China and, say, India, I think you will see similar engagement now that these huge economies are skipping right over land lines.

I'm not fully discounting the idea that consumers behave differently in different countries, but I think consumer behavior as we think of it may be more related to infrastructure than we realize. In China they are not evolving into this behavior; they are leaping straight into to it because the lack of land line /physical infrastructure constraining the change.

***Another of our myths focuses on the direct-to-consumer phenomenon. We think that retailers may lose some ground to manufacturers in terms of where consumers go to purchase.***

Direct-to-consumer sales are going to explode over the next five years, and retailers will be hit hard. I expect that in 10 years, today will seem like the Stone Age in terms of the consumer product sales dynamic.



But it's not all bad news for retailers. I think products that are relational, rather than transactional, will be a much easier sell from the manufacturer. If people attach their identity to a certain item of clothing or brand of sneaker, they will be much more likely to buy directly from the fashion house or the sneaker manufacturer, assuming the manufacturing can tap into the natural advocacy associated with their brands. Other items—take a can of Coca-Cola—that may be emotional items for some will likely not be a big direct-to-consumer product, because it's omnipresent in the channel.

***“Direct-to-consumer sales are going to explode over the next five years, and retailers will be hit hard. I expect that in 10 years, today will seem like the Stone Age in terms of the consumer product sales dynamic.”***

## Myth 2: Stores will become mainly showrooms in the future

Many multichannel shoppers say they research online, but more still prefer to buy products at a physical store. If the store format can adapt, it may still have a bright future.

To paraphrase the American author Mark Twain, the death of the physical store has been greatly exaggerated. In fact, far from cannibalizing store traffic and turning physical locations into showrooms or museum pieces, web product research drives far more shoppers to make a physical store purchase than vice versa. It's even conceivable that stores, in some categories, are realizing more traffic and sales due to web-only coupons and deals.

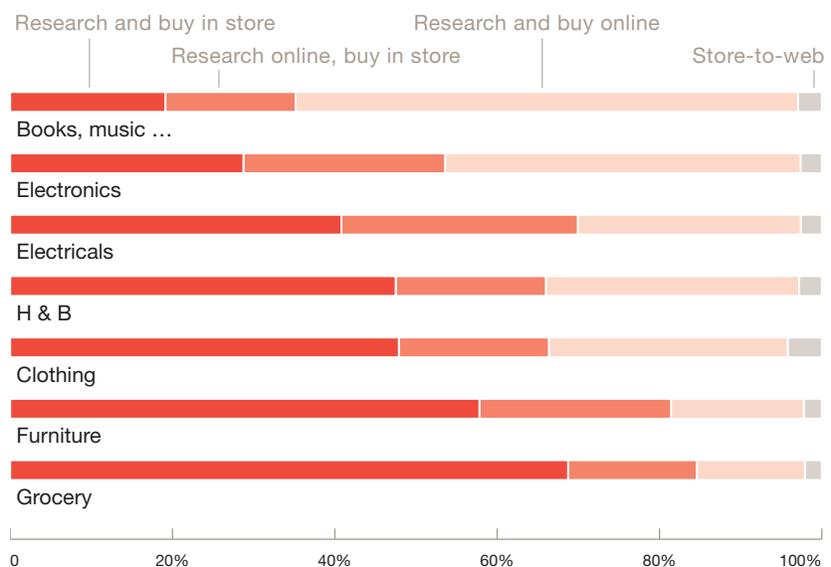
For starters, 23% of our respondents research consumer electronics online and then go to a store to buy the product, compared to only 2% who do it the other way around (see Figure 3). A similar ratio holds true across several shopping categories. With the exception of the books, music, movies and video game category, consumers don't yet seem ready to erase the traditional retail outlet from their shopping landscape.

### Some things never go out of style

There's more evidence when you take a look at survey participants' answers to a question on what makes shopping at a physical store attractive. The ability to see, touch and try products still ranks as shoppers' number one reason to visit a store in person. Getting the product

Figure 3: The purchase journey across selected categories

Q: Which method would you most prefer for researching and buying?



Sample size: 11,067 online shoppers

immediately is important to almost as many—and no online shop can offer either of these advantages. All told, our global sample makes more daily or weekly purchases in brick-and-mortar stores than they do online. And while significant numbers of shoppers intend to shop more online next year, most don't plan to concurrently cut purchases from physical stores.

### The centerpiece of the purchase journey

We also can't emphasize enough that the physical store remains the centerpiece of the purchase journey for many categories. In nine out of eleven categories, in fact, the majority of consumers use physical stores for both researching and purchasing the products they want to buy. Even when it comes to consumer electronics, a

category dominated by online research and purchase, one in four of our survey participants responded that, for them, the store plays a dominant role along the purchase journey.

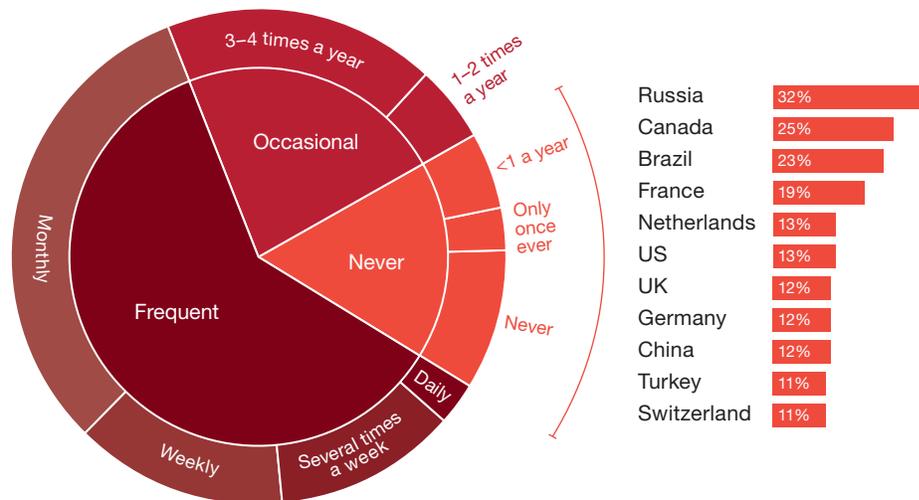
Figure 3 also illustrates another intriguing dynamic: for every shopping category, the majority of consumers still prefer a “single-channel shopping experience.” In other words, the majority of respondents prefer to use just the web or a store for both researching and purchasing their products, and in nine out of 11 categories the physical stores wins out.

We should also mention the significant minority of internet users who still never or almost never shop online. Our overall sample of approximately 11,000 respondents does not include a significant number of internet users that we approached who said they never, or almost never, shop online. In fact, 2,343 internet users from our original pool of 13,410—that’s 17%—said they shop online less than once per year. In Russia, for example, the percentage of online hold-outs is more than 30%. These customers would clearly prefer to go to a brick-and-mortar store rather than shop online.

Of course, there may still be a place for the store as a showroom—as a supplement for online pure players, rather than a new model for bricks-and-mortar retailers. Some German pure players have belatedly begun to offer stores where customers can gather to see, touch, and test their products. In the US,

**Figure 4: The hold-outs**

In each of the 11 countries in the survey, a significant percentage of internet users said they rarely, if ever, shop online.



Sample size: 11,067 online shoppers

online men’s clothing retailer Bonobos recently set up a ‘guide’ store in Boston. Customers can set up appointments to come in and try things on, and then order them online.<sup>8</sup> Bonobos is also partnering with upscale retailer Nordstrom to showcase its products in more than 100 of Nordstrom’s department stores.<sup>9</sup>

<sup>8</sup> <http://connected.retailnetgroup.com/index.php/2012/06/12/online-to-offline-retailing-when-pure-players-and-brands-go-brick-mortar/>

<sup>9</sup> <http://dealbook.nytimes.com/2012/04/11/stores-go-online-to-find-a-perfect-fit/>

## **Myth 3: The tablet will soon overtake the PC as the preferred online shopping device**

While tablets and smart phones are catching up, shoppers are still overwhelmingly using their PCs to shop online.

