![Cisco logo]

Digital Shopping Behavior in an **'Internet of Everything World'**

Jon Stine

Director, Cisco Consulting Services

January 13, 2014

Fourth Annual Cisco Consulting Services
Digital Shopping Behavior Survey

Web-based survey

N = 1,174

Margin of error <3%

Conducted Nov. 2013

Representative of the U.S. broadband population by age, income, region

Source: Cisco Consulting Services, 2013

The 2013 Results The 3 Big Takeaways

1

RETAIL AND PERSONAL DATA

Consumer trust stands between retailers and new value

At risk: ~$100B per annum in incremental industry value

2

DIGITAL SHOPPER BEHAVIOR

1 in 5 is now an Über-Digital

Say hello to the future

And mobile is the norm

Still asking if you need guest Wi-Fi?

3

IN-STORE DIGITAL CONCEPTS

Which brands will mash-up the net and the store?

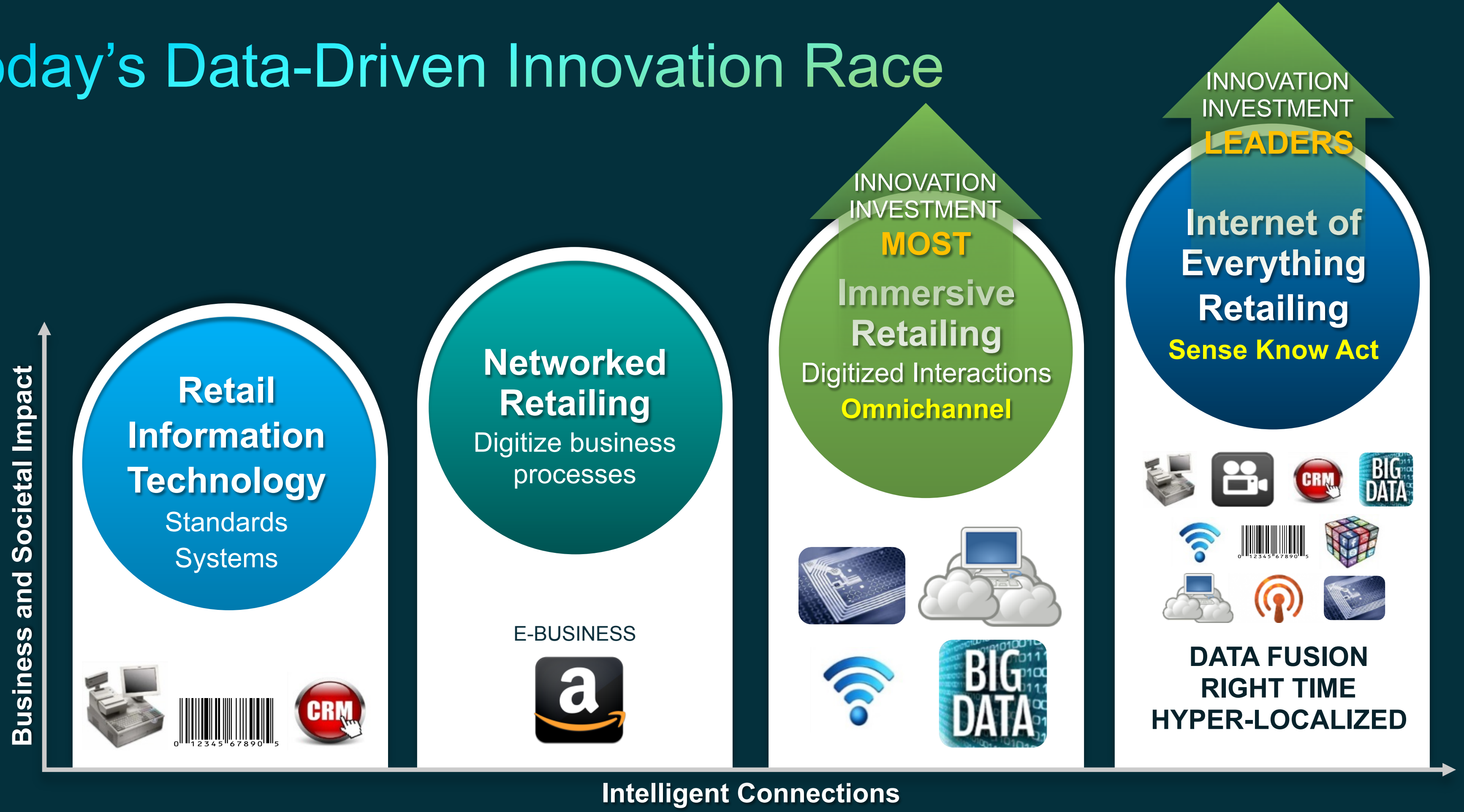
They're waiting

In front of us: an "s-curve" leap in behavior and expectations

Source: Cisco Consulting Services, 2013

The Context: A Confluence of Market Transitions

Today's Data-Driven Innovation Race



Source: Cisco Consulting Services primary research, 2013; Forrester, 2012; National Retail Federation, 2012

Retail and Data: Potential vs. Perceptions

The New York Times

July 14, 2013

Attention, Shoppers: Store Is Tracking Your Cell

By STEPHANIE CLIFFORD and QUENTIN HARDY

Like dozens of other brick-and-mortar retailers, Nordstrom wanted to learn more about its customers — how many came through the
the kind of information that e-commerce sites like Amazon have in spades. So last fall the company started testing new technology th
movements by following the Wi-Fi signals from their smartphones.

But when Nordstrom posted a sign telling customers it was tracking them, shoppers were unnerved.

"We did hear some complaints," said Tara Darrow, a spokeswoman for the store. Nordstrom ended the experiment in May, she said, in part because of the comments.

