

Understanding the Multi-Channel Shopper



Introduction

This study is based on 1,221 online interviews with U.S. consumers between the ages of 18 and 65, conducted between October 20 and November 4, 2011. The sample was balanced between females and males.

All respondents were randomly selected and qualified if they had purchased an electronics, apparel/fashion accessories, or housewares item under \$2,000 within the previous 30 days. Results were weighted by age and region to reflect the current U.S. population distribution (based on census data). This study considers multi-channel shopping as using two or more channels at any point in the shopping process, i.e. including the pre- and post-purchase phase.

In the fall of 2011, The Verde Group, together with the Jay H. Baker Retailing Center at the Wharton School, University of Pennsylvania, conducted a study across the U.S. to better understand multi-channel shopping behavior.

This study surveyed 1,221 U.S. shoppers to explore the shopping dynamics and experience drivers of multi-channel shoppers: customers that use two or more channels all or most of the time in the shopping process, including pre- and post-purchasing activities. It examined the following questions:

- Who is the multi-channel shopper, and how prevalent is she/he in today's consumer base?
- How do multi-channel shoppers behave? Are they meaningfully different from their "mono-channel" counterparts?
- What is the relationship between multi-channel shopping and technology?

The following presents a summary of the key findings.

Most Shoppers are Multi-Channel Shoppers

Two-thirds of all shoppers regularly use more than one channel to make purchases.

MOST SHOPPERS ARE MULTI-CHANNEL SHOPPERS

The study found multi-channel shopping behavior—defined as a consumer’s usage of more than one channel all or most of the time somewhere in the shopping process—is the norm for a majority of consumers. One third regularly alternates between two channels to purchase, and another third regularly uses three or more channels when they buy. Only one out of three shoppers exhibits consistent “mono-channel” purchase behavior, using just a single channel to buy.

AS AGE GOES UP, CHANNEL DIVERSITY GOES DOWN

The older the consumer, the more likely they are to be a mono-channel shopper. Younger shoppers are far more likely to utilize three or more channels when they buy.

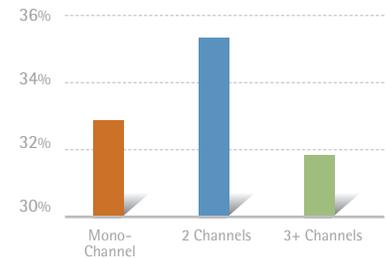
BRICKS & MORTAR RETAIL IS STILL THE TOP CHANNEL OF CHOICE

Across all consumers, physical retail is the most popular channel: 70% of shoppers indicate that they visit a retail store all or most of the time when it is time to buy. The online channel is second in terms of frequency of usage: 47% of shoppers regularly use websites to make their purchases. Mobile/smart phones are a regular purchase channel for 17% of shoppers, just edging out the more traditional catalogue/phone channel at 15%.

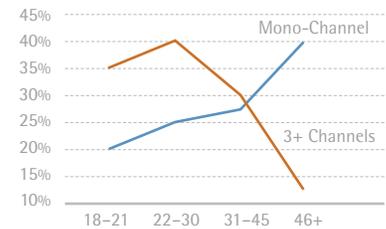
This preference for physical retail holds true for mono-channel and 2-channel shoppers. 3-channel* shoppers purchase through bricks & mortar and online channels in nearly equal proportion. They are also the only shopper type to regularly utilize either mobile/smartphones or catalogue/phone as a purchase channel.

* In this report 3-channel refers to those consumers using 3 or more channels while shopping.

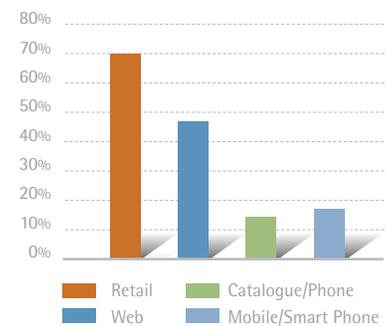
Distribution of Shoppers by Channel Utilization



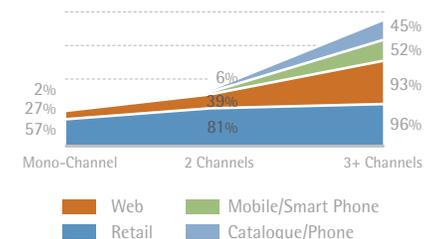
Multi-Channel Shopping by Age



Channel Preference: All Shoppers



Channel Preference by Channel Utilization

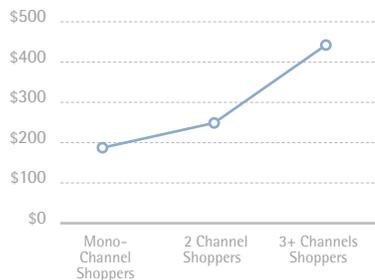


Multi-Channel Shoppers Are Loyal and Spend More

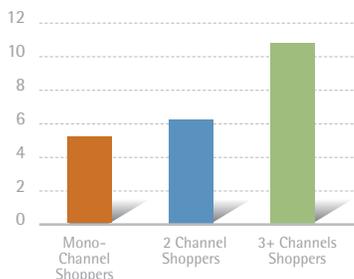
Percent Likely to Use Same Retailer for Next Purchase



Average Spend



Number of Pre-purchase Behaviors Shoppers Perform



When it comes to choosing the retail brand to shop, multi-channel shoppers clearly know what they want.

THE NUMBER OF CHANNELS USED CORRELATES WITH RETAIL BRAND LOYALTY

As the number of channels a shopper uses goes from one to two to three-or-greater, loyalty to the retail brand increases. 2-channel and 3-channel shoppers are about 15% more likely than mono-channel shoppers to recommend the specific retailer used in their most recent purchase.