There's no doubt that the tablet market is growing fast. In 2012, the world saw a 100% increase in global tablet sales and by 2015, Gartner expects tablet sales to reach 320 million units.<sup>10</sup> Tablets aren't just replacing smart phones or laptops—they're expanding the ways people use online devices. Three-quarters of tablet users reach for their device at least once a day and nearly half spend more than 11 hours per week on their tablets.<sup>11</sup>

By 2015, the manner by which consumers will access the Internet will look much different than it does today, with the smart phone accounting for 40% of Internet traffic, computers 34% and tablets 26%. Global spending on mobile apps is projected to soar from \$7 billion in 2010 to \$35 billion in 2015.<sup>12</sup>

### **When it comes to shopping, the PC still rules**

So does that mean tablets will soon take over as the preferred online shopping device? Our survey research suggests the answer is still no, at least for the time being. Only 9% of shoppers say they've changed their habits to shop with a tablet more often—and around three out of five don't use this type of device to shop at all. Our respondents don't expect to increase their tablet purchases much next year either, with only 11% thinking they'll shop more with their tablet.

Smart phones aren't making serious inroads as a shopping device, either. As with tablets, most of those using these devices don't expect to use them more for shopping in the near future. And many still don't use them for shopping at all. In fact, the overwhelming majority of our respondents still use their PC to make purchases (see Figure 5). That situation doesn't look likely to change anytime soon. More than one-third of our global sample expects to increase their PC shopping next year, far more than the percentage who say they expect to shop more using other devices (see Figure 6).

That said, using smart phones at the end of the purchase journey, particularly in-store, is a growing trend. A September 2012 research study finds that two-thirds of technology industry insiders believe that smart phones will outpace both cash and credit cards as a payment option by 2020.<sup>13</sup> The technology is called Near Field Communication (NFC) and many smart phones already offer it. While the experts interviewed didn't agree how long it would take to gain consumers' trust in payment by mobile, most believed the question is when, not if.

### **A bellwether in China??**

The future of both tablets and smart phones as shopping devices looks stronger when one considers China. While only 17% of global online shoppers turn to their tablets to buy something at least once a month, 39% of Chinese online shoppers do, and 21% make tablet purchases every week. Around a third of Chinese online shoppers make purchases at least once a month via their smart phone. In fact, half of those who shop with online pure player leader Taobao used their smartphone.

An astounding 87% of our Chinese respondents are using their PCs to shop every month, 20 percentage points higher than the sample overall. So even in a country where consumers use their smart phones and tablets more extensively, the PC still has a clear lead over both. One thing we can say for sure: there is ample enthusiasm in China to shop across all devices.

<sup>10</sup> <http://www.gartner.com/it/page.jsp?id=1980115>, <http://www.gartner.com/technology/research/ipad-media-tablet/future-of-tablet-market.jsp>

<sup>11</sup> Online Publishers Association, *A Portrait of Today's Tablet User Wave II*, June 2012

<sup>12</sup> PwC, *Best Practices in Advertising Effectiveness*, 2012

<sup>13</sup> <http://www.computerworld.com/s/article/9226268/>

<sup>14</sup> [http://www.ebayinc.com/content/press\\_release/Millions\\_of\\_Reasons](http://www.ebayinc.com/content/press_release/Millions_of_Reasons)

### Other roles for the tablet and smart phone

There are also signs that both tablets and smart phones have a significant role to play in other aspects of the shopping experience. Separate research suggests that users are turning to their tablet to research products across all advertising categories, from consumer electronics to personal care and beauty to home furnishings.<sup>15</sup> For retailers, the potential of these devices as an advertising channel may be even more important. One recent study showed that tablet users in particular are highly receptive to advertising, with 47% reporting that they interact with ads on their tablets at least once a week.<sup>16</sup> We believe that digital channels will play an increasingly important part of the advertising mix going forward.<sup>17</sup>

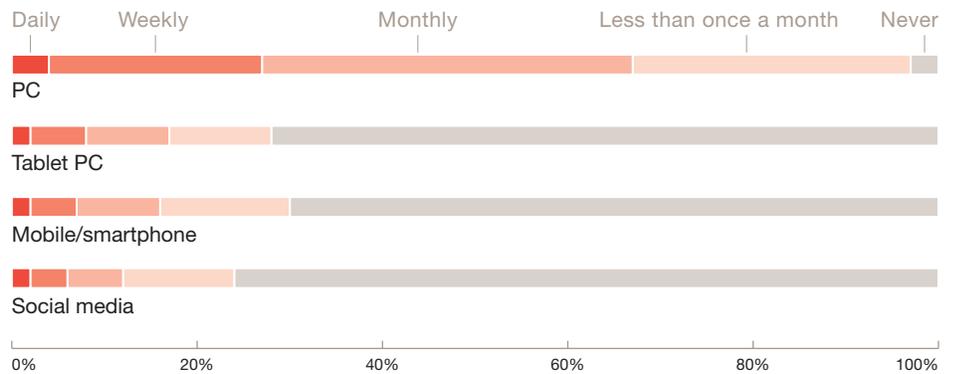
15 Online Publishers Association, *A Portrait of Today's Tablet User Wave II*, June 2012

16 Ibid.

17 Reaching the connected consumer, PwC, December 2011

**Figure 5: Far more online shoppers use their PC's to make purchases**

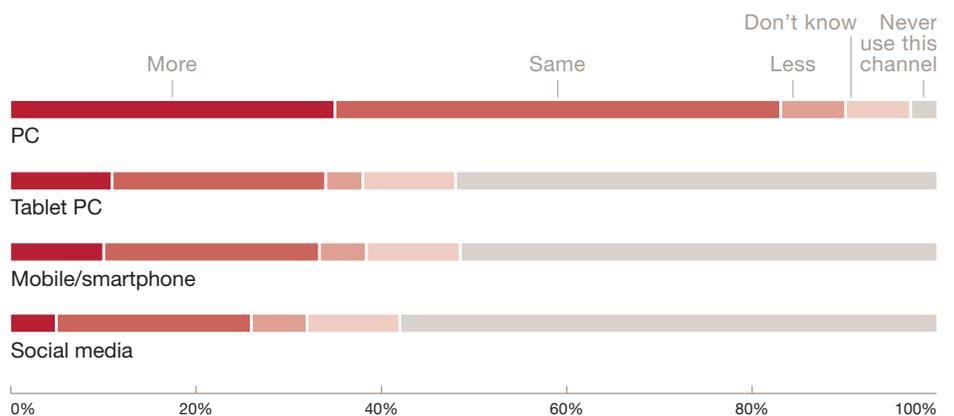
Q: How often do you go shopping\* using the following shopping channels?



Sample size: 11,067 online shoppers

**Figure 6: More than one-third of shoppers expect to use their PC more often for shopping next year**

Q: How do you think the frequency of your shopping behavior (e.g. buying clothes, books, electronics etc) will change over the next 12 months using the following shopping channels?



Sample size: 11,067 online shoppers

## Myth 4: As the world gets smaller, global consumers are getting more alike

Although consumers shop with more global retailers than ever before, there is a wide range of local difference in consumer behaviors.

For the first time since the Industrial Age, the global economic engine is being powered by southern hemisphere nations, not northern, Organization for Economic Co-operation and Development (OECD)-type countries. Global manufacturing and GDP (factoring in purchasing power parity) reached a 50/50 split between the developed economies and emerging economies in 2010.<sup>18</sup> Most significantly, the income gap between people of the developed and developing worlds is shrinking faster than any time in history.<sup>19</sup>

Now fast-forward 15 or 20 years. Instead of one billion people on the planet wanting to live better, three or four billion people will. But what will these consumers buy, and how much of it will look like what's selling now? Figure 7, from PwC's Cities of Opportunity project research, shows how cities in the emerging markets will deliver the most annual growth in terms of retail sales.

Many companies are doing their own experimentation to find out who will be buying what consumer goods in the future. Take Kraft, for example. Several years ago, after its Oreo brand had been underperforming in the Chinese market for about a decade, Kraft decided that it had to adjust to local tastes, developing new flavours such

as green tea, raspberry, and blueberry. The result was a 60% growth in annual sales, making the Oreo the best-selling cookie in China.<sup>20</sup>

So while it was slightly different take on the product, an iconic Western brand was successfully exported. Which brings us to the Holy Grail for retailers and CPG companies alike: an ever-growing global middle class aspiring to the same suite of global brands. Online retail destinations can now be accessed from New Zealand to New England. And borderless communication is increasing the speed of retail and consumer trends. So you might expect that most consumer habits would turn out to be highly transferrable to other markets and cultures.