Nordstrom's experiment is part of a movement by retailers to gather data about in-store shoppers' behavior and moods, using video surveillance and signals from their cellphones and apps to ... ng it.

All sorts of retailers — ... er — ar
testing these technolog...

But while consumers s... ristle a
the physical version, a... leaks l
Edward J. Snowden.

IT News Daily

December 11, 2013

Share this email

NSA taps tracking cookies used by Google, others, to monitor surveillance targets

The browser cookies that online companies use to track Internet customers for targeted advertising are also used by the National Security Agency to track surveillance targets and break into their systems.

READ MORE

Hello!

We use Euclid to measure customer traffic and improve our operations. This system detects the presence of Wi-Fi devices, but does not "see" anything personal.

To learn more or opt out, scan the QR code above or visit euc.li/optout

euclid

Consumer trust plummets to 10-year low

Monday December 9 2013

New research finds only 9% of consumers have faith in brands to keep their data secure in the wake of a number of recent privacy and security scandals

New consumer research has found consumer trust in data security has hit a ten-year low, with over one in 10 suffering the effects of a data loss.

data is the new oil

we need to find it, extract it, refine it, distribute it and monetize it.

David Buckingham

Sources: New York Times, 2013; Retail Technology, 2013; IT News Daily, 2013

Your Shopper Is Digital and Increasingly So in 2014

DIGITAL MASS

80%

Digital
Research
Browse
Purchase

Median Age **40-44**

ÜBER DIGITALS

18%

Last Year 11%

Smartphone
Research
Browse
Purchase

Median Age **30-34**

Source: Cisco Consulting Services Primary Research, 2013

A Matter of Trust:
Shoppers and Data

data is the new oil

we need to find it, extract it, refine it, distribute it and monetize it.