This loyalty dynamic is also reflected in choosing the same retailer for future shopping needs: 3-channel shoppers are nearly twice as likely as mono-channel shoppers to return to the same retailer for their next purchase. This is consistent with 3-channel shoppers being 40% more likely than mono-channel shoppers to decide on the retailer they will buy from before they decide on their purchase.

MULTI-CHANNEL BEHAVIOR GOES ALONG WITH LESS CHANNEL SWITCHING

Most shoppers—roughly 90% overall—intend to stick with the channel they most recently used to make their last purchase. But those who are inclined to use a new channel when they next buy are more than twice as likely to be a mono-channel shopper than a 3-channel shopper. It appears that multi-channel shoppers know what channels they like, whereas mono-channel shoppers without prior multi-channel experience are more inclined to try other channels.

MULTI-CHANNEL SHOPPERS SPEND MORE. A LOT MORE.

The more channels customers habitually use to buy, the more they spend on each shopping occasion. The average spend of 3-channel shoppers is over twice that of mono-channel shoppers.

MULTI-CHANNEL SHOPPERS ARE DELIBERATE

Multi-channel shoppers exhibit superior loyalty, but at the same time are highly discriminating when it comes to deciding which products to purchase. When considering the number of pre-purchase research activities that a shopper pursues on their path to purchase—such as browsing in a store or online, reading reviews or asking for sales associates' input—3-channel shoppers do twice as much research as mono-channel shoppers.

All this research takes time. A 3-channel shopper is half as likely as a mono-channel shopper to complete the research and purchase in under one day, and 30% more likely to research for over a week before purchasing.

Four Distinct Multi-Shopper Segments

Segmentation analysis reveals that not all multi-channel shoppers are created equal.

THE FOUR KINDS OF MULTI-CHANNEL SHOPPERS

1 The Tech-Savvy Multi-Channel Shopper

These shoppers are primarily characterized by their breadth of regular channel usage for purchases—on average 2.5—and their affinity for technology. They skew young and male, and as the wealthiest shoppers across segments spend the most. They are most engaged with social media, and are least likely to return to the same retailer on their next comparable purchase.

2 The Retailer-Loyalist Multi-Channel Shopper

These shoppers also aggressively multi-channel—they regularly purchase through 1.9 channels on average—but are significantly more loyal to the retailer they previously used than any other segment. They tend to be male and single and prefer physical retail to other channels. They generally know where they are going to shop before they decide on their purchases.

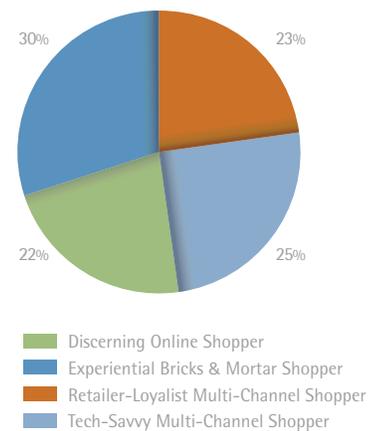
3 The Discerning Online Shopper

These shoppers regularly use 1.6 channels on average for purchases, but their overwhelming preference—by a factor of nearly 2:1—is the online channel. They tend to be older, female, married and well educated. They are heavy users of online technology but not of social media, and they seek the convenience of the web when they shop. They spend the most time of any segment between beginning the shopping process and actual purchase.

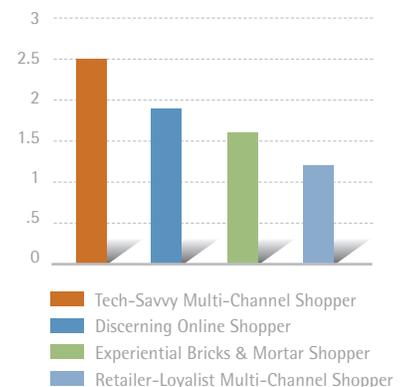
4 The Experiential Bricks & Mortar Shopper

These shoppers—who regularly use 1.2 channels on average to make their purchase—are the closest to “mono-channel” shoppers. They concentrate nearly all of their shopping on physical retail, as they like to browse and have tangible access to a range of products and product displays. They tend to be female, older and married. They have the lowest income of all the segments, and are least likely to own technology.

Shares of the Four Multi-Shopper Segments



Number of Channels Regularly Used by Different Multi-Channel Shoppers



About



ABOUT THE VERDE GROUP

The Verde Group specializes in helping North American organizations measure the cost of customer dissatisfaction, prioritize the issues based on ROI, and quickly fix them for improved retention, spend and profitability. With offices in Canada and the United States, The Verde Group has extensive consulting experience in the Retail, Financial Services, Pharmaceutical and Telecommunications verticals. Visit www.verdegroupp.com for more information.



ABOUT THE WHARTON SCHOOL AND THE JAY H. BAKER RETAILING CENTER

The Wharton School of the University of Pennsylvania—founded in 1881 as the first collegiate business school—is recognized globally for intellectual leadership and ongoing innovation across every major discipline of business education. The most comprehensive source of business knowledge in the world, Wharton bridges research and practice through its broad engagement with the global business community. The School has 5,000 *undergraduate*, *MBA*, *executive MBA*, and *doctoral* students; more than 9,000 annual participants in executive education programs; and an alumni network of 88,000 graduates.

The Jay H. Baker Retailing Center, an interdisciplinary research center at the Wharton School at the University of Pennsylvania, was established in 2002 through a generous gift by Jay and Patty Baker. Jay Baker, former president of Kohl's Corporation, is a graduate of the Wharton School's class of 1956. The Baker Retailing Center's mission