

Article:

The impact of digital technology on consumer purchase behavior

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Abstract

The retail industry is going through a transformation, according to a study by Synchrony Financial. The transformation is largely driven by the influence of digital technology on the shopping experience. According to the third annual Digital Consumer Study, almost 50% of consumers say they have performed shopping-related tasks on their mobile phones in the past three months. Consumers state they are using digital technology to research, browse and purchase, sometimes all on one website.

As a result, retailers have implemented new strategies to attract and retain this omni-channel shopper. Some strategies include responsive website design, free shipping offers, mobile alerts and content marketing. The imperative to implement these digital tools has gone from spotty and isolated, to mainstream and necessary. In this article, we summarize the results of the Digital Study and outline strategies retailers use to proactively engage this new shopper.

1. Introduction

Consumers' shopping habits have changed over the past decade. The use of digital technology to research, browse and purchase has gone from segment-specific or sporadic to mainstream. This has resulted in an undeniable and nonreversible shift in the retail landscape. Synchrony Financial's third annual Digital Consumer Study¹ gathered insights on how customers use mobile technology and their expectations of brands in this new environment. Based on the insights of this study, proactive brands use strategies that successfully attract this omni-channel shopper and encourage them to become more loyal, developing true brand advocates.

Key insights from the study reveal how today's shopper uses technology. As a result, retail brands are using new strategies to answer their needs and respond to their expectations. As proactive brands provide innovations to enhance the shopping experience, customer expectations change – they expect more from all retailers. As a result, the dynamics of the retail experience is evolving, and investing in digital technology is becoming an important strategic imperative for many retail brands today.

2. Shopping and related activities are one of the top uses of digital technology

Over the course of three years, the use of mobile devices for shopping activities has grown significantly. A total of 53% of consumers state they have visited a retailer website on their mobile phone within the past three months alone. As Figure 1 shows, almost half (45%) have performed shopping-related tasks on their mobile phone in the past three months, compared to two years ago, when only about a third of the respondents stated this was the case.

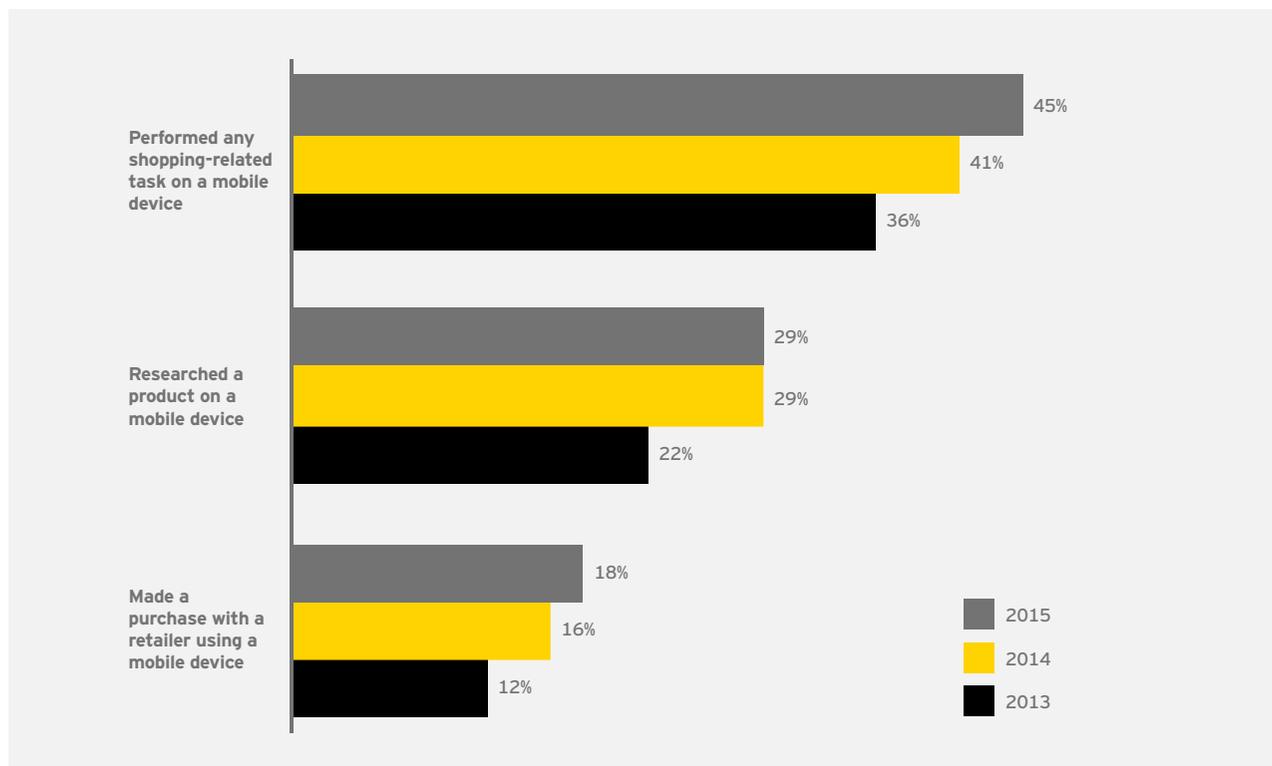
Brands are well advised to follow this trend closely and implement new tools and strategies to respond to the needs of the mobile shopper. This new omni-channel behavior is no longer limited to certain segments and technology gurus; it is becoming widespread and mainstream across the generations. Some tools and strategies include:

¹ The study, conducted in March-April 2015, surveyed 5,516 Synchrony Bank cardholders and 1,209 random national shoppers. Respondents were 18+, participate in household financial decisions and shopped with a major U.S. retailer in the 6 months prior to the date of the survey. The data has been weighted to U.S. census proportions. All references to consumer and shopper in this paper refer to survey respondents.

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- ▶ **Responsive design:** a website design that enables the experience to be optimized, no matter which device is being used. The website's look and brand feel are similar across devices (e.g., smartphone, tablet, laptop), but the shopping experience is customized for each device.
- ▶ **Enhanced wish lists:** give customers a place to retain and store their favorite items in a virtual shopping closet. This can also create opportunities to cross-sell merchandise.
- ▶ **Drag and drop features:** give mobile shoppers the ability to "drag" products onto a clipboard and save them as they shop. With one click, they are able to see their personal clipboard at any time to review and compare items and add matching add-ons.

Figure 1: Shopping-related tasks on mobile continue to climb

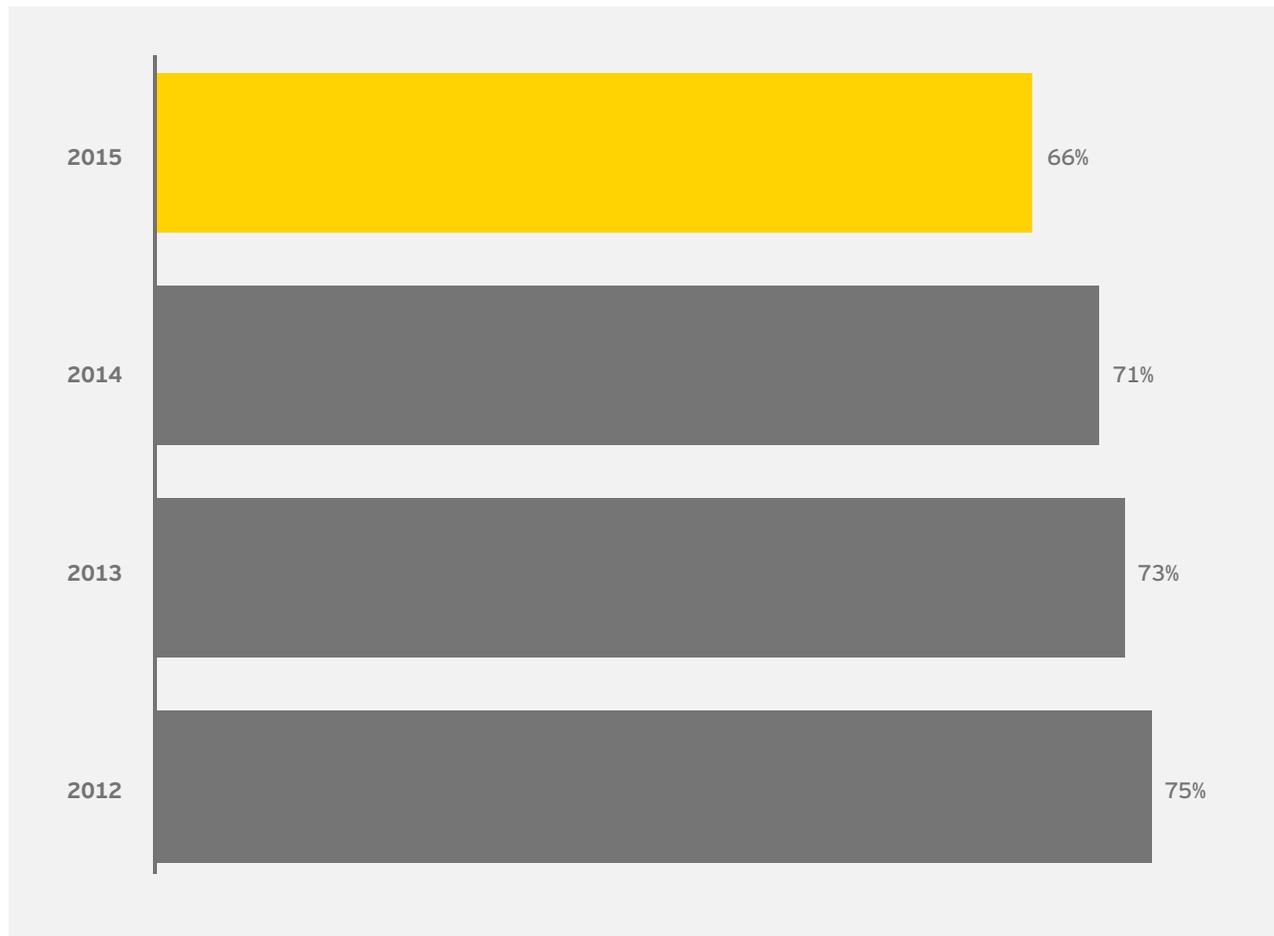


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- ▶ **Custom alerts:** enable customers to receive alerts on products when they become available or go on sale. This enables shoppers to become engaged and provides a personalized “surprise and delight” benefit.

The more seamless and customized the technology, the easier it is for shoppers to prefer one brand over another. In this highly competitive retail arena, a little digital delight goes a long way.

Figure 2: Percentage of survey respondents who say they regularly take advantage of discounts and coupons



3. Special offers and coupons can be extremely effective, but interest in them is declining; free shipping becomes a purchase driver

Our survey shows that consumers do not have the same focus on chasing offers and discounts as in years past, but they are still spending cautiously and often look for a reason to buy. With 66% of survey respondents saying they take advantage of discounts, special offers and coupons still drive behavior (Figure 2).

Some tools and strategies brands use to give customers the value they desire, while providing an omni-channel experience include:

- ▶ **Immediate, personalized offers:** These link the loyalty program with customer's online behavior. If the customer has earned a loyalty coupon, it immediately becomes accessible; no matter which channel is being used.
- ▶ **Simplification:** Since consumers are less interested in pursuing discount coupons, they may be simply doing online research to get the best price (84% of customers state they have researched a product online in the past three months). As use of coupons and discounts is declining and online research is increasing, it is important for brands to respond to this shift by offering simple, dynamic solutions.
- ▶ **Free shipping drives behavior:** 75% of the survey respondents say they are more likely to choose a retailer with free shipping. In recent years, free shipping has developed into a significant driver of purchase behavior. Online brands that regularly provide free shipping are often well-known and generate a faithful and loyal following.