David Buckingham

The Unrealized Value of Data

The Vast Value of the Internet of Everything

$99B

North America Retail Unrealized Value at Stake in 2013

Internet of Everything Retailing

Sense Know Act

DATA FUSION
RIGHT TIME
HYPER-LOCALIZED

Source: Cisco Consulting Services, 2014; n = 1,174

Shoppers Want Personalized Experiences

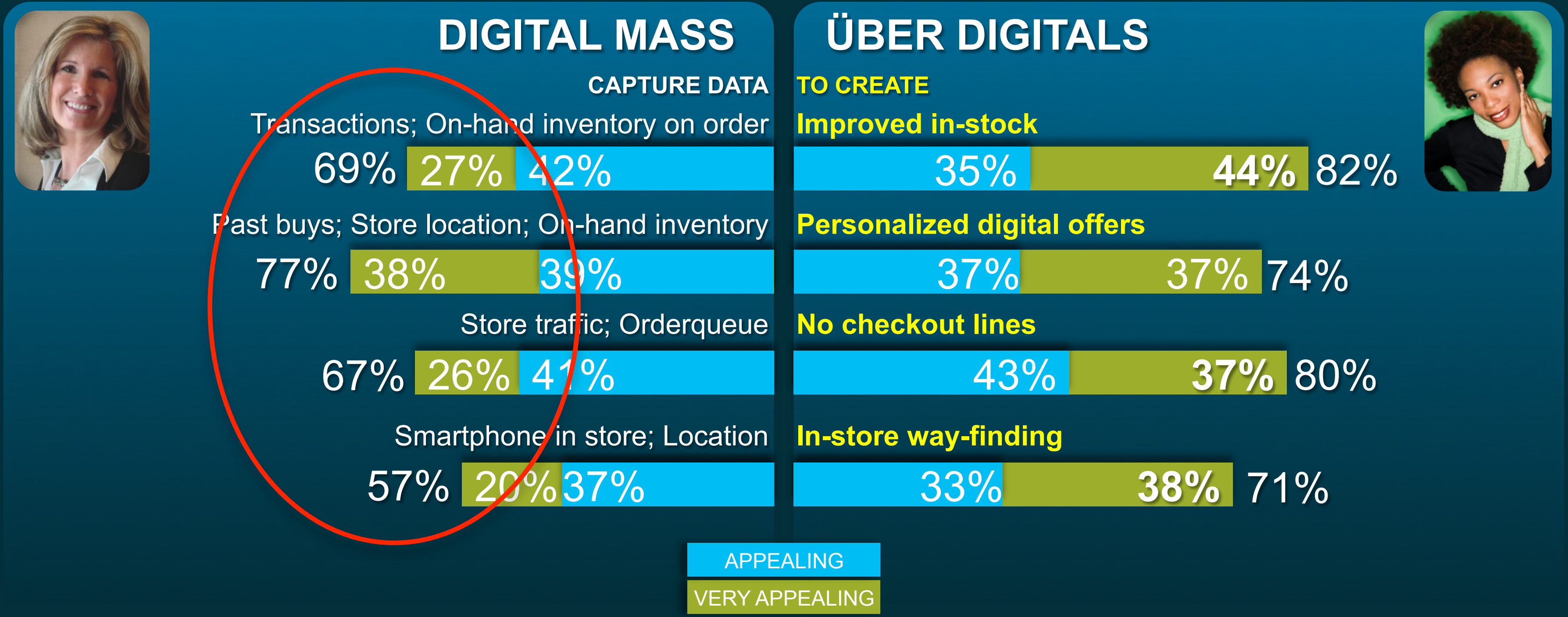
Select up to three

DIGITAL MASS 80%		ÜBER DIGITALS 18%
46%	Personalized promotions via touch-screen or smartphone	53%
38%	Personalized products specifically for me	47%
30%	Personalized shopping lists	38%
30%	Personalized service	34%

Source: Cisco Consulting Services Primary Research, 2014

What About Data-Rich, Beneficial IoE Solutions?