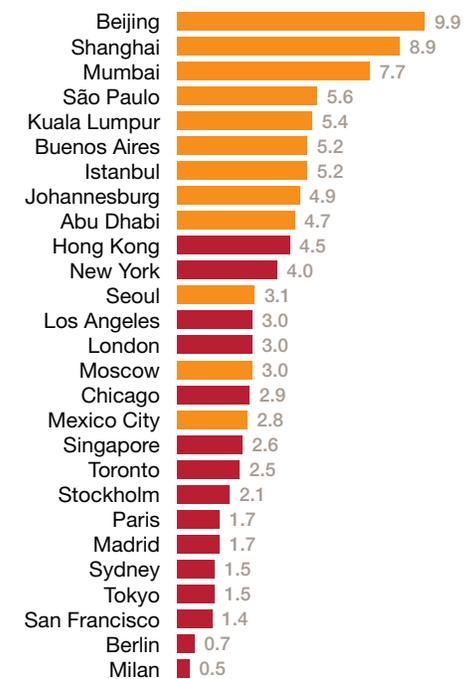
And there are a few similarities. Across the world, lower prices, free shipping, and ease of comparison are top reasons to shop online, while being able to touch and see the product, and getting it immediately and at no extra charge are top motivators for going to a physical store.

<sup>18</sup> After the Storm, PwC economic paper, PwC economist Per Berglund, 2010.

<sup>19</sup> Ibid.

<sup>20</sup> 2012 GMA/PwC Financial Performance Report

**Figure 7: Emerging market cities will set the pace for retail sales growth**  
Retail sales growth per annum, Cities of Opportunity, 2012–2025



Retail sales (\$US billion, 2012 constant prices and exchange rates), growth per annum (%)

■ Mature-cities avg = 2.6% per annum  
■ Emerging-cities avg = 5.6% per annum

Sources: Oxford Economics; PwC, *Cities of Opportunity*

### Think different

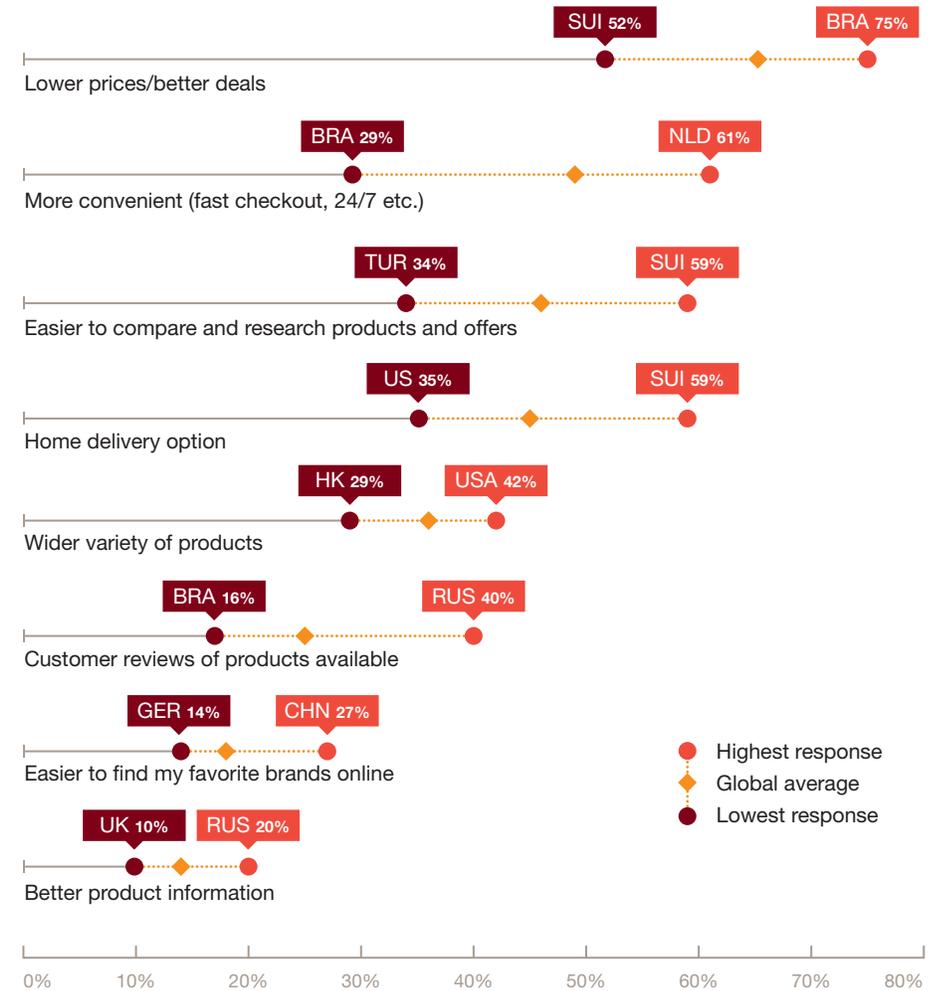
But our data from this year's study suggests that consumers in different countries are still much more different than they are alike. Internet users' appetite for online shopping and social media varies widely. And growing purchasing power doesn't automatically translate into shopping enthusiasm.

The same is true for physical stores. Turkey has suffered less from Eurozone weakness over the past several years than some European countries, and has a relatively strong retail sector. Still, just 16% of our survey respondents there say they like to shop just for sheer enjoyment. Instead, thrifty Turkish shoppers are laser-focused on price. 60% say that attractive deals, sales or promotions are a reason to go shopping in a brick-and-mortar store, compared to just 40% of the sample as a whole and a mere 19% of Chinese shoppers. Chinese shoppers, on the other hand, show much more passion when it comes to shopping in physical stores. Nearly half of our Chinese respondents said they enjoy this kind of shopping as a pleasure.

The differences are just as dramatic when it comes to how consumers think specifically about online shopping (see Figure 8). Overall, the top reason consumers say they turn to the Internet is in search of deals. That's especially true of Turkish, French and British shoppers. Shoppers in Switzerland, on the other hand, are much less likely to see bargains as the reason to shop online.

**Figure 8: Why shoppers go online is dramatically different across countries**

Q: What are the most important factors that attract you to shopping online in general?



Sample size: 11,067 online shoppers

For them, the top reasons are convenience and home delivery. And while the majority of shoppers across the total sample do view online shopping as more convenient than going to a physical store, it's not a universal view. In the Netherlands, 61% of shoppers think it's easier to go online, but just 29% of Brazilian shoppers would agree.