4. Customers use mobile technology while in the store

There is good news for brands with a mobile marketing strategy – mobile offers do drive behavior for a segment of the population. Of survey respondents:

- ▶ 51% say they would be willing to send a text message in order to receive a discount.
- ▶ 34% say they would shop at a retailer more if they received offers on their mobile device.
- ▶ 30% say they regularly use their mobile phones to check prices before making a purchase.

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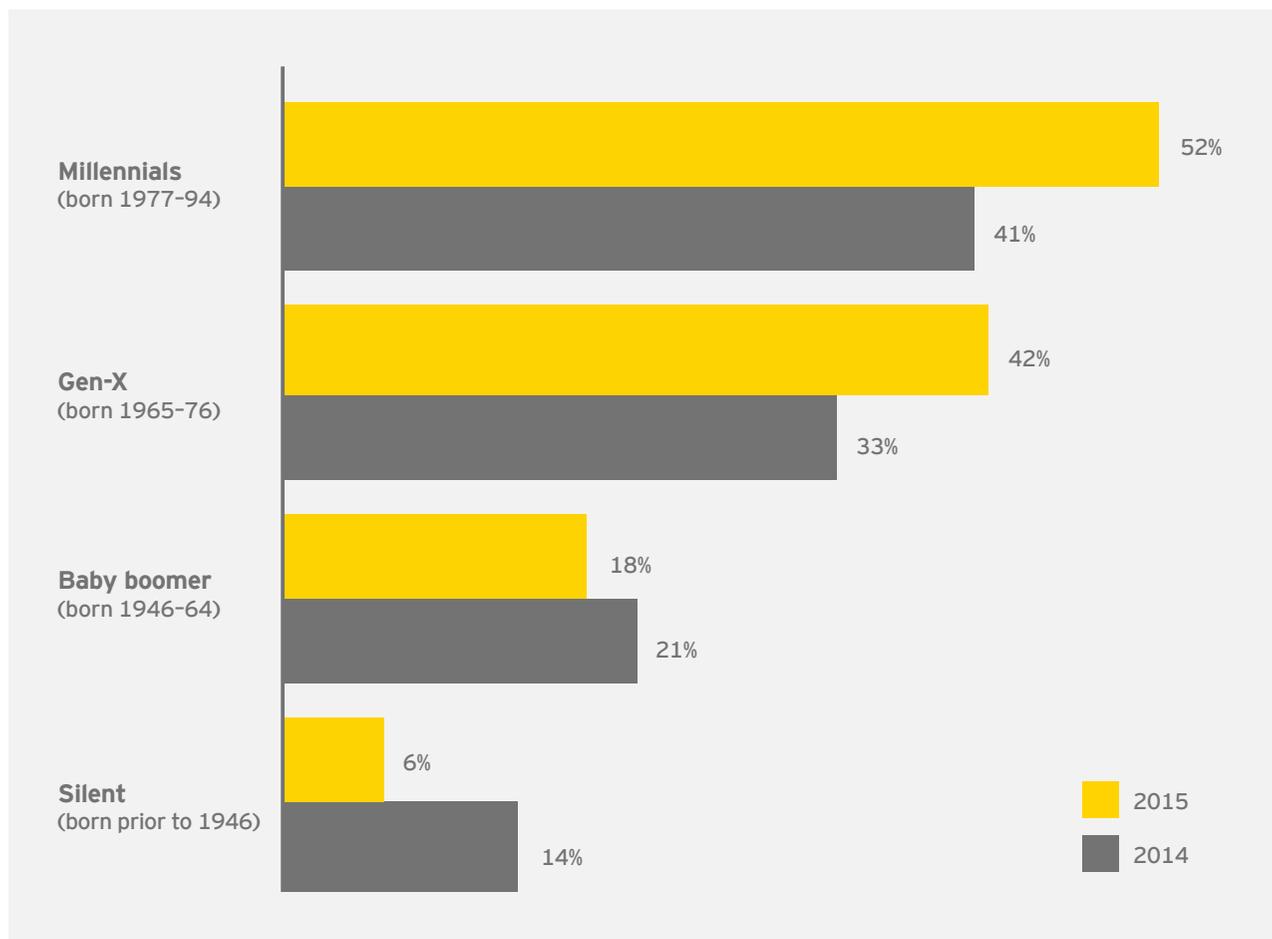
In order to leverage the opportunities or address the challenges digital technology presents, strategies to consider include:

- ▶ **Segmentation:** Identify the population who prefer to receive offers via mobile and appropriately communicate using this channel.
- ▶ **Customer experience:** Make the in-store shopping experience truly “omni” by crossing over to the digital experience. Strategies to consider:
 - ▶ Give store associates the ability to access customer wish lists or online shopping baskets
 - ▶ If digital technology exists in the store (e.g., tablets, kiosks), provide training to store associates and ensure they are comfortable with the tools
 - ▶ Ability to “tag” an item online and access it within the store, or ability to “tag” the item in-store and purchase it online
 - ▶ Rewards for cross-channel behavior, such as extra loyalty points or added perks
 - ▶ Auto-replenishment and shipping of often-used items (e.g., coffee, cosmetics)
- ▶ **Social media strategy:** Encourage reviews and social media postings. Posting a review ensures that customers go back to the retail website and can provide an opportunity for the retailer to re-engage.

5. Social media drives sales, particularly for the millennial consumer

A total of 85% of consumers state they have access to social media sites and almost half of them state they use social media to follow brands. Significantly, 30% of all age groups say they have purchased a product after seeing it on social media. There are wide differences by generation, however. The millennials are highly influenced by social media, with more than 50% indicating they have been influenced by social media for purchases. This trend is growing significantly for the millennial and GenX populations (Figure 3).

Figure 3: Percentage who state they have purchased a product seen on social media



Brands have used social media strategies successfully to leverage this channel, including:

- ▶ **Content strategy:** Successful brands implement social media strategies that closely tie to their brand identity and provide content that is helpful, not just a sales pitch. A social media message that includes the emotional connection to the brand is often successful, whether it is driving safely or having a baby. Many brands promote their brand identity through videos and live streams. Content strategy is now a growing field and an important way to get and keep an emotional connection with current and potential customers.

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- ▶ **Influencers and bloggers:** Many brands are proactive in finding the bloggers and influencers in their retail space. If the retailer has an innovative product or unique brand identity, an active reputable blogger or influencer can be instrumental in promoting their content.

6. Retail credit cardholders are more “digital” than other shoppers

A digital strategy is especially important for brands that have many customers with their retail branded store credit card. These customers are more likely to have digital devices (85% vs. 69% of the general population). Brands with successful retail branded store card programs ensure the cardholder experience is fully mobile-enabled with the latest retail tools and apps to drive engagement. Some of these tools include:

- ▶ customized user interface
- ▶ mobile credit application functionality
- ▶ loyalty and rewards – tracking and redemption
- ▶ account alerts
- ▶ account lookup

A brand that incorporates their retail card interface with their retail brand ensures a seamless experience for its customers.

7. Conclusion

Digital technology has changed the retail landscape over the past several years, and there is every indication that it will continue to do so. The evidence of this can be seen in consumer surveys, which display the extent to which digital tools have become integrated into the shopping experience. From full price transparency to mobile alerts and social sharing, retail has become much more dependent on technology and social media influences.

A retailer that is responsive and forward-looking can delight customers in this new environment by placing emphasis on a seamless digital experience. Some tools available to retailers include responsive website design, custom alerts and a compelling content strategy. The seamless integration of these tools into the shopping experience can attract new shoppers to a brand, and result in greater loyalty from existing customers.

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