What if retailers could…

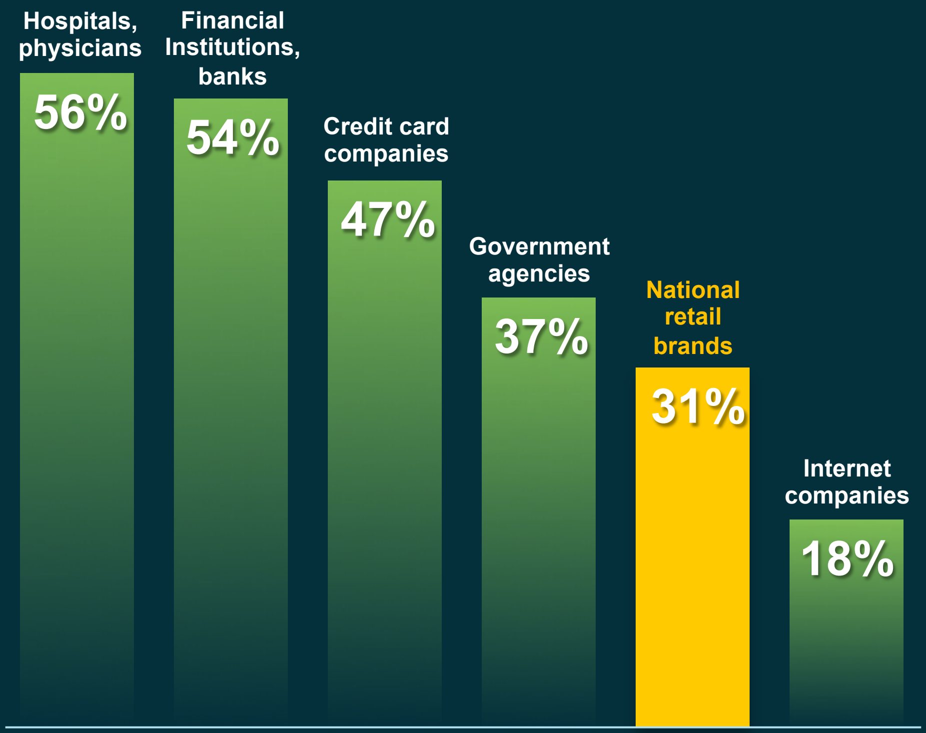


Source: Cisco Consulting Services, 2013

However:

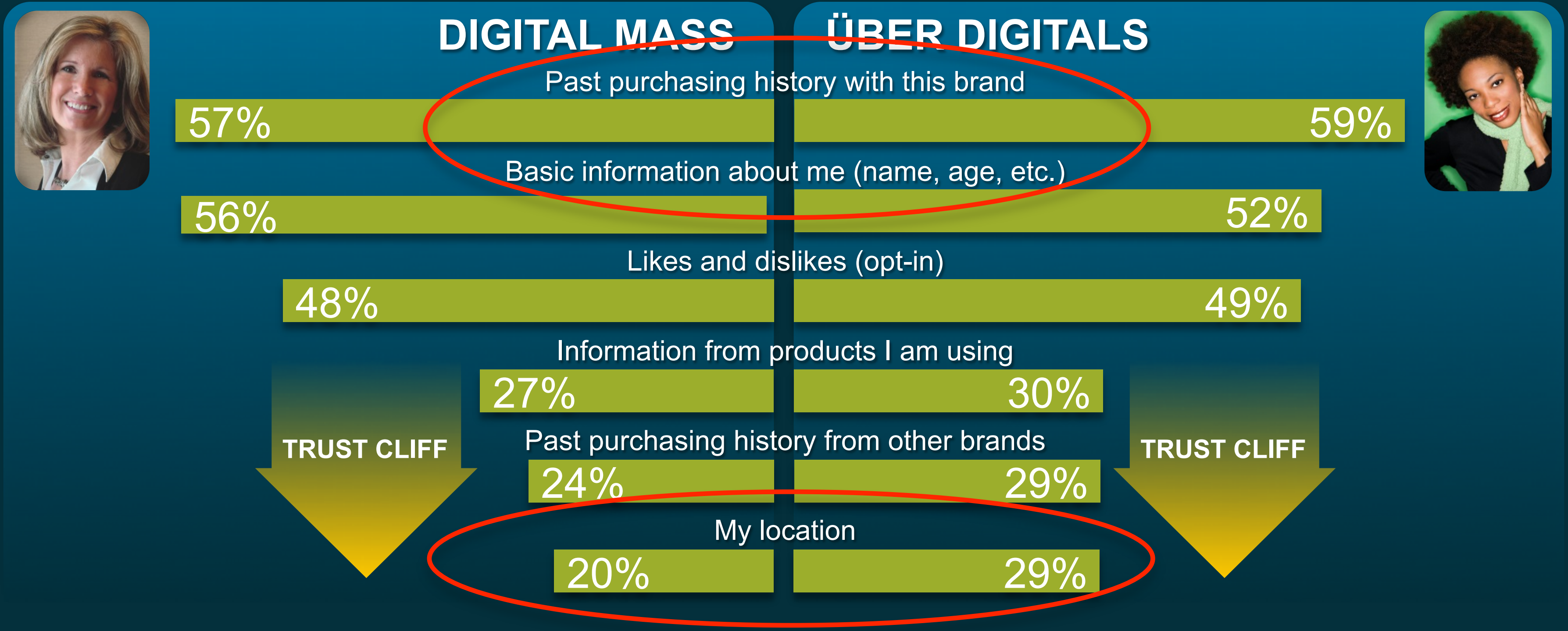
Trust about data use is a retail industry issue

How much would you trust these companies/institutions to protect your personal data and use it to provide something you value?



