

Retail Without Limits

A Modern Commercial Society

ORACLE®

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SURVEY FACTS

This research was conducted with 5,000 consumers in January 2015 by independent business market research agency, Redshift Research. 500 male and female adult consumers from 10 countries (Australia, Brazil, China, France, Germany, India, Japan, Russia, the UK and USA) were interviewed on their shopping habits via an online consumer panel. This report will explore the key lessons for retailers towards to succeed in a changing retail market driven by consumer interest, supported by data collected from global consumers.

INTRODUCTION

In 1776, Scottish economist Adam Smith in "The Wealth of Nations" published his concept of a commercial society and "the invisible hand" - an idea that self-interest drives the market. While the term has since been used more liberally than Smith originally intended, the core of his theory lies in the idea that it is people who drive change in a market. According to Smith, a commercial society is a society in which every man or woman becomes a merchant, as they require their needs to be met by the market.

Smith was very much in favor of a free market. A strong opponent to the mercantile system¹, he argued that free trade leaves all involved parties better off. Today, as commercial borders are evaporating and people transcend geographical borders in order to acquire a desired product, his idea is supported by the successes retailers have seen in international expansion.

The globalization of commerce and society is fuelled by one important development: the infiltration of technology into all aspects of modern life.

Today, consumers' interest is in convenience, and their need for convenience is fuelled by the technological advancements that are both driving and facilitating their shopping journeys. In our eyes, the modern adaptation of Smith's "invisible hand" is the need for convenience through technology.

The majority of consumers across the globe now have access to a mobile device. In March 2015, Gartner reported that worldwide sales of smart-phones in 2014 saw a 28.4% year-on-year increase and represented two-thirds of the global phone market. In September 2014, research firm Zogby Analytics stated that nearly 90% of US millennial smart-phone users admit to having their phones by their side 24/7². Meanwhile, the University of Derby (March 2015) found that users spend an average of 3.6 hours a day on their smart devices, causing distraction from "real life"³.

INTRODUCTION

But what if the definition of “real life” is changing? We wake up with our smart-phones, we order food via mobile apps, we scroll through images posted by strangers, we shop and date on our phones. We collect, we share, we connect. The world is now a place of individuals in pursuit of self-interest, coupled with a need to connect to society and be a part of a whole.

The need for convenience not only drives the market, but retail behavior. Over the last few years, we have seen a retail market adapt to, and often struggle to adapt to, the influx of technological advancements that are changing the way people interact and consume. As technology is part of our daily lives, we are constantly finding new ways to get what we want, when and how we want it.

We now have access to a wider selection of products across borders, and are forcing retailers to adapt their operations to accommodate us – from selection, to price, to delivery. We are creating a more challenging environment for retailers to succeed in.

At Oracle, we have long been talking about consumers’ need for a retail experience that is “good for me.” Last year, our research revealed that individuals are taking control of their retail experience by becoming their own merchant, their own buyer, their own supply chain manager and their own marketer⁴. This year, we want to help retailers understand how to capitalize on the change that is occurring, by following three simple principles: **Learn, Adapt and Execute.**

We collect, we share, we connect. The world is now a place of individuals in pursuit of self-interest, coupled with a need to connect to society and be a part of a whole.



KEY GLOBAL FINDINGS

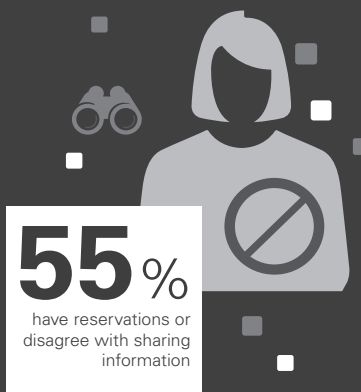
LEARN

ADAPT

EXECUTE

LEARN

REACTIONS TO RETAILERS COLLECTING INFORMATION ABOUT CONSUMER SHOPPING HABITS



Insight is key and consumers don't care what goes on behind the scenes – they want results.

