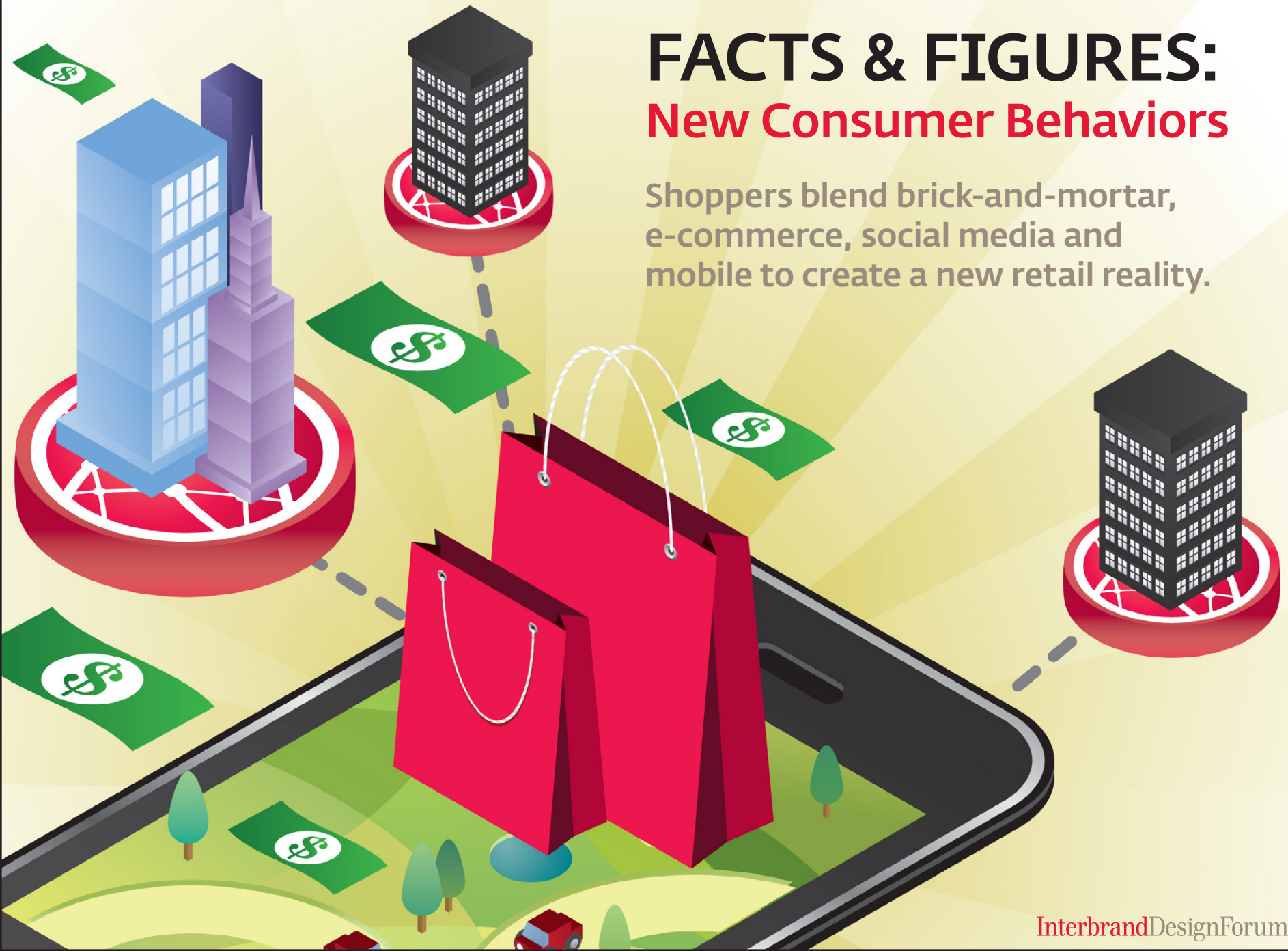


FACTS & FIGURES: New Consumer Behaviors

Shoppers blend brick-and-mortar, e-commerce, social media and mobile to create a new retail reality.



RETAILERS VIEW THEIR CHANNELS AS SEPARATE ENTITIES. SHOPPERS PERCEIVE THEM AS ONE.

