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Retailers Need to Rethink as Online Shopping Soars, PwC Says



While retailers are reaching out to consumers on several different platforms, refocusing on customer expectations and technology are key to winning loyalty and making sales for the store of the future.

- 59% of global online shoppers followed favourite brands or retailers via social media.
- 41% of online shoppers bought products through tablets, compared with 28% in 2012; 43% purchased products through smartphones, up from 30% in 2012.
- China leads the multiple gadgets race when it comes to making purchases.
- Thailand's online shopping market is predicted to top 100 billion baht in 2014.
- Electronics and clothing items top global online purchases.

Retailers around the world must develop a customer-focused business model of retailing and invest in technology to capitalise on the fast-growing online shopping market as consumers increasingly shop via tablets and mobile phones.

More than half (55%) of Internet shoppers globally say they now buy online because they get better deals, according to PwC's *Achieving Total Retail: Consumer expectations driving the next retail business model*.

The PwC findings, which are based on a survey of more than 15,000 online shoppers in 15 countries, found that the global online retailing industry is booming, driven by the explosive growth of China's electronic shopping market. This has prompted retail businesses to make it easier for customers to find and buy products online in a move to boost profitability.

Vilaiorn Taweelappontong, a Partner of PwC Consulting (Thailand), said that while digital transformation continues to shape the way companies and consumers interact, changing customer behaviours demand retailers around the world to adjust.

"We're seeing more and more retailers transforming their businesses to respond to shifting customer demands," she said.

"Online shopping has become a major focus for many large-scale retailers across segments ranging from electronics to clothes to cosmetics. On the other hand, customers are also becoming much more sophisticated in taking advantage of online coupons and offers."

According to Vilaiorn, digitally empowered consumers are embracing the '**social media effect**' to connect with retailers and brands. Nearly 60% of online shoppers followed their favourite brands or retailers via social media, and said they use the web to discover new brands, the study showed.

More than half (55%) of respondents also provided comments about their online experiences with a product or brand on social media—either positive or negative.

Globally, 41% of online shoppers bought products through tablets, compared with 28% in 2012, 43% purchased products through smartphones, up from 30% in 2012.

China takes crown in smartphone shopping

China leads the world for mobile phone purchases, with 77% of respondents saying they shop online, followed by India's 69%, the Middle East 58% and global average 43%, the study showed.

More than half (53%) of Chinese respondents shopped online weekly via personal computer, the highest percentage seen in the study.

Chinese shoppers also led the way when it comes to shopping over multiple devices, with 49% shopping on a tablet and 51% on a smartphone at least once a month. As of June 2013, Internet penetration in China, the world's second-biggest economy, reached 44% with the country boasting 591 million online users, a user base far larger than the entire US population.

As for Thailand, Vilaiporn said the country's online shopping market is expected to grow significantly over the next three to five years, fuelled by a proliferation of mobile phone usage.

"More and more Thai consumers are opting for the convenience of online shopping," Vilaiporn said, expecting the market to be valued at more than 100 billion baht in 2014, up from a targeted market value of about 90 billion baht in 2013.

While convenience plays a crucial role for the Thais when shopping via smartphones, online discounts together with deals/promotions also attribute to the preference of Thai online purchase. Clothing and beauty products attract most online shoppers, she said.

According to the PwC study, penetration of mobile-Internet services globally will reach 54% by the end of 2017, outpacing 51% for fixed broadband. Electronics (55%) and apparels (54%) top social media shopping categories for worldwide online shoppers.

Data security is a major concern keeping many from shopping online with 43% saying they were most worried about the security of their personal data.

Integrated technology and a shrinking footprint

"Global shoppers are shrinking their shopping footprint to just a few brands," Vilaiporn said, citing 15% of respondents in the study said that they shopped with just one retailer over the past 12 months, compared with 8% in 2012.

Vilaiporn said that physical stores will still remain popular as consumers can get the product immediately, touch, and try the merchandise.

"But the reality is that retailers' future brick-and-mortar stores will likely be fewer and smaller, carrying a more targeted assortment of goods," she said.

Investing in integrated technology platforms and systems is vital for retailers to provide all-in-one transaction services to always-on customers, Vilaiporn said, referring to the front-end technology of online coupons, real-time mobile offers and speed of web transactions and a back-office that works in real-time with the customer.

According to the study, 46% of respondents said that they'd like the capability to check other store or online stock quickly. In-store WiFi and sales associates who can take payments away from registers were two popular in-store technology choices.

“Most Thai companies are still testing the waters in terms of how much to invest in technology such as mobile apps or mobile web presence,” Vilaiporn said.

“But, instead of simply doing just the bare minimum when it comes to social media, retailers need to invest where they can to make the truest customer engagement.”

The report shows how technologically empowered shoppers have eight expectations:

- 1. A compelling brand story that promises a distinctive experience:** shoppers are buying from a smaller number of retailers. By connecting emotionally, and telling a good story, retailers have an enormous opportunity to create loyalty, outside of the actual shopping experience, to pull-in customers.
- 2. Customised offers based on totally protected, personal preferences and information:** cyber-security continues to be a major issue, and shoppers demand a personalised retail experience based on their past purchases. Big data analytics give retailers the ability to offer a customised and more enjoyable shopping experience.
- 3. An enhanced and consistent experience across all devices:** online shoppers are slowly but surely embracing a range of devices to shop, but latent functionality issues must be addressed.
- 4. Transparency, real time, into a retailer’s inventory:** Customers want the ability to check other stores or online stock availability quickly, access to in-store WiFi, and new ways to pay.
- 5. Favourite retailers are everywhere:** always-on and connected consumers mean more than just open stores or an operational website. Retailers must be open for engagement and interaction in every way the consumer is – social media, email, online shopping, telephone and in-store visits.
- 6. To maximise the value of mobile shopping, both store apps and mobile sites must improve:** right now, shoppers are evenly split in their preference for mobile browsers versus apps.
- 7. Two-way social media engagement:** modern shoppers don’t want to just shop, they want to be heard.
- 8. ‘Brands’ act like retailers, and we’ll treat them that way:** the grey area of overlap between manufacturers and retailers has virtually been extinguished. Shoppers are increasingly willing to bypass retailers and buy directly from manufacturers online.