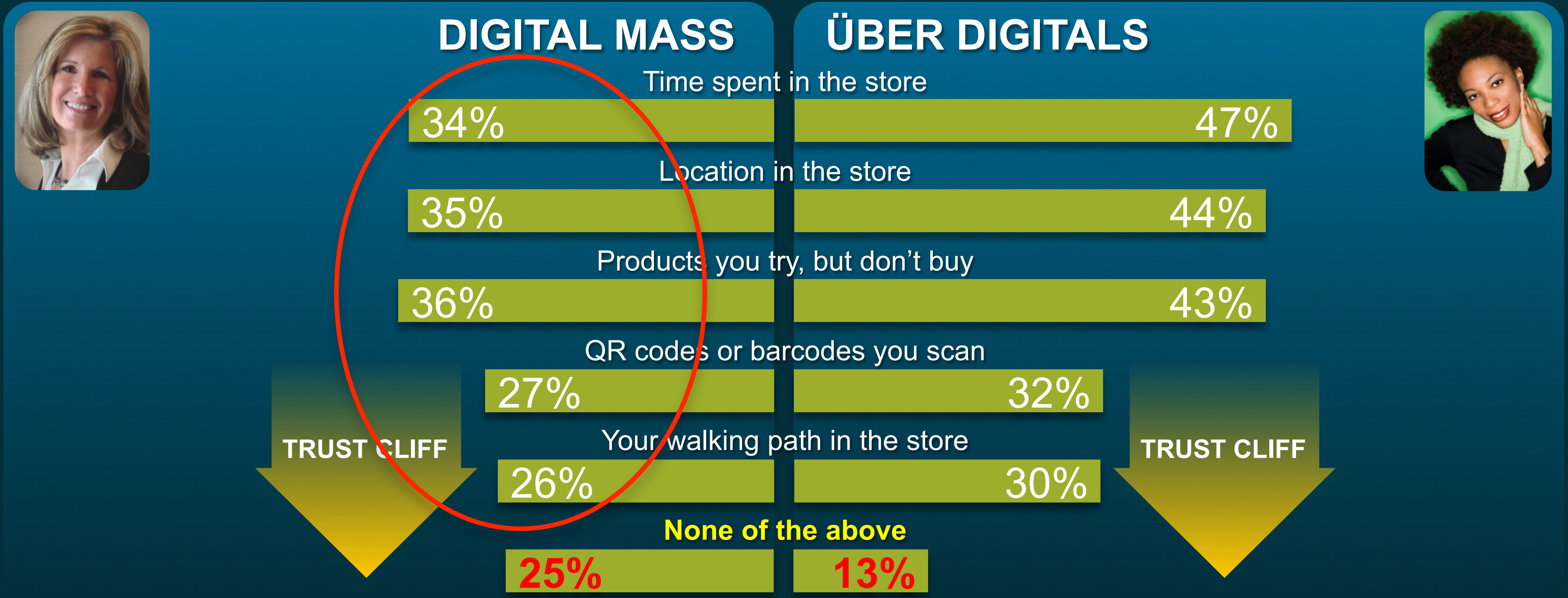
Source: Cisco Consulting Services, 2014; n = 1,174, Percentage answering 7 and above on a 10-point scale 1=not trust at all 10=trust completely

Which Personal Information Are You Willing to Share To Get a More Personalized Shopping Experience?



Source: Cisco Consulting Services, 2013

Which of the following types of information do you think would be acceptable for retailers to use to provide you with a better shopping experience?



Source: Cisco Consulting Services, 2013

What would lead you to share more personal information with a retailer?