### ***Open-minded shoppers in China***

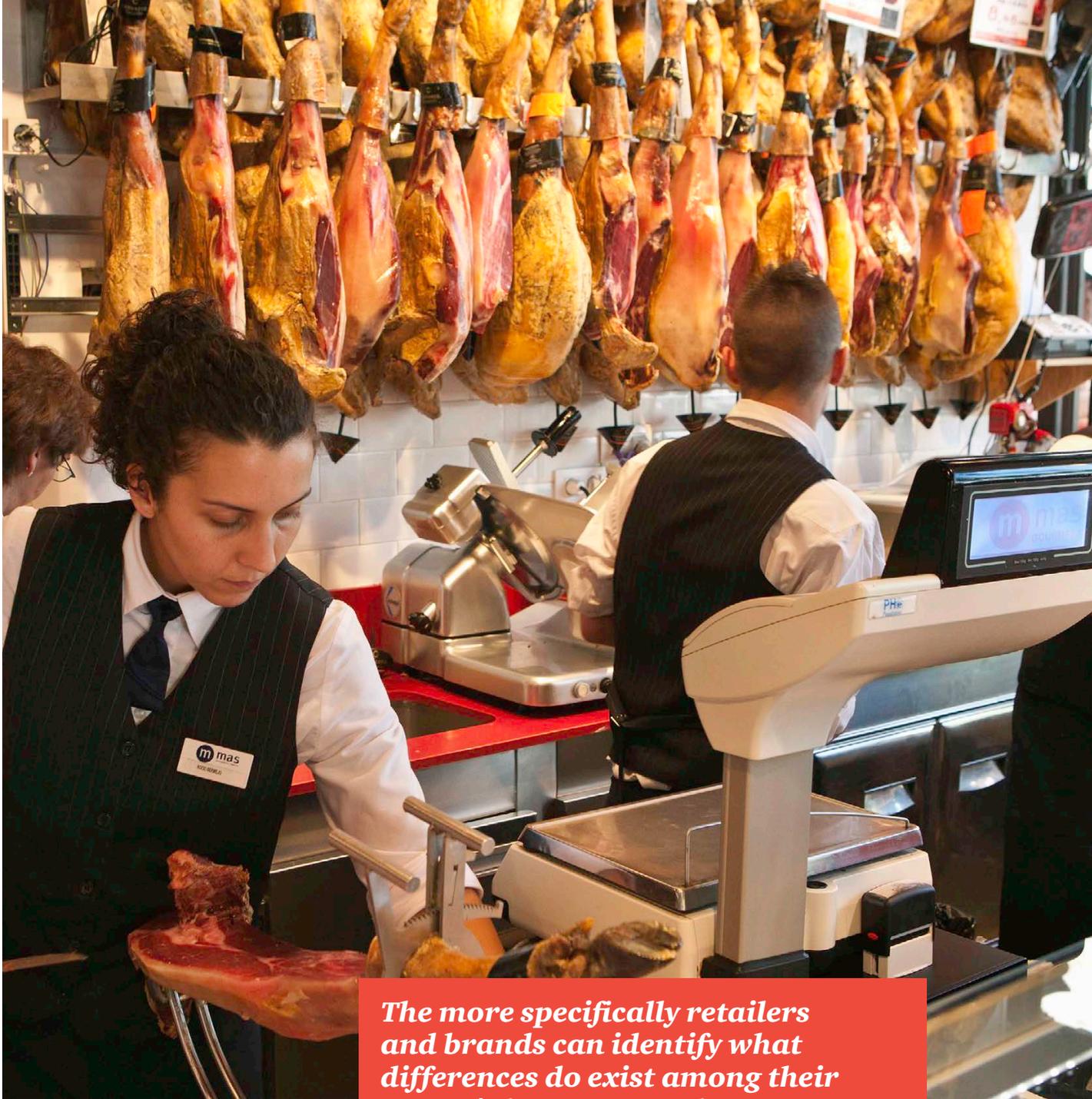
One result in particular is worth noting. Less than half of Chinese shoppers go to an online store to look for a particular product or brand, perhaps because, as stated earlier, many view shopping as a source of pleasure. That's radically different from the mature markets (Canada, France, Germany, Netherlands, Switzerland, the UK and the US) in our sample, where in each case a majority of customers are visiting a specific online shop to look for a particular product. Obviously Chinese shoppers are still more open-minded at that point than their peers in the developed countries. For retailers, that might imply that Chinese consumers are more open to deals and promotions that are offered on websites, and might even be more open to change their mind depending on these offers.

The list of differences among countries goes on: Chinese shoppers are much less interested in free shipping; for them, customer reviews of products are most important. Russian shoppers, on

the other hand, want to see detailed information about products. And in Turkey, having a wide variety of payment options is almost as important as getting information about specific products—48% of shoppers say it makes a specific online store attractive. That compares to just 19% of shoppers in France or China. And more than twice as many Turkish as Brazilian shoppers say that vouchers or coupons prompt them to visit a specific online store.

### ***No “one” global consumer***

No matter how global multichannel retailing may get, we see precious little evidence for a global pattern of consumer habits or preferences. Even developed markets show few similarities. The more minutely retailers and brands can identify what differences do exist among their potential customers, the more they will be able to appeal to these consumers. And the Kraft example cited earlier in this section? Perhaps the lesson was not that ‘the global consumer’ adapted to the Oreo, but that the Oreo adapted to local tastes with its different local flavors.



*The more specifically retailers and brands can identify what differences do exist among their potential customers, the more they will be able to appeal to these consumers.*

# Myth 5: China is the future model of online retail

China is at the forefront of some key trends, but we believe its multichannel and online model is unique.

Our research<sup>21</sup> confirms that Chinese consumers have adopted the Internet as a retail channel much faster than their global peers—even though fewer are long-time online shoppers. Only 30% of our Chinese respondents have been shopping online for more than five years, compared to 44% of the global sample. But they're already shopping much more frequently (see Figure 9).

## Ahead of the digital curve

Chinese shoppers are also ahead of the curve in terms of using new devices and social media. As we've already pointed out, far more Chinese online consumers have already shopped via tablet and smartphone (see Figure 10). And nearly one in four Chinese online consumers say they plan to use their tablets or their smartphones *more often* to shop in the next twelve months, compared to only around 11% of the global average. Their usage of social media as a shopping channel follows a similar pattern. Far more Chinese consumers are using a social media platform to make purchases, compared to the global average.

Even the giants of online retailing, Amazon and eBay, are facing challenges from Chinese competitors. Taobao.com and Tmall.com, owned by China's Alibaba Group, will likely give both a run for their money. Just as one barometer

of the financial strength of Alibaba, in May 2012 Yahoo got over \$7 billion for its stake in the company, for which it paid \$1 billion in 2005.<sup>22</sup> That's a huge jump in value, in line with the phenomenal growth China is seeing in online commerce. In fact, Alibaba founder Jack Ma believes his company will soon become bigger than Amazon and eBay combined—and may someday even surpass Walmart in the breadth of its presence.<sup>23</sup>

## Some fundamental differences between Chinese and other consumers

So can online retailers now expect emerging trends in China to set the tone around the world? We think the answer is an emphatic 'no'. Online shopping habits are dramatically different in China. Take recommendations and reviews, for example. One of the key reasons Chinese consumers go online is to find reviews. As shown in Figure 11, when it comes to deciding on which online shop to visit, recommendations from friends and experts are much more important to Chinese consumers than they are to shoppers elsewhere in the world.

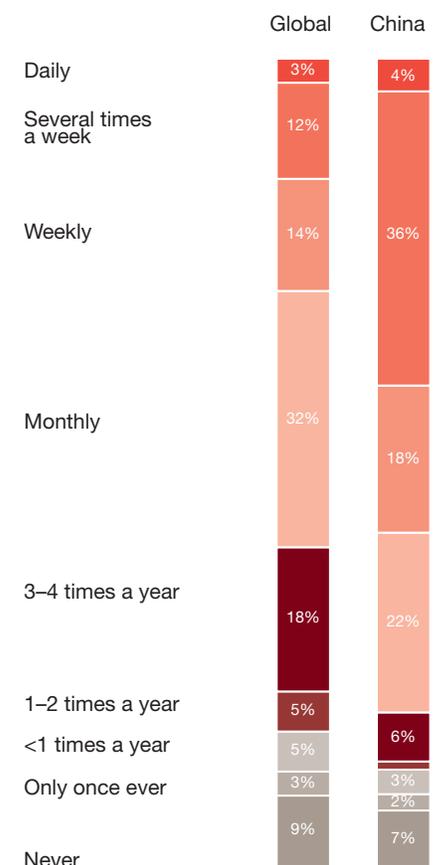
21 Hong Kong was considered as a separate market within China for this survey. Upon request Hong Kong survey data can be made available.

22 [www.bostonglobe.com](http://www.bostonglobe.com); May 21, 2012

23 <http://www.internetretailer.com/commentary/2012/09/13/alibaba-claims-be-e-commerce-leader?p=1>

Figure 9: Chinese consumers shop online much more frequently

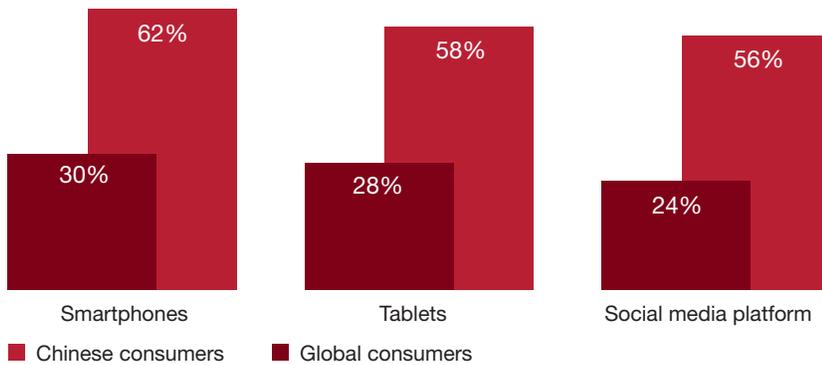
Q: How often do you go shopping?