In order for retailers to gain competitive advantage in a retail world without borders or limits, they must listen to and learn from their customers. And here is what they are saying:

The Privacy Conflict

Retailers have always faced a challenge in encouraging consumers to share information with them. This year, however, findings reveal that global respondents are starting to understand the value to be gained from retailers monitoring their shopping preferences and habits. 31% of respondents now see value in personalization technologies, offering quite a drastic change to the 9% who recognized this value in 2014.

In contrast, 55% of interviewed consumers still have reservations or disagree with retailers having access to personal information. 56% now recognize that giving retailers access to information can improve their shopping experience and ensure they can take advantage of more targeted promotions and rewards, and better availability and allocation. 23% are even happy to download an app that allows retailers to track their movements in-store and online.

THE VALUE OF TECHNOLOGY IN THE SHOPPING EXPERIENCE



70%

visibility to stock



59%

access to product information



51%

ability to track current orders and review history



42%

a connected shopping journey that ties together channels, returns and service



31%

monitoring of personal information and shopping habits to enable personalized promotions and information

WHAT MATTERS MOST WHEN SHOPPING



31%

right product, right place, right time



51%

are more loyal if this is right

LEARN

Demand for Transparency

Demand for transparency outstrips any other consumer requirement in terms of which insight would add the most value to an experience (70%). Access to product information across digital channels or in-store is also rated highly by global respondents (59%). Last year these figures were 33% and 24% comparatively; proving that the value consumers see from implementing technologies that allow for stock visibility and product information has increased staggeringly.

The ability to track orders as well as the desire for a connected shopping experience have also gained importance in consumers' eyes. While last year, only 18% valued technologies that enabled a connected shopping journey, this year the number has risen to 42%. And while 15% of global respondents appreciated an integrated approach to tracking current and historical orders, this year 51% do so.

In looking at the importance of transparency it is key to understand its potential impact. Lack of transparency results in unhappy shoppers. 45% of global consumers interviewed said lack of availability (56% USA, 54% Australia, 51% in India, Russia and the UK, 49% Brazil, 48% Germany) disappointed them most in their shopping experience.

In a world where dogs are loyal, consumers aren't⁵. How do you build loyalty? Consumers surveyed for our research have indicated that if they can get what they need when they need it, they are inclined to be more loyal. 31% indicated that right product, right place at the right time is most important to them in their shopping experience. 51% say they are more loyal if this is done right.

ADAPT

Retailers need to be able to adapt their business in order to keep up with global consumer expectations and the rapidly changing retail landscape.

The Global Opportunity

Amazon once again took the crown for favorite retailer. Notable other mentions included Indian eCommerce giant Flipkart, as well as eBay, Walmart and Tesco.

Price dominated as the reason these retailers won the popularity contest (55%), followed closely by quality (41%), choice (36%) and convenience (27%). Lesson learned: consumers want access to a wide selection of quality, low-priced goods – delivered how and when they want. And they don't stop at their local market to source them: over half (56%) of global respondents have bought goods from an offshore international retailer, with only the USA (39%), Japan (41%) and the UK (43%) falling below the global average.



WHY CONSUMERS BUY FROM OFFSHORE INTERNATIONAL RETAILERS



67%
better price



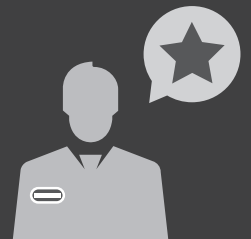
43%
a brand or product
that is not available
locally



35%
more range



33%
better availability



26%
better service

ADAPT

Differentiate With Your Store

Globally, 44% of consumers still prefer to shop in-store and take items home, most notably in Australia (69%), followed by Germany (57%), France (54%), the USA (50%) and Russia (45%). The store now plays a role even in online sales with the growing popularity of click-and-collect. The figure for those who buy goods online and collect them in-store has doubled from last year's 4%, to 8%. UK retailer John Lewis reported that click-and-collect overtook home deliveries over the 2014 Christmas sales period, and accounted for more than half (56%) of all their online orders.

The number of those who prefer to buy online and have items delivered home remains similar to last year. 34% listed this as their favorite way (35% in 2014) to shop. Respondents in China, Brazil and India even favored this method over shopping in-store.