Select up to three

	DIGITAL MASS	ÜBER DIGITALS
Guaranteed percentage savings on next purchase	52%	51%
Specific dollar savings on my next purchase	52%	53%
World-class privacy policy	31%	39%
Ability to use loyalty points at more than one retailer	24%	27%
Admission into a club that receives priority service	11%	18%
Admission into a club that receives priority offers	22%	27%

TRUST CLIFF

TRUST CLIFF

Source: Cisco Consulting Services, 2013

Doing Something About Data Trust: It's All About Transparency

Here's what I think every business should tell consumers about their data collection programs

DataInformed
Making big data and analytics work for you

Michael Nadeau, publisher, September, 2013

1. Exactly **what** data is being collected
Clearly communicate and explain exactly the type of data being collected

2. **How** the data collection technology works
Boil the complex tech terms down into clear lay terms. Once you know, is there a reason to fear "metadata?"

3. How the data is being **secured**
Show the steps you're taking to prevent data from being hacked or misused

4. **Why** the data is being collected
Show them the problems being solved, the value being created

5. How the data is being **analyzed and reported**
If it's being analyzed in the aggregate, say so and explain what that means

6. **Who** is seeing the data
People might assume that you share their data with other businesses. Be clear about your policies.

7. **The consumer benefits** of data collection
Most important, shoppers will provide personal information if they feel they're getting equal value in return.

8. **It's opt-in**
Give your shoppers a choice

Source: Data Informed, September 2013; Cisco Consulting Services, 2013

Digital Shoppers:
Today's Behavior

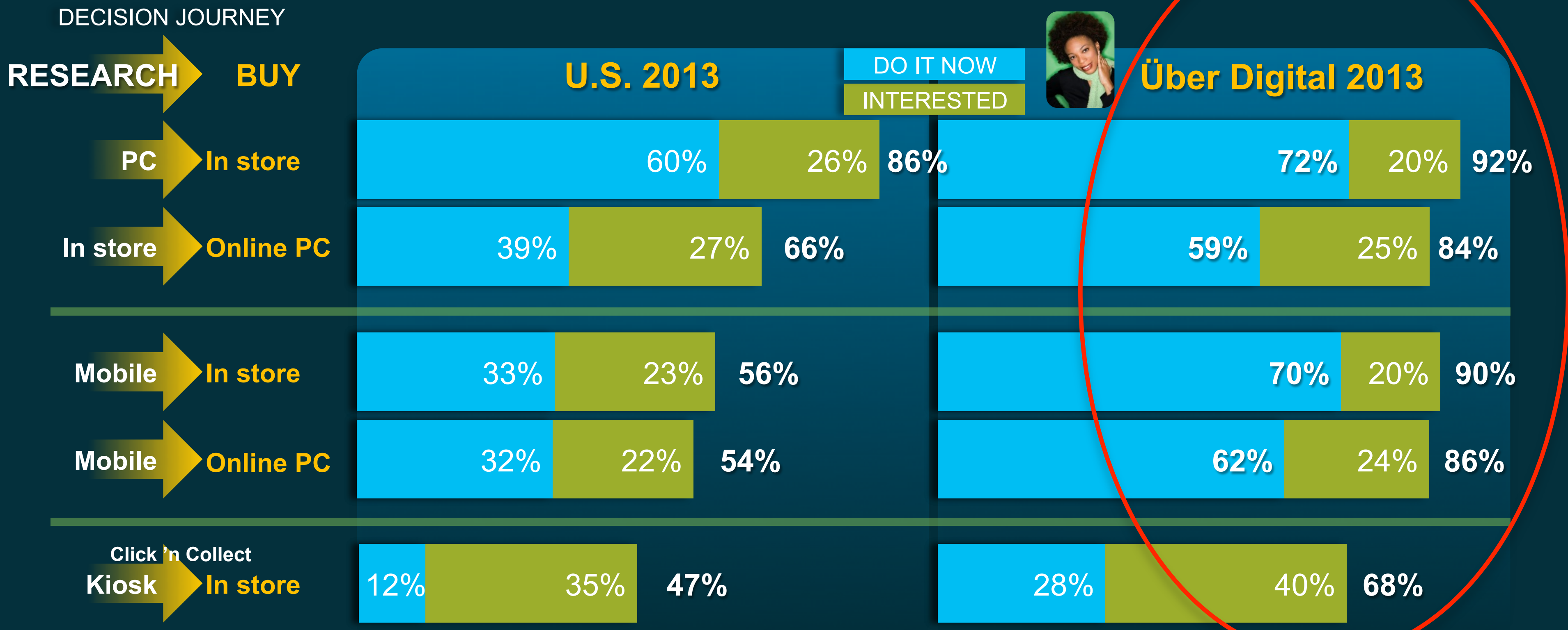
They Shop Digitally Using the Screen of Preference or Convenience