Sample: Global: 11,067 online shoppers  
China: 900 online shoppers

**Figure 10: Chinese shoppers are ahead of the curve when it comes to using new devices and social media**

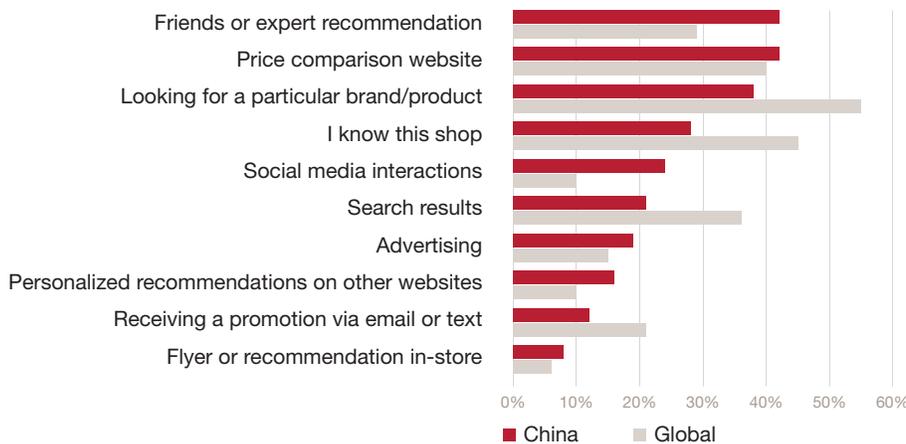
Q: How often do you go shopping? Online via Tablet PC? Online via mobile phone or smartphone? Online via social media platform?



Note: Respondents who say they are shopping daily, weekly, monthly, or less than once a month.  
 Sample: Global: 11,067 online shoppers ; China: 900 online shoppers

**Figure 11: Recommendations are a top reason Chinese consumers visit specific online shops**

Q: What prompts you to visit a specific online store?



Sample: Global: 11,067 online shoppers; China: 900 online shoppers

### One-stop shopping in China

Taobao, the undisputed powerhouse of Chinese online commerce, is a cross between Amazon's Amazon Marketplace and eBay that serves both as a marketplace for small sellers and as an auction site. In fact, 95% of all the Chinese online shoppers we surveyed have shopped with Taobao in the last twelve months.

When one looks at how many shoppers use the top online player across all countries surveyed, the average is just 72%. The company's success has been attributed to its AliWangWang service (a direct communication channel to sellers) as well as reliable seller ratings and its own Alipay payment system. Possible growth paths include offering additional services, as has been shown by American counterpart Amazon. For example, Taobao doesn't yet provide fulfillment services.

Chinese consumers are also enthusiastic users of voucher/coupon sites. In fact, more than twice as many Chinese shoppers are likely to visit an online store because of a voucher or coupon offer, as opposed to search results. But the world isn't following China in this regard; if anything, search engines are getting more important for background research on products and brands.

***Demographically, China's online shoppers are the youngest and most employed***

Demographically, China might be different enough that its path may not be applicable to other countries. The online survey audience we used for each country was nationally representative for age, gender, employment status and region. China had by far the youngest online shopping percentage, with 81% of our respondents being 34 years old or younger. Just by comparison, only 41% of our French sample was 34 years old or younger.

Then there is employment. In our Chinese sample, 66% of respondents said they were employed full-time, with Russia the next closest at 54%. All of which is to say that the Chinese online shopper is young and relatively well-off, while developed market online shoppers reside in countries with aging populations and shrinking purchasing power. It may be that the behaviors Chinese shoppers are exhibiting in this survey are those of young, happily employed shoppers—which some countries lack, and will continue to for the foreseeable future.

***The infrastructure effect***

Yet another reason that China may not be a model for the future of online shopping is the manner in which technology has enabled new waves of middle class Chinese consumers to bypass traditional methods of shopping. "I think consumer behavior as we think of it may be more related to infrastructure than we realize," says Sean O'Driscoll, a principal at PwC whose social media consulting firm, Ant's Eye View, was purchased by PwC in August 2012. "In China they are not evolving into this behavior; they are leaping straight into it because of the lack of landline and other physical infrastructure."

If the Chinese online shoppers embrace of social media and mobile shopping is related mostly to infrastructure reasons, it stands to reason that while other emerging markets, such as India, may mimic the Chinese dynamic, developed markets will not be influenced by China and will continue their much slower adoption of mobile commerce and purchasing through social media.



*Far more Chinese consumers are using a social media platform to make purchases, compared to the global average.*

## **Myth 6: Domestic retailers will always have a “home field” advantage over global retailers.**

Foreign retailers are making inroads into consumers’ lists of favorite multichannel retailers.

In our 2011 survey we were struck by how strongly domestic players dominated the lists of top multichannel retailers. To some extent that’s true this year, too. In many mature online markets, domestic retailers have a significant advantage. In France, for example, not one foreign retailer made consumers’ top ten.

### **Some challenges to domestic retailers**

What’s interesting is the large number of exceptions to this rule. Geographical proximity, of course, facilitates expansion. Canada’s top ten favorite

multichannel retailers include seven companies from its bigger neighbor to the south. German consumer electronics retailer MediaMarkt is almost as popular in the Netherlands as it is in Germany. Switzerland’s multichannel scene includes several players from bigger European countries, like Weltbild and Ikea. And Sweden’s H&M is tied for second place in Germany, moving up from third place last year, and comes in third on the list in the Netherlands.

But there’s more at work than just location. The level of investment seems to make a significant difference, as well.

In Germany, the three non-German companies in the top ten list—C&A, H&M and Esprit—all have large networks of physical stores. The same is true for Ikea, which made Germany’s list last year. For C&A, H&M and Esprit, Germany is their biggest market and the retailers are probably no longer viewed as ‘foreign’ by Germans; in fact, Dutch retailer C&A even now has one of its two headquarters located in Düsseldorf. Walmart, Apple, Ikea and Carrefour all make the top ten in more than one country outside each’s home base. It’s no coincidence that these companies have made a point of making investments in key international markets.

Take Walmart in Brazil. The company entered the market back in 1995. In 2004 and 2005, major acquisitions gave it a large network of stores throughout the country.<sup>24</sup> From 2006 through 2012, the company invested several billion dollars in further expansion.<sup>25</sup> With 533 stores, nine brands, and five store formats, Walmart is the third largest retailer in Brazil.<sup>26</sup> In our survey of the favorite multichannel retailers in Brazil, the company comes in fourth (see Figure 12).

<sup>24</sup> <http://online.wsj.com/article/SB10001424053111904006104576502562571349884.html>

<sup>25</sup> <http://www.retailingtoday.com/article/walmart-invest-756-million-brazil>

<sup>26</sup> <http://worldcrunch.com/business-finance/why-walmart-can-039-t-beat-the-competition-in-brazil/>



Foreign retailers are breaking into other emerging markets too. There are four foreign retailers/ brands in Chinese shoppers' top ten list of multichannel retailers, and three are on the list in Turkey.

### Staking a claim in emerging markets

How to get started breaking into emerging markets? For many companies, bricks and mortar stores come first. In China, H&M has focused a lot of effort on building a network of physical stores—in September 2012 the Swedish fast-fashion retailer opened its 100th store in China.<sup>27</sup> Now that physical stores are generating strong revenues (over \$500 million in revenues in 2011 and revenues up 11% in the first half of 2012), the company views its multichannel presence as the next frontier.<sup>28</sup> That means raising the brand's profile on line and revving up e-commerce sales through partnerships with online retailers.<sup>29</sup>

In September 2012, Home Depot closed all seven of its big-box stores in China. The company reportedly “misread the country's appetite for do-it-yourself products.”<sup>30</sup> Home Depot is now switching to specialty stores focused on local market preferences and working on launching online operations with a local partner.<sup>31</sup> Our survey found that one-fifth of Chinese online shoppers say they've purchased at least 40% of their home improvement goods online in the last twelve months. That could translate into opportunity for Home Depot.