Fact:

Shoppers do not distinguish between a retailer's multiple channels. They perceive the shopping experience as an "intra-channel blur."

Retailers still struggle to operationalize the holistic multichannel experience that shoppers expect.

SHOPPERS CAN BE DISAPPOINTED BY AN INCONSISTENT MULTI-CHANNEL EXPERIENCE.

Things that can negatively impact the brand:

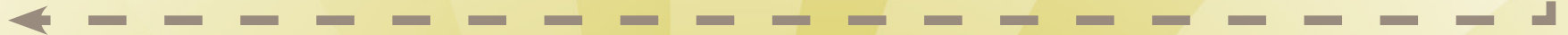
- A website that lacks a mobile version.
- No option to buy online/pick up in-store.
- Inability for an online return to convert to a new sale.

MULTI-CHANNEL SHOPPERS SPEND 50% MORE THAN SINGLE CHANNEL SHOPPERS

Despite the fact that multi-channel shoppers are more profitable, for many traditional retailers, e-commerce is underdeveloped.

62% OF ONLINE SHOPPERS ARE BRAND LOYAL

Online satisfaction builds shopper loyalty
across all of a retailer's channels.



ONLINE INFORMATION INCREASES SHOPPER SATISFACTION ACROSS CHANNELS

Shoppers who use the Web as their primary research channel are more satisfied than those who search for information in-store.

Element (Satisfaction Driver)
Scores By Channel Usage

Elements	Research In-Store, Buy In-Store	Research Online, Buy In-Store	Research Online, Buy Online
Brand Image	79	80	85
Consistency	79	80	85
Convenience	78	79	86
Merchandise	82	83	87
Price	79	79	83
Store Channel	77	77	81
Website Channel	76	79	86

– “Customer Satisfaction, Loyalty, and Buying Behavior in the Evolving Multi-Channel Retail World”,
ForeSee Results, January 2005

CONSUMER PRODUCT REVIEWS HELP CREATE PURCHASE CONFIDENCE

- **77% of online shoppers use reviews to make a purchase decision.**
- **Shoppers see negative reviews as a sign of authenticity.**

MULTI-CHANNEL CONSUMERS ARE BETTER ADVOCATES

**Satisfied multi-channel users have higher
attitudinal loyalty.**

**Their retail relationships last longer, even
though their loyalty is shared among other
brands in the same category.**

- "The multichannel shopper paradox: How loyal are multichannel users anyway?", *Schigns, Dr. J.M.C., 2006*

OVERALL BRAND IMAGE BUILDS ONLINE LOYALTY

The “halo effect” of a multi-channel retailer’s existing brand image significantly impacts a shopper’s perception of its online attributes.

- “What induces online loyalty? Online versus offline brand images”,
Journal of Business Research, May 2009

ONLINE DRIVES IN-STORE

Shoppers who combine online research with in-store shopping tend to make additional purchases in-store.

WEBSITE ADVERTISING FURTHER ENGAGES ACTIVE SHOPPERS

Online ads engage the actively-shopping consumer at a deeper level within a website and in-store. They:

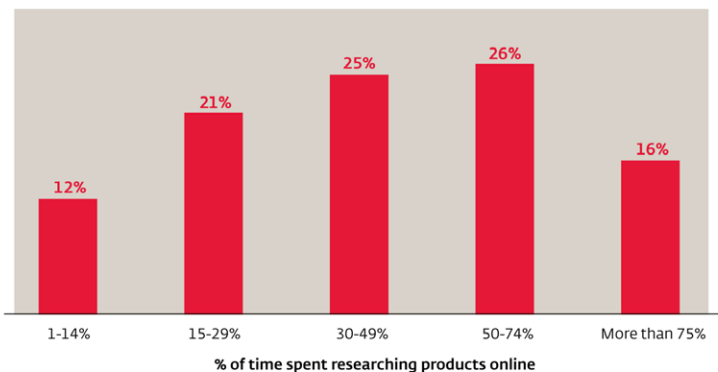
- View on average 6 more pages.
- Spend 29% more on their in-store purchases.

