

CONSUMERLAB



IN-LINE SHOPPING

Merging the online and
in-store shopping experience

An Ericsson Consumer Insight Summary Report
November 2012

CONTENTS

A NEW REALITY	3
INTEGRAL TO THE EXPERIENCE	4
MIXING IT UP	5
THE BEST OF BOTH WORLDS	6
THE NATURAL FLOW	7

METHODOLOGY

- Ericsson ConsumerLab Analytical Platform
- Method: online survey of internet users
- Sample size and coverage: 1,500 interviews in the USA, spread over a national geographic
- Age: 15 upwards
- Field work: performed in 2012 by GFK Roper

ABOUT THIS REPORT

The In-line Shopping insight report is a result of cooperation between Copenhagen Institute for Futures Studies (CIFS) and Ericsson ConsumerLab. It draws upon research findings in the 2012 CIFS Members' Report number 4 but focuses on an analysis of consumer attitudes and behaviors in the US in 2012.

ERICSSON CONSUMERLAB

ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of 1.1 billion people. Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures.

All ConsumerLab reports can be found at:
www.ericsson.com/consumerlab

COPENHAGEN INSTITUTE FOR FUTURES STUDIES

The Institute is an international, apolitical and not-for-profit think tank that has advised decision makers all over the world about the future since 1970. A part of the Institute's turnover is invested directly in research. Futures studies are used to create change, progress and innovation here and now in companies, organizations and society.

Visit the Copenhagen Institute for Futures Studies at:
www.cifs.dk/en

A NEW REALITY

The widespread use of smartphones means that we have the ability to be online anytime and anywhere. This is feeding an explosion in apps and online shopping services where people constantly shift their attention between the internet and the physical world, without even thinking about it.

Eventually it will become meaningless to talk about online and offline as two separate realities. This will have a profound impact on our daily lives and habits, with massive implications also on our shopping behavior, which increasingly depends on having access to our favorite smartphone apps.

KEY FINDINGS

- > **Integral to the experience** – smartphones are already integral to the shopping experience, with 4 out of 10 US smartphone owners using their phone to make small payments, scan product barcodes or download coupons.
- > **Mixing it up** – traditional shopping is already being mixed spontaneously with online shopping. Consumers are merging the two without even thinking about it. We call this in-line shopping.

For two thirds of product categories, people prefer a combination of online and in-store shopping over online only.



- > **The best of both worlds** – consumers want online shopping to be more like an in-store shopping experience where they have the ability to see, touch and try things. For 64 percent a major benefit of shopping in-store is that they can take home their purchases directly, and 39 percent dislike waiting to receive online purchases.

Conversely, consumers also want the in-store experience to be more like online shopping where they have price transparency and can see what's on offer without having to jostle with other customers. 68 percent like shopping online whenever they want, while 31 percent dislike that they cannot shop in retail stores at any time.

- > **The natural flow** – consumers are making shopping part of the natural flow of their everyday lives. Understanding this will be a crucial aspect for successful retailing in years to come.



80%

of US shoppers like to see, touch and try things in store.



69%

of US consumers enjoy shopping online because it is easy to research and compare prices.

INTEGRAL TO THE EXPERIENCE

Smartphones are already integral to the shopping experience. This is not surprising when you consider that smartphones and apps have become a part of our daily lives. Nearly 40 percent of smartphone owners worldwide now log on to the internet before even getting out of bed and will keep their handset close by all day. Similarly, apps have already been seamlessly integrated into many daily activities. Consumers find that apps make life simpler and are demanding them for almost everything.

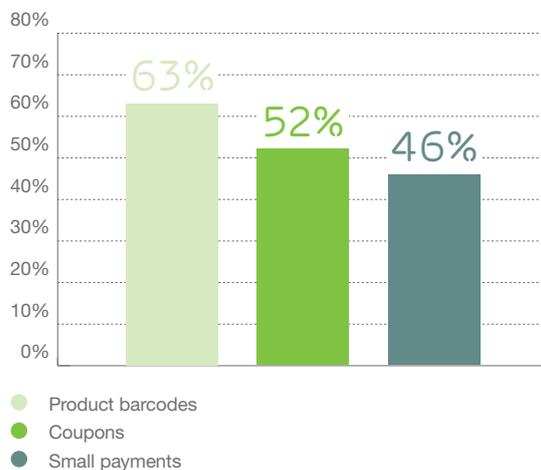
When it comes to shopping, we found that 4 out of 10 US smartphone owners are using their phone for small payments, product barcodes or coupons. The most popular service was product barcode apps, which people scan with their phone to get price comparisons and sometimes extended product information. This service was used by 63 percent of people who already use their smartphones for shopping (figure 1).

Over half use coupons and 46 percent make small payments on their phones. When it comes to life stages, usage is quite evenly spread, though educated white collar workers are most likely to use these services. Seniors are the least likely to use their smartphones for shopping, with less than 10 percent doing so.