**Figure 12: Foreign retailers and brands make it to the top 10**

Favorite multichannel retailers for select countries



Sample: China: 900; Brazil: 1,006; Turkey: 1,004 online shoppers

### Cash is king

Retailers wanting to increase online sales will need to have some cash on hand. When Carrefour expanded its Brazilian operation into the online space in 2010, the company invested \$50 million to develop the right platform.<sup>32</sup> In our survey, online shoppers in Brazil ranked Carrefour in their top five favorite multichannel retailers. The French supermarket giant's expected growth rate of 15–16% annually in Brazil can't be matched in most mature markets.

Whatever the market, the many global retailers now breaking into the favored multichannel ranks are clearly just as capable at gaining the consumer's trust as their domestic competitors, and just as successful with offering a product assortment that meets local taste.

But retailers need to keep in mind that it's not just the local base of domestic retailers they are competing with. Many consumer goods companies that have added retail activities have blurred the lines between retailers and consumer product goods companies. Global players like Adidas, Nike and Apple are among these brands, as are regional players like the French beauty and personal care brand Yves Rocher, which, according to our survey, now ranks third in Russia in terms of favorite retailer/brand.

<sup>27</sup> [http://www.chinadaily.com.cn/bizchina/2012-10/01/content\\_15794506.htm](http://www.chinadaily.com.cn/bizchina/2012-10/01/content_15794506.htm)

<sup>28</sup> AdAge <http://adage.com/article/special-report-chinas-women-to-watch/h-m-s-vivian-chen-adapting-western-fast-fashion-china/236202/>

<sup>29</sup> Ibid.

<sup>30</sup> <http://online.wsj.com/article/SB1000087239639044433504577651072911154602.html>

<sup>31</sup> Ibid.

<sup>32</sup> <https://www.datamark.com.br/en/news/2010/3/carrefour-brazil-prioritizes-and-bet-in-online-sales-122064/>

## Myth 7: Global online pure players like Amazon will always have a scale advantage over domestic online pure players.

Many domestic online pure players are holding their own.

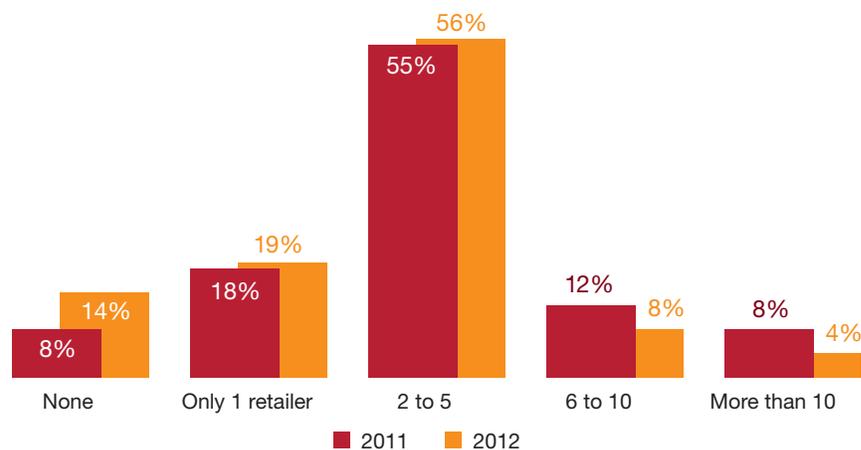
Amazon and eBay are online giants not just in the US, but also around the world. So it's not surprising that our survey respondents in several countries ranked them high on their list of online pure players.

For example, in Germany, 89% of online shoppers made purchases on their PC with Amazon and 75% with eBay over the past 12 months. Domestic online retailer Zalando was a distant third with only 22%. That might suggest that domestic players are at a serious disadvantage—but appearances can be deceiving. After Zalando there are a whole host of German players where 5-17% of shoppers are making purchases. Both Amazon and eBay actually entered the German market by acquiring a local player. And after 15 years, Amazon still has only a 13.8% share of total internet sales in Germany.<sup>33</sup> While an eventual shakeout is probably likely, eliminating some of these smaller retailers, the fact remains that domestic online players do possess a path to success.

Indeed, we've found that in many cases domestic online pure players are able to withstand entry by foreign competitors. They've already built up brand

**Figure 13: Our survey sample very much prefers shopping with between two and five online-only retailers**

Q: Which online-only retailers have you shopped with over the past 12 months?



Sample size: 11,067 (2012); 7,005 (2011)

recognition and customer loyalty, making it harder for new entrants to compete, especially in competitive, mature markets. Some heritage catalogue businesses that already had a strong customer base used to shopping at home have had strong success in evolving into pure online players. La Redoute and Trois Suisses in France, as well as Wehkamp in the Netherlands, are prime examples.

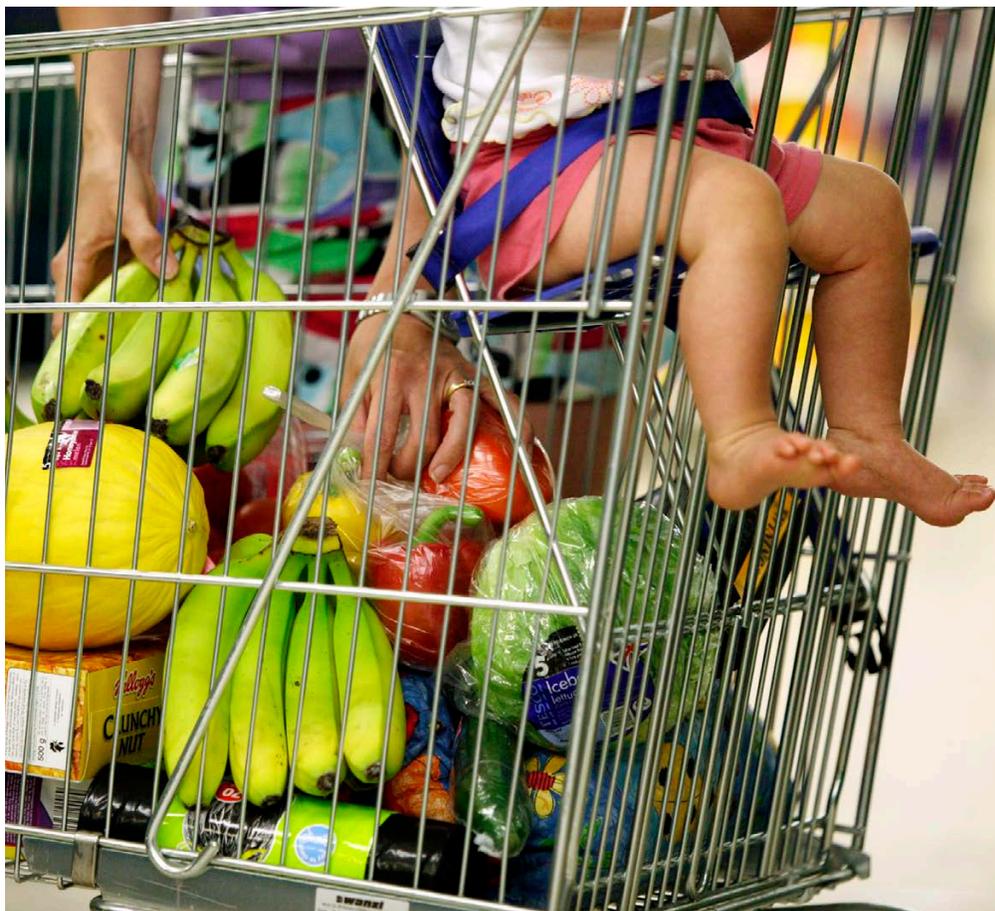
<sup>33</sup> <http://www.thenation.com/article/168124/how-germany-keeps-amazon-bay-and-literary-culture-alive#>

### **Think global; acquire local**

Local acquisitions can be an attractive option. For example, despite eBay's strong global presence it struggled gaining a foothold in the Netherlands. Local competitor Marktplaats.nl had a strong market position. In response, eBay made the strategic decision to acquire Marktplaats in 2004. Amazon acquired Chinese online bookstore joyo.com in the same year and kept Joyo an official part of the new site's name until 2011.<sup>34</sup> But going this route has its own challenges, including the need for capital and problems related to integration.