FAVORITE WAYS TO SHOP



44%

buying goods in-store
and taking them
home



34%

buying goods online
and having them
delivered home



8%

buying goods online
and collecting them
in-store



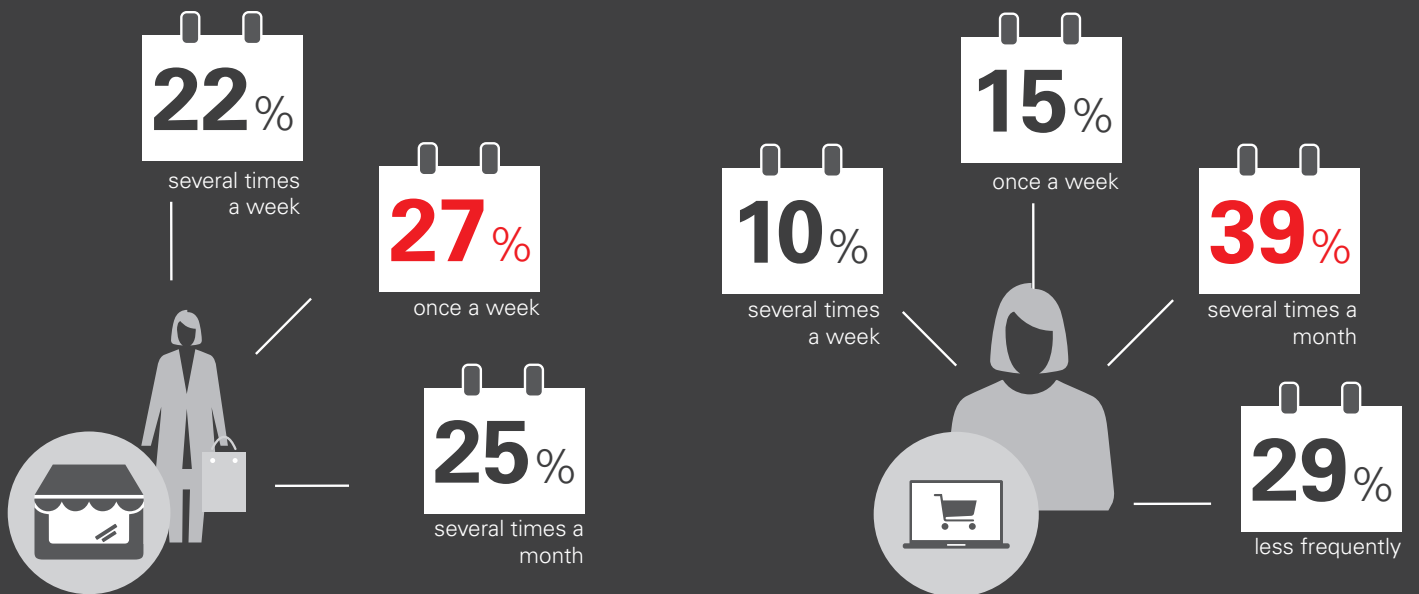
8%

buying goods in-store
and having them
delivered home

ADAPT

In terms of frequency of channels used, the store wins again.

FREQUENCY OF SHOPPING CHANNELS USED



Retailers have a real chance for differentiation if they unlock the potential of their store, and realize the role the store plays in driving online sales. Convergence is key: blend your customers' digital with their traditional shopping experience to win in both worlds.

TECHNOLOGY THAT ENHANCES THE SHOPPING EXPERIENCE



ADAPT

Giving store associates the tools to add value to a consumer interaction can make all the difference.

The Value In Your People

The store can be your competitive edge if store employees are equipped to deliver the customer experience consumers want. 25% of consumers want store associates to recognize their shopping history and personalize interactions accordingly, while 44% are more willing to make a purchase from a store assistant using mobile technology to check availability, product information or delivery choices, particularly in China, Brazil and India.