Percentage of respondents doing now or interested in doing

Last Year	DIGITAL MASS 81%		ÜBER DIGITALS 18% (Last Year 11%)
	97%	PC at home	99%
54%	60%	Phone in store	100%
	66%	Tablet at home	95%
	62%	Phone on the go	90%
	62%	Phone at home	91%
57%	65%	Touch-screen in store	82%

Source: Cisco Consulting Services, 2013, percentage of respondents doing now or interested in doing

Cross-Channel Shopping Behavior: Here Come the Über Digitals



Source: Cisco Consulting Services, 2013

Trend Confirmed: Key Buying Influencers Are Digital

What are the three most important sources of information you use to help make buying decisions?

Source: Cisco Consulting Services, 2010-11-12-13, 2010: n = 1004; 2012: n = 1007; 2013: n = 1,174

How Likely Are You to Research a Product Online?

Roughly 50% will research a $100 product; more than 75% will research when more than $250

DIGITAL MASS 80%		ÜBER DIGITALS 18%
87%	**>$500**	**86%**
85%	<$500	84%
76%	<$250	80%
47%	<$100	54%
25%	<$50	28%
14%	<$10	17%

Source: Cisco Consulting Services Primary Research, 2013, percentage responding "very likely" to research a product online

In the Store, These Are My Digital Use Preferences

DIGITAL MASS 81%		ÜBER-DIGITALS 18%
32%	I prefer to use my own device	51%
24%	I prefer to use store devices	18%
51%	I prefer to use a store app	64%
49%	I prefer to use a browser	58%

Source: Cisco Consulting Services Primary Research, 2013

When You're Considering a Complex, Multi-item Purchase, what Level of Assistance do you Prefer?

Digital Shoppers Want "Safe" Self-Service

DIGITAL MASS 81%		ÜBER-DIGITALS 18%
64%	I prefer to shop on my own, but with help when I need it	64%
22%	I prefer to shop on my own	19%
11%	I prefer help from store employees all the time	14%

Source: Cisco Consulting Services Primary Research, 2013

Shopper Expectations Continue to Ramp

How have your expectations for shopping changed over the past two years?

DIGITAL MASS 80%		ÜBER DIGITALS 18%
71%	Better values	79%
61%	Price visibility	72%
58%	Wider range	72%
58%	Information access	75%
50%	Faster	64%

Source: Cisco Consulting Services Primary Research, 2013, percentage responding “very likely” to research a product online

IoE and Digital In-Store Concepts: Appeal and Use

Digital Shoppers Will Still Come to Stores

Most important reasons to shop in a physical store

2013

~90% of all non-grocery transactions occur in the store

DIGITAL MASS 80%		ÜBER DIGITALS 18%
67%	Look at, touch, compare products	67%
52%	Use purchases immediately	49%
51%	Avoid shipping charges	42%
9%	Get advice from store staff	12%

2015

~85% of all non-grocery transactions will occur in the store

Sources: Forrester, 2013 (not including cars, trucks, gasoline, grocery, food service); Cisco Consulting Services 2013

Eight In-Store Concepts Tested for Frequency of Use

Percentage responding frequently or always

1 BEST PERSONAL PRICE

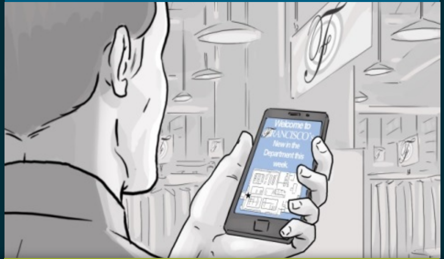
63%

Opt-In. Smartphone. Scan.