OF US SMARTPHONE USERS USE SMARTPHONES WHEN SHOPPING

Figure 1: Breakdown of what shoppers use their smartphones for



Source: Ericsson ConsumerLab Analytical Platform 2012
Base: Use smartphone for small payments, product barcodes or coupons in the USA, aged 15 and upwards

MIXING IT UP

Figure 2: Consumers' preference for shopping online or in-store across 12 categories



It no longer makes sense to talk about online versus offline, because we are constantly switching between the two. Traditional shopping is already being mixed spontaneously with online shopping.

In analyzing shopping preferences across 12 goods categories, we found that 5-80 percent of shopping activities could potentially be carried out online (figure 2).

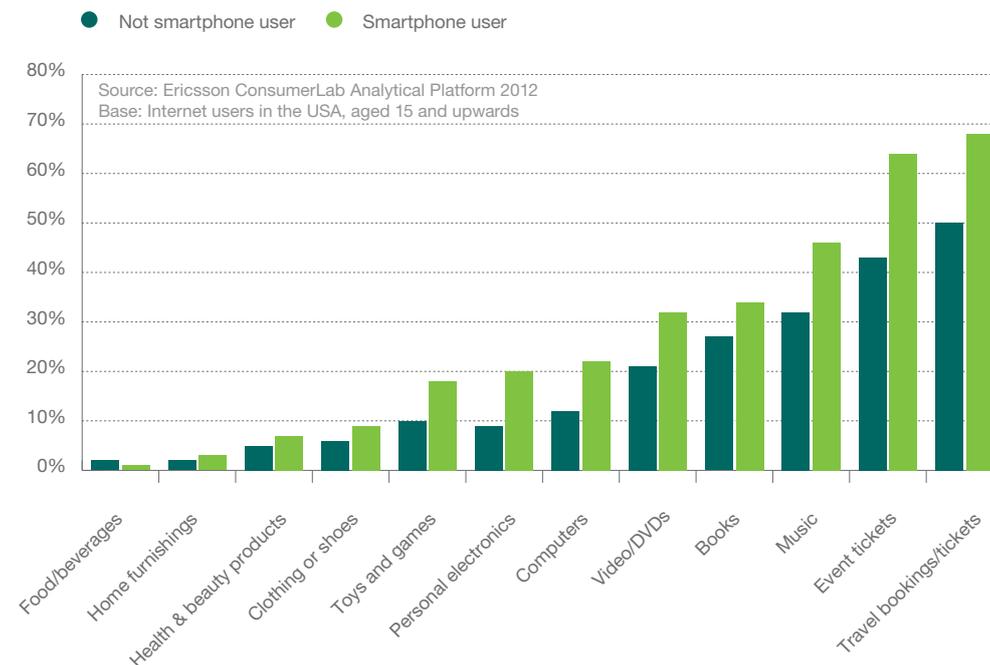
Even more interestingly, for two thirds of the categories, people prefer a combination of online or in-store shopping rather than online only.

Figure 3 shows that as a whole, online shopping is becoming mobilized, with smartphone users showing much higher interest across all 12 product categories. When comparing the type of

shopping carried out in each category, 2 out of 10 smartphone owners prefer to shop online for toys and games, personal electronics and computers. For non-smartphone owners, only 1 in 10 prefer to purchase these items online.

With online and in-store shopping preferences merging, we are seeing a new reality that mixes the two.

Figure 3: Percentage of smartphone users and non smartphone users who prefer to shop online across 12 categories



THE BEST OF BOTH WORLDS

Figure 4: Online retailers need to cherry-pick retail store benefits



Source: Ericsson ConsumerLab Analytical Platform 2012
 Base: Internet users in the USA, aged 15 and upwards

The physical experience of shopping in a store cannot be replaced. However, the benefits of shopping online are becoming part of the in-store experience, enabling the best of both worlds for consumers.

Figure 4 shows that for 80 percent of consumers the best thing about shopping in a store is that they can “see, touch and try things”. People want to bring the same hands-on experience to their online shopping. 73 percent of Americans say that

this is what they miss most when they shop online.

However, consumers also recognize the benefits of shopping online and wish to bring these to the retail store experience. For 69 percent of Americans, the best thing about making purchases online is that it is “easy to research and compare prices”, whereas 56 percent say that the worst thing about shopping in a store is that they “don't like lines and crowds”.

In choosing a mixture of both online and in-store shopping activities, we can conclude that for consumers it doesn't matter whether their shopping is done in the physical world or not. What is important is the overall convenience of the shopping experience in their everyday activities. Consumers prefer the option that makes life easier, and this involves an integration of the two.