Global online pure players have other potential issues setting up shop that domestic pure players, by definition, don't face. Getting distribution right and complying with tax and customs regulations can mean big investments, even without the need to stock and staff physical stores.

But perhaps the biggest uphill climb for a global pure player is establishing a strong online retail brand with neither local market knowledge nor a physical presence. Sensory gratification—the ability to see, touch and try the merchandise—still tops the list of reasons why consumers like shopping in a physical store, followed close behind by being able to get the product immediately. Pure players with expansion plans might want to consider opening a temporary pop-up store in the respective countries in order to gain relevant market intelligence. And for smaller online pure players, looking for a domestic brick-and-mortar partner may be a quicker route to growth than expanding internationally.



<sup>34</sup> [http://en.wikipedia.org/wiki/Amazon\\_China](http://en.wikipedia.org/wiki/Amazon_China)

## ***Myth 8: Retailers are inherently better positioned than brands, as they are closest to the customer***

Consumers are shopping directly from manufacturers and many no longer distinguish between retailers and their favorite brands.

Common retail wisdom has long placed retailers at the center of the shopping universe for consumers. But our survey provides clear evidence that the center is shifting towards manufacturers.

### ***Buying direct***

Globally, more than a third of consumers have already bought products directly from brands or manufacturers. In China (56%) and the US (52%), more than half of online shoppers say they are going direct to brand sites, according to our survey. While lower prices and more choice are the top reasons, 29% of our total sample chose to buy directly from a brand simply because of brand loyalty (see Figure 14). So while retailers may have the edge in terms of being a step closer in the value chain to consumers, they are not automatically well-positioned to turn this proximity into an advantage when it comes to choosing where customers will spend their dollars, euros, or renminbi.

### ***Despite retailer advantages, the brands are making inroads***

Value chain proximity to the consumer is only an advantage when retailers use the knowledge they possess from point-of-sale data, inventory replenishment cycles, consumer demand, and store foot traffic to fight off the brands trying to make their own inroads directly with customers. Armed with reams of customer data, savvy retailers can tailor their product assortment to customer preferences, create their own private label brands or make other bold, strategic decisions like entering a new market.

But retailers are still struggling to create value from this information. And the brands are not sitting still. In fact, more and more brands have established their own retail outlets in recent years in an effort to create a virtuous circle of marketer/manufacturer/retailer. When Apple launched its retail arm in 2001, some observers were highly skeptical.<sup>35</sup> Apple now has over 300 retail outlets around the world and its stores generate estimated annual sales of more than \$6000 per square foot—seventeen times the US average.<sup>36</sup> Apple uses its stores

**35%**  
*of shoppers buy direct  
from brand sites*

<sup>35</sup> <http://www.macworld.com/article/1002151/18retail.html>

<sup>36</sup> <http://www.asymco.com/2012/04/18/apple-stores-have-seventeen-times-better-performance-than-the-average-retailer/>

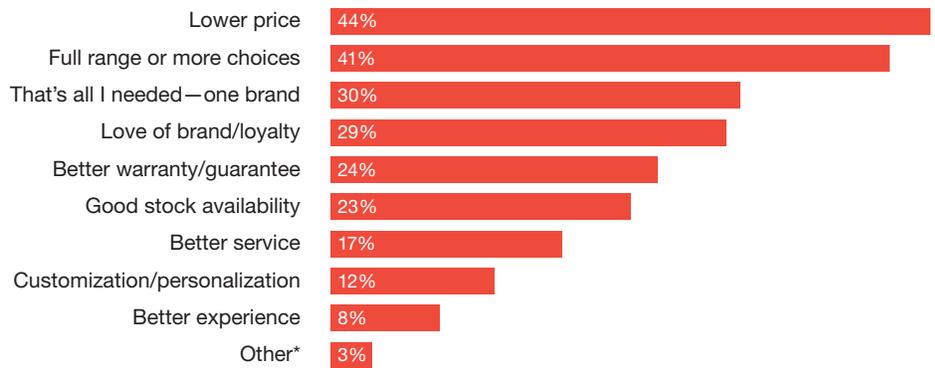


to promote an even stronger connection to the company’s now iconic brand. Is it possible for retailers to forge this kind of brand loyalty? Yes, as demonstrated by IKEA and H&M in Europe and Walmart in the U.S., but it’s not easy.

Retailers—particularly local domestic retailers without the global clout of an IKEA or H&M—must fend off the brands by going to their core strengths. These include broad product availability, better warranty programs, voucher/coupon programs provided by the retailer’s web site, and Email or text message promotions driving traffic in-store. These may not be flashy as smart phone apps. But retailers need every competitive advantage they can get as consumers continue to vote with their pocket books and welcome major brands into their online shopping universe.

**Figure 14: Reasons consumers buy directly from a brand or manufacturer**

Q: What made you choose to buy directly from the brand, rather than from a shop selling lots of brands?



Sample size: 11,067 online shoppers

# Myth 9: Online retail is cannibalizing sales in other channels

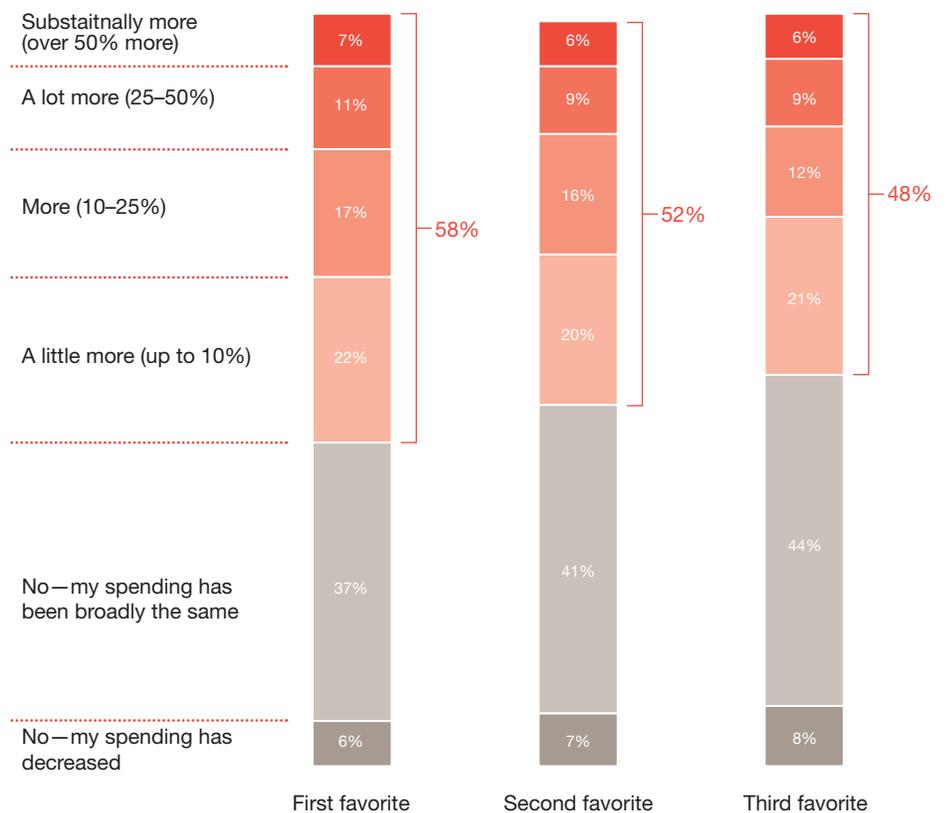
Consumers are actually spending more with their favorite multichannel retailers, not just shifting some purchases to a different channel.

Our research shows that when consumers use multiple channels, the majority spend more at their favorite retailers (see Figure 15). Nearly one in five says they're spending at least 25% more. That flies in the face of conventional wisdom that starting an online store will take sales away from your physical stores. We found a similar dynamic in many of our 11 surveyed countries. In Brazil, for example, 68% of our survey respondents said they spent more with their favorite retailer since shopping across multiple channels. In the U.S., 56% of shoppers are spending more, and in Russia, 49%.