There is a chance to differentiate through offering excellent in-store service. 46% of global respondents say their loyalty is influenced by great in-person service. The role of the store assistant here is critical – by equipping him or her with the tools to provide accurate inventory information and utilize science to identify customer preferences, store associates can provide shoppers with a retail experience that will feel personal

and purposeful.

The store associate is now an enabler to the shopping experience; a facilitator of service. In response to how consumers want retailers to engage with them in-store, 55% said they want an in-person interaction, a number that rises to 66% in Germany and India.

Giving store associates the tools to add value to a consumer interaction can make all the difference.

Consumers want stores and value the store environment – our findings on the preference and frequency of store visits confirm that. Pure play retailers also recognize this. Take Amazon's recent endeavor into bricks and mortar, as an example, in which the retailer cites convenience as a key driver.

ADDING VALUE WITH YOUR PEOPLE



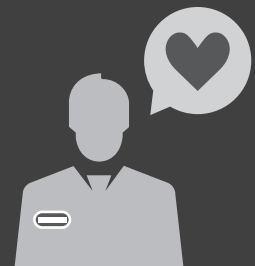
55%

want store associates to engage with them in-person in the store



44%

spend more with an empowered associate



46%

say loyalty is influenced by great in-person service

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INCREASE IN THE USE OF TECHNOLOGY TO SHOP



67%
mobile



67%
personal home
computer



45%
social media



43%
apps



42%
tablet

In order to stay ahead of the curve, retailers need to execute on what the market is telling them: traditional notions of service have been transformed. The process of interacting with or serving a customer is no longer one that is exclusively face-to-face. Consumers now define their own service expectations, and what matters to them is a connected, relevant and simple interaction, each and every time.

Mobile, Apps, Social – Investing In The Future Of Retail

In 2008, Mary Meeker, an analyst at Kleiner Perkins Caufield Byers, predicted “Mobile to overtake fixed Internet access by 2014”⁶ – a bold statement at the time. Today, more people across the globe have smart-phones than ever before, and mobile apps dominate our smart-phone usage. According to a Nielsen report from 2014⁷, US adults spent on average 34 hours per month using the mobile internet on smart-phones. Of that smart-phone internet time, apps capture 86% of usage.

Mobile is the fastest growing method of shopping globally, with over two thirds of consumers (67%) stating they are using smart-phones to enhance their shopping experiences. Last year, this figure was 26%, demonstrating not only the accelerating growth of mobile devices but also the growing importance of convenience.

CHANNELS USED BY CONSUMERS



68%
Facebook



29%
Twitter



26%
other channels



15%
Instagram



11%
Pinterest

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A new generation of consumers is now heavily engaged with mobile and social media. Pew Research Center, a nonpartisan American think tank, revealed that as of January 2014, 74% of all online adults use social networking sites. This varies according to age groups: 89% of 18-29 year-olds, 82% of 30-49 year-olds, 65% of adults aged 50-64 and 49% of adults aged 65+⁸. For the majority of global research respondents (68%), Facebook is their chosen network to collect and share information with friends and followers, followed by Twitter and Instagram.

With mobile and social media playing such a large role in the lives of an upcoming generation of shoppers, retailers need to be conscious of the content they feed to users, and how they do so. Social media users are still divided over whether they want retailers to use these channels to communicate with them. 33% say "yes," while 33% say "possibly" and 34% are against it altogether. In a modern life full of distractions, consumers are becoming less patient and more visual.

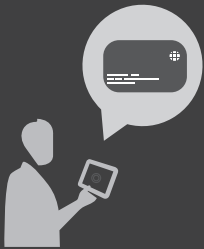
The popularity of video as a means of communication is on the rise. Of global research respondents, 51% say they are incentivized to make a purchase if they have seen a video promoting that item – most notably in Russia (69%). Video apps carry potential for modern retailers: Meerkat⁹, the newest live-video streaming app that was launched in February 2015 could even enable retailers to live-stream content and events.

In a modern life full of distractions, consumers are becoming less patient and more visual.