– “Yahoo Research”, Yahoo, 2007

SHOPPING BEGINS ONLINE

- 89% of consumers making in-store purchases in key retail categories have conducted online research prior to purchase.
- 42% of shoppers spend over half their shopping time on online research.

What percent of the time you spend shopping (store/web/catalog) involves researching products online?



– “Web/Store Cross-Channel Shopping Survey”, Krillion & the e-tailing group, March 2008

THE OPPORTUNITY FOR CLICK & MORTAR

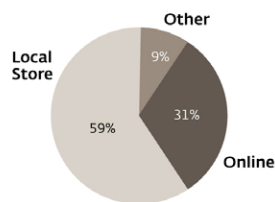
Given consumers' desire for additional information and convenience, retailers have significant room to develop.

- **Only 20% of retailers allow online search of in-store inventory.**
- **Less than 10% of retailers allow an online purchase to be picked up in-store.**
- **Barely 15% offer online appointment-making for retail services**

ONLINE IN-STORE CROSSOVER

The need to physically evaluate an item makes consumers twice as likely to purchase at the local store versus online.

In High Consideration Categories, Offline Purchase is Nearly Twice as Likely as Online



Question:
Where did you make your most recent consumer electronics purchase?

(among those that have made CE purchases within the past 60 days)



Question:
Why did you make your most recent purchase in a local store rather than online?

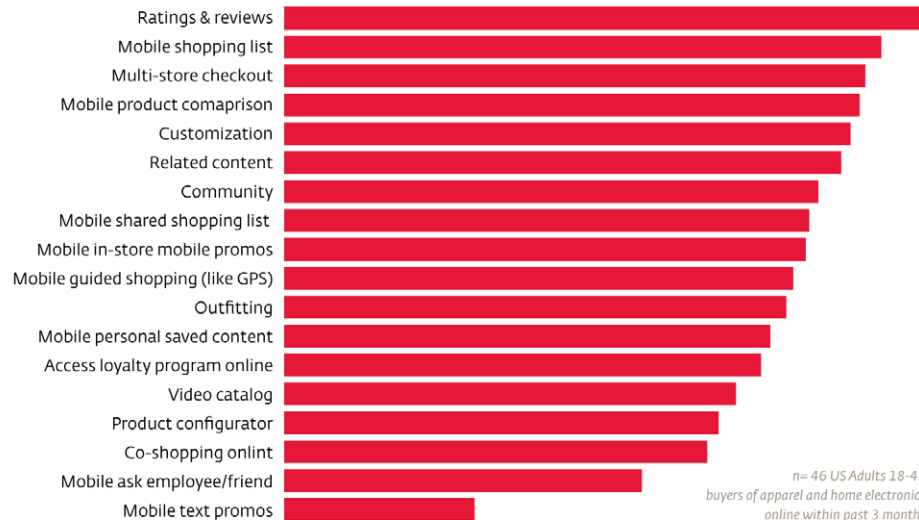
(among those that indicated that they researched online but purchased offline)

– “The Online and In-Store Crossover Conundrum: Pinpointing the Value of Multi-Channel Behavior”, Nielsen Consumer Insight, September 2008

TWO RETAIL CATEGORIES LEAD THE WAY

Home electronics and apparel categories demonstrate the appeal of digital touch points.

Relative Appeal of Experience Features



THE STORE RANKS HIGHEST

In home electronics and apparel, nothing replaces a visit to the store.

30 Experiential Features (Micro-experiences) Tested by Importance

Please indicate how important the ability to do each of the following is or could be to you in helping you during your shopping and purchasing process for home electronics/apparel, even if you have not done them before. (Scale: 1, not at all important - 7, absolutely essential)