Figure 5: Stores need to cherry-pick online benefits

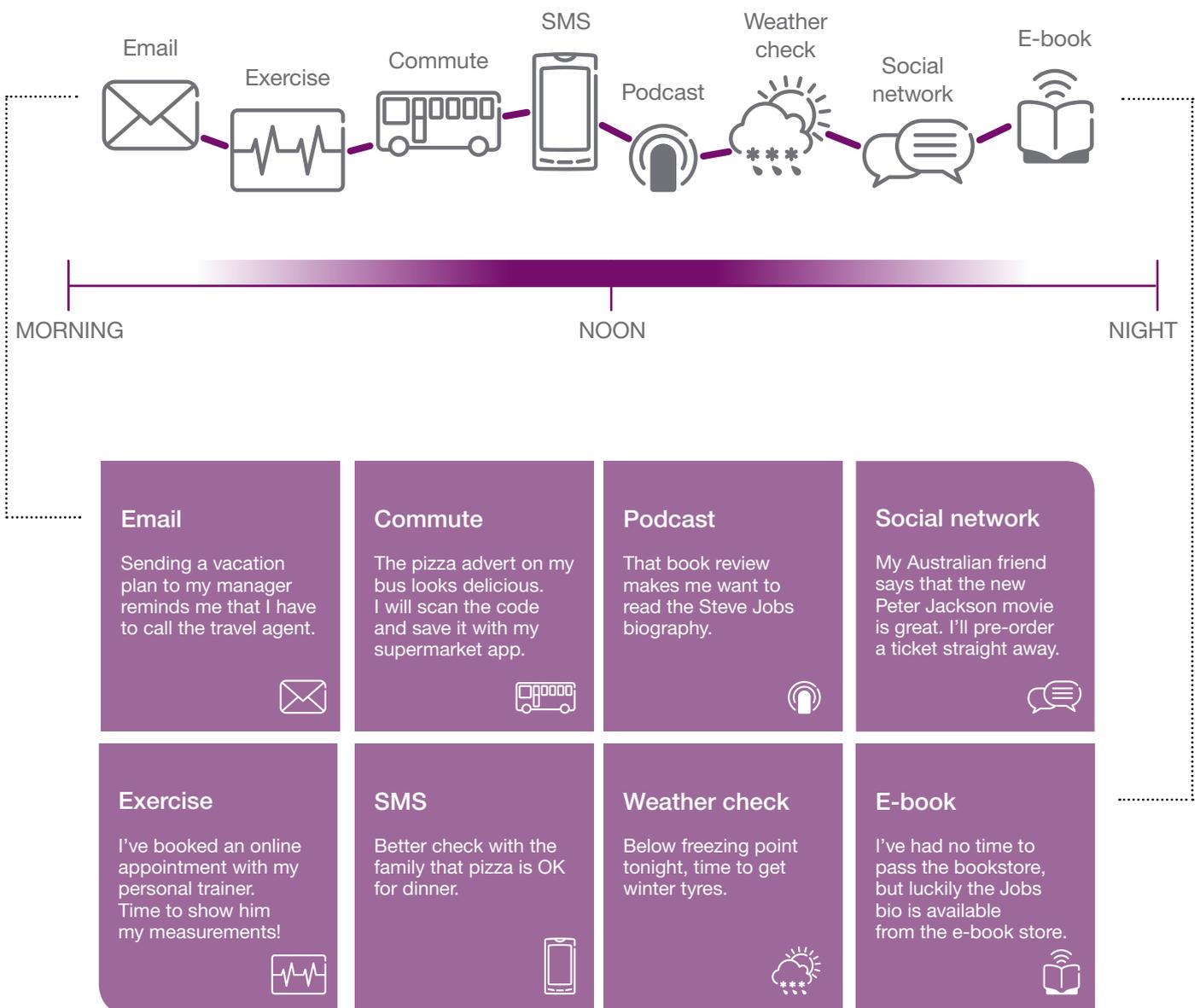


Source: Ericsson ConsumerLab Analytical Platform 2012
 Base: Internet users in the USA, aged 15 and upwards

THE NATURAL FLOW

24/7 SHOPPING

Apps make life easy. They provide access to the online services of our choice. Increasingly, the same apps also provide entry points to the shopping decisions that we make in line with the flow of every day life.



Consumers are making shopping part of the natural flow of their everyday lives. It is becoming linear rather than being seen as a planned activity or something that needs to be postponed until shopping

opportunities arise. Understanding the evolution of the in-line shopping phenomenon will be the most crucial aspect for successful retailers in the years to come.

Ericsson is the world's leading provider of communications technology and services. We are enabling the Networked Society with efficient real-time solutions that allow us all to study, work and live our lives more freely, in sustainable societies around the world.

Our offering comprises services, software and infrastructure within Information and Communications Technology for telecom operators and other industries. Today more than 40 percent of the world's mobile traffic goes through Ericsson networks and we support customers' networks servicing more than 2.5 billion subscribers.

We operate in 180 countries and employ more than 100,000 people. Founded in 1876, Ericsson is headquartered in Stockholm, Sweden. In 2011 the company had revenues of SEK 226.9 billion (USD 35.0 billion). Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ, New York stock exchanges.

The content of this document is subject to revision without notice due to continued progress in methodology, design and manufacturing. Ericsson shall have no liability for any error or damage of any kind resulting from the use of this document.