TECHNOLOGY THAT
ENHANCES THE
SHOPPING EXPERIENCE



57%
converged commerce
experience



31%
mobile
point-of-service



50%
in-store apps that
enable product search



25%
solutions that allow
store associates to
personalize my
experience every
time

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The Convergence of Commerce

We have talked about the exponential rise of mobile and social media. With a revised concept of service in mind, it is important that retailers invest in strategies to promote consumer engagement across ALL channels and touch points.

Mobile commerce is predicted to reach \$626 billion by 2018¹⁰ with tablets playing an increasing role in mCommerce growth, as more people use these devices to shop from home or on-the-go. 67% of global respondents stated that they are using their smart-phones more, rising to 84% in India and 80% in China, while a further 42% of global respondents are using tablets more (48% of Australians).

While consumers are more ambivalent about retailers using social channels to communicate with them, it is clear that social networks are increasingly a first point of engagement between a brand and a consumer, who explore promotions, targeted offers and reviews. There is a growing trend, particularly in Asia, for convergence between eCommerce and social

networks to enable users to make purchases without leaving social networking platforms, as demonstrated by the likes of WeChat and Weibo and eCommerce giants Alibaba and Rakuten. The growth in eCommerce, mCommerce and fCommerce underpin the concept of retail without limits.

The onus is on retailers to invest in connecting physical and digital channels to deliver a truly converged commerce experience wherever the consumer chooses to interact with a brand. 83% of global respondents want retailers to invest in technology and it comes as little surprise that 57% of these stated that converged commerce was key – the ability to interact with a retailer consistently across all touch points. In China and Germany, this figure rises to 78% and 70% respectively.

The growth in eCommerce, mCommerce, fCommerce and the like underpin the concept of retail without limits.

CONCLUSION

End Goal: A Converged Retail Platform

What we have learned is that consumers require a consistent experience, however they choose to interact with a retailer. In order to provide commerce anywhere, retailers need to blur the lines between the physical and digital shopping environment. Armed with a better understanding of how global consumers want and expect to shop, the question now becomes: are retailers equipping themselves to serve the new fundamentals of converged retail – Right Product, Right Place, Right Time, Right Price – Anywhere?

Convenience is the “invisible hand” of the now for consumers. The demand for convenience drives the adoption of technology in the modern shopping process. It is a complex challenge for retailers operating in a borderless and limitless retail environment to understand why consumers make decisions; not just what they buy, but what catches their interest, why they compare and which channels they are most attracted to. The driving force behind consumer decisions, the invisible hand, lies in the need for convenience.

Are retailers equipping themselves to serve the new fundamentals of converged retail – Right Product, Right Place, Right Time, Right Price – Anywhere?

Today’s global market place does not allow retailers to remain complacent. Adapting a retail business is an on-going challenge that requires continuous innovation and transformation. It also requires speed. The call to action for retailers is to make the shopping experience as participatory and collaborative as possible by investing in technologies that enable consumers to engage with the retailer as and when they wish in a productive and profitable way.

It is impossible for retailers to accurately anticipate and satisfy consumer requirements without the application of applied and integrated understanding. By taking insights from customer interactions and business intelligence retailers can use the derived knowledge to develop an individual experience – one that their customers want, expect and need.

Embedding science into aligned business processes will enable retailers to deliver on their brand promise. A solid retail foundation that is underpinned by flexible, cost effective delivery options provides the scalability and reliability for retailers to support today’s consumer but also grow and adapt as the market dictates.

Oracle is in a unique position to provide truly connected experiences across channels, enabling consumers to transact (research, select, purchase or return) and employees to interact (recommend, maintain and service) anywhere, at any time and on any device. This provision of commerce anywhere in support of service to the consumer requires operational alignment and execution, as well as data transparency across planning, supply chain, merchandising, commerce, stores, consumer engagement and analytics capabilities to connect the retail enterprise.

The driving force behind consumer decisions, the invisible hand, lies in the need for convenience.

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A system of political and economic policy, evolving with the modern national state and seeking to secure a nation's political and economic supremacy in its rivalry with other states. According to this system, money was regarded as a store of wealth, and the goal of a state was the accumulation of precious metals, by exporting the largest possible quantity of its products and importing as little as possible, thus establishing a favorable balance of trade.

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