Unweighted base	n=1846		1204		Total Mean	HE	AP
	Total Mean	HE	AP	HE			
Visiting a retail store	4.7	4.7	4.7				
Obtaining help of a salesperson while in a store	4.5	4.7*	4.4	Receiving free text notifications for products identified by your purchase intent	2.1	2.4*	2.0
Use web site to determine product availability in store	4.0	4.5*	3.8	Accessing product comparisons and ratings information via mobile phone (free of charge)	2.1	2.4*	1.9
Read ratings & reviews on web site	3.5	4.2*	3.1	Receiving mobile text notifications (free of charge) of promotions or sales you've selected	2.0	2.2*	1.9
Control the product view with zoom and rotate	3.4	3.7*	3.2	Storing personal preferences for people you shop for on your mobile phone	2.0	2.1*	1.8
Email sales notification for identified products	3.4	3.8*	3.2	Text notifications of promotions for products in your proximity (sensor)	1.9	2.2*	1.8
Anonymous checkout	3.3	3.6*	3.2	Mobile phone use (GPS-like) to help you find where products are located in a store	1.9	2.1*	1.8
Buy online, pick up in store	3.2	3.6*	3.0	Accessing loyalty program offers and rewards on a mobile phone	1.9	2.1*	1.8
Web access to loyalty program offers & rewards	3.1	3.3*	3.0	Mobile phone to request employee assistance while in a store	1.9	2.1*	1.7
Read others' views within a community section of a retailer's web site	3.0	3.7*	2.6	Storing shopping list on mobile phone	1.9	2.1*	1.7
Accessing additional content on a retailer's web site	3.0	3.7*	2.6	Scanning a barcode to add something to a shopping list stored on a mobile phone	1.9	2.0*	1.7
Customizing products for special order online	2.9	3.4*	2.7	Co-shopping	1.9	2.1*	1.6
Viewing video of product in-context on a retailer's web site	2.8	3.6*	2.3	Sharing shopping lists via mobile phones	1.7	2.0*	1.6
Dragging and dropping into a virtual workspace on a retailer's web site to configure a product or system	2.6	2.8*	2.5	Survey or polling friends/family for opinions about a product with mobile phone	1.7	1.9*	1.6
Multiple-store checkout	2.6	2.9*	2.4				
Online chat with experts	2.4	2.8*	2.2				
Asking/posting questions to a community on a retailer's site	2.3	2.6*	2.2				
Store/manage shopping and wish lists for family or group on website	2.3	2.8*	2.1				

*Note: with the exception of visiting of retail store, means were statistically higher for home electronics than for apparel.

Survey conducted among 1846 US adults.

Results for Home Electronics reported among 642 past year home electronics buyers (n=642)
Results for Apparel reported among 1204 past year apparel buyers (n=1204)

“M-COMMERCE” HAS ARRIVED

Mobile is the “new online.”

- 9 million U.S. consumers now have smartphones.
- The mobile shopping market is \$750 million (about .5% of online sales).
- 149 retailers have m-commerce sites.

MOBILE SHOPPING ADOPTION EXCEEDS EXPECTATIONS

19% of consumers used their smartphones for shopping during the 2009 holiday season (Deloitte).

- 45% used their phone to research prices.
- 32% found coupons or read reviews.
- 25% made purchases from their device.

SMARTPHONE USAGE IS GROWING RAPIDLY

Nearly 1/3 of consumers use their mobile devices to aid shopping.

Globally, 51% of consumers across 11 countries used their mobile phones for in-store activities during the 2009 holiday shopping season (Nielsen).

MOBILE OPTIONS DRIVE PURCHASE

Shoppers using smartphones in-store are 6% more likely to purchase.

CONSUMERS ARE SEEKING USEFUL APPS

Shoppers are hunting for retail mobile applications to simplify their lives.

- Online grocery lists
- Scannable coupons
- SKU/items comparisons
- Barcode scanning
- User reviews

SHOPPERS SOCIALIZE ONLINE, SHARING WORD OF MOUTH ABOUT BRANDS

There are 65 million active social network users in the U.S.

“I spend a lot of time each day on Facebook checking out my friends’ updates and my favorite brands/company fan pages for updates. I am shocked to see how few of my favorite companies have a Facebook shop tab.”
–Melissa, posting on a popular web apps blog.

CONSUMERS ARE READY FOR AUGMENTED REALITY IF IT HELPS THEM DECIDE

Digital shoppers are also comfortable with augmented reality apps that use webcams to virtually try on clothes and accessories.

THERE ARE MANY OPPORTUNITIES FOR RETAILERS TO USE DIGITAL TO DRIVE DEMAND

- Digital touchpoints provide the engaging, immediate, informative and sharable experiences the shoppers want.
- Retail winners will be those that adopt the right technology for their shopper.

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