Calculates all your relevant offers, coupons, loyalty points.

Your personal price. Now.

2 MOBILE CONCIERGE



42%

Opt-In. Smartphone.

Greets, guides, provides.

Interest- and location-based information, offers.

Your retail remote control.

3 BEAT THE BUZZER

35%

Gamification.

At home or in store.

PC or smartphone.

Special promotion now in limited time.

Act now and win!

4 CONNECT THE DOTS

34%

Gamification.

In-store. Smartphone.

Collect tokens or QR codes throughout the store.

Act now and win!.

Source: Cisco Consulting Services, 2013 (U.S. data, n= 1,174), percentage responding frequently or always

Eight In-Store Concepts Tested for Frequency of Use

Percentage responding frequently or always

1 BEST PERSONAL PRICE

63%

CONSUMER ELECTRONICS 71%

2 MOBILE CONCIERGE

42%

CONSUMER ELECTRONICS 47%

3 BEAT THE BUZZER

35%

GROCERY 37%

4 CONNECT THE DOTS

34%

CONSUMER ELECTRONICS 37%

ÜBER DIGITALS

82%	66%	56%	55%

Source: Cisco Consulting Services, 2013 (U.S. data, n= 1,174), percentage responding frequently or always

Eight In-Store Concepts Tested for Frequency of Use

Percentage responding frequently or always

5 REMOTE CONSULTATION

31%

Mobile or fixed screen.

One-click connect.

No appointment.

Talk to the brand's best.

What, why, and how.

6 ENDLESS AISLE

29%

Online or in-store.

Fixed screen and smartphone.

See brand's entire inventory on desired SKUs.

Nearby stores. Dotcom.

Vendor.

7 SOLUTION BUILDER

29%

Online or in-store.

Fixed screen or smartphone.

Suggested project shopping lists.

Recipes. Outfits.

8 SOCIAL SHOPPING

21%

Smartphone. Social.

Post photos. Pin ideas.

Send to professionals, friends.

Whaddaya think?

Source: Cisco Consulting Services, 2013, percentage responding frequently or always

Eight In-Store Concepts Tested for Frequency of Use

Percentage responding frequently or always

	5	6	7	8
	REMOTE CONSULTATION	ENDLESS AISLE	SOLUTION BUILDER	SOCIAL SHOPPING
	31%	29%	29%	21%
	HOME IMPROVEMENT 39%	APPAREL 32%	HOME IMPROVEMENT 33%	HOME IMPROVEMENT 24%
ÜBER DIGITALS	50%	50%	50%	43%

Source: Cisco Consulting Services, 2013, percentage responding frequently or always

Key Takeaways and Actions

Marching Orders for Retail Executives

1	2	3
RETAIL AND PERSONAL DATA	THE ÜBER DIGITALS	DIGITAL SHOPPER BEHAVIOR
Deliver a world-class data policy. Make the benefits clear.	**1 in 5 is too big to ignore.**	**Shoppers will choose digital experiences.**
What is your IoE strategic plan?	**Winning Über Digitals: It's a step change.**	**Do you have the infrastructure to deliver it?**
Will you win your slice of the ~$100B per year?	Will you climb the digital cliff or run into it?	Are you ready now?

Proven Process Turning Data into Quantifiable Value

EXECUTIVE EXCHANGE → **VALUE ASSESSMENT** → **STRATEGY & PLAN** → **BUILD & MANAGE**

1	2	3	4	5	6
Start	**Current State**	**Desired Future State**	**Gap Analysis, Roadmap, Test Plan**	**Test**	**Run**
Align	**Understand**	**Envision**	**Plan**	**Pilot**	**Scale**
Success metrics Commitments Stakeholders	Current state Compelling events Market transitions Root cause	Sustainable brand differentiation Sustainable value creation Use cases	What's missing When/how to reach goals Architecture/ infrastructure Quantified value creation	Concept UE/UI/ lab testing Implement pilots Launch plan	Professional services Technical services Managed/ operating services

Let’s Talk.

Cisco Consulting Services – Retail

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Thank you.