But there's a catch: retailers first need to make it into the circle of preferred multichannel retailers. The fact remains that most consumers shop with a surprisingly small number of retailers across multiple channels. Only 5% of consumers shop with more than 5 retailers via different channels, compared to 57% for traditional retailers and 20% for online only retailers. As shown in Figure 16, our numbers show a clear concentration between one and five retailers, at maximum, that consumers use for multichannel shopping.

**Figure 15: Online shoppers are spending more when they use multiple channels**

Q: Do you think you have spent more with your favorite retailer since you started shopping across multiple channels?



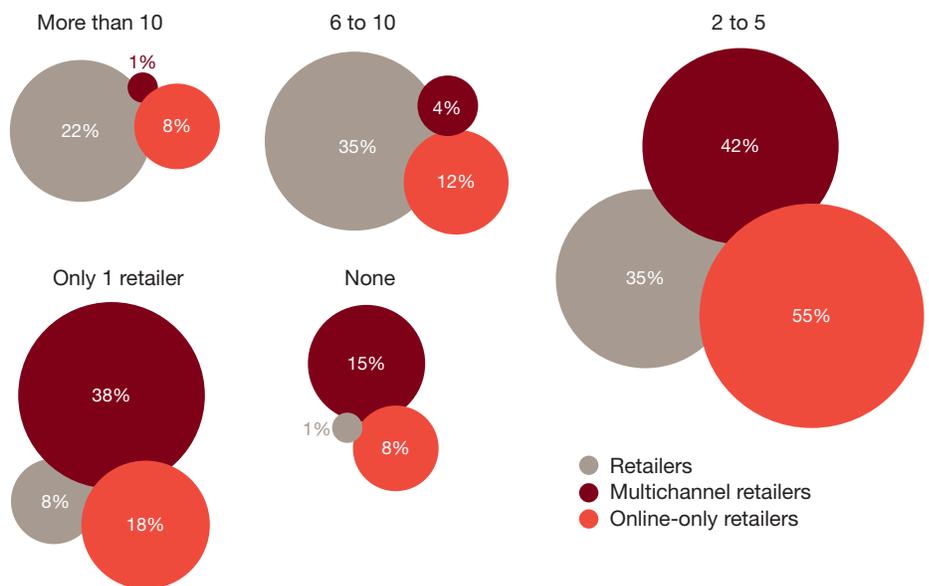
Sample: Respondents who provided their 3 favorite retailers (9,427, 5122, 2908)



So, in a way, it's a bit of an all-or-nothing proposition. Those retailers that become multichannel favorites can expect that their online and physical operations to successfully grow in parallel. But others will find that increasing the number of channels won't necessarily enlarge their customer base.

**Figure 16: Number of favorite retailers**

Q: How many online-only retailers have you shopped with? How many multichannel retailers have you used?



Sample size: 11,067 online shoppers

# Myth 10: Low price is the main driver of customer spend at favorite retailers

Customers value quality and innovative brands over price when shopping at their favorite multichannel retailers.

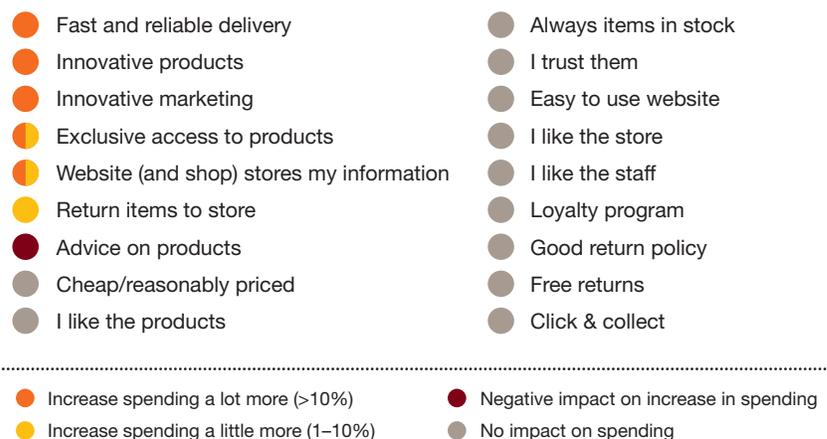
Particularly in developed countries with saturated markets, the retailer's challenge is to keep customers and entice them to spend more. That's far easier than finding entirely new customers. But just what drives existing customers to part with hard-earned cash? We asked consumers what they like about their favorite multichannel retailer, and subsequently about their spending at this retailer. A regression analysis between the results of these two questions reveals surprising insights.

## Some surprising non-factors

First, let's look at the factors that, according to our survey, don't have much of an impact on consumer spending. The look and feel of the store, as well as friendly staff, didn't have a noticeable impact on actual spending behaviour (see Figure 17). Elegantly designed websites that are 'easy to use' didn't drive customers to spend more, either.

Perhaps most interesting is that price point also was not a critical factor in getting consumers to spend more. Given that cheaper prices is the top reason why our global sample say they shop online, as well as the fact that finding better deals is the top-stated reason they go to physical stores, one would think that price would by far be the biggest impact on spending more at favorite retailers.

Figure 17: There are some surprises in the top drivers of customer spending



Estimated model: multinomial logistic regression. Significant coefficients are indicated via ● or ●

Sample: Online shoppers who provided favorite multichannel retailers (8,610)

But it seems that is the case only when it comes to initially selecting retailers. Cheap prices might help a company to enter the inner circle of favorite retailers, but it won't make customers spend more on a consistent basis.

## Staying a favorite

Once a store is established as a multichannel favorite, four key drivers affect spend: fast and reliable delivery, a 'return to store' policy, exclusive or early access to products, and innovative marketing and innovative products.

Perhaps it's no coincidence that many of these features depend on technology that works for the customer. We stated earlier that the cosmetic feel of a retailer's web site contributes little to a customer spending more. What did make a difference, though, is web site functionality. For example, our respondents say they value web sites that store their address and other personal information, obviously because of the convenience factor. Despite well-publicized corporate failures around data security, consumers seem to recognize that data is getting safer all the time, and appreciate online retailers that intelligently use technology to improve the ordering process and make returns fast and reliable.

But here, again, we found that one size definitely doesn't fit all. Generally speaking, European consumers are less sensitive to multichannel factors increasing their spending, compared to consumers from the US and UK, as well as compared to emerging economies, such as Brazil and China (see Figure 18). "Click and collect" models are driving spending in some countries, notably France, Switzerland and Brazil—but not in others. The French will also spend more if they're confident that they can return items to a physical store. For Russian shoppers, trust in a multichannel retailer isn't a given -- and when it's there, spending increases.

**Figure 18: Top drivers of customer spending vary by country**

	CHN	BRA	TUR	USA	UK	CAN	RUS	SUI	GER	FRA	NLD
Early and/or exclusive access to products*	×			×		×					×
Innovative products	×						×				×
Innovative approach to marketing									×		
Personalization of website						×			×		×
Fast and reliable delivery*				×	×			×			
Return to store										×	
I trust the retailer							×				
I like the staff			×		×						
Easy to use website			×			×					
Click & collect*		×						×		×	
Free returns	×							×	×		

\* Most significant drivers

Sample size: 11,067 online shoppers





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## *Final thoughts*

The rapid pace of change in how global consumers view the shopping experience—both online and in physical stores—requires retailers to take action if they are to keep up with their customers. But as we've shown, it's easy to make missteps when following conventional wisdom.

When it comes to channels and devices, CEOs should take care to have realistic expectations. Social media and tablets aren't taking over any time soon; that said, no executive can afford to ignore them either. Realism is the keyword when it comes to China, as well. While there's no disputing it will be an important market, every lesson learned there won't necessarily be transferable. Global consumers continue to have far more differences than they do similarities.

We don't see clear winners in the multichannel space just yet. While domestic retailers have some advantages in the multichannel arena, foreign players are breaking into the scene—and consumers are buying direct from some brands too. Domestic online pure players are also holding their own against global online pure players in a number of markets.

In our view, moving into the multichannel space can have big advantages, particularly in emerging markets where the potential for revenue growth is highest, and consumers aren't as tied to the idea of a physical store.

We stated at the beginning of this paper that we hoped that our exploration of these 10 myths might help organizations in their approach to multichannel retailing. Please feel free to contact any of our experts listed on the following page to continue the conversation.

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### On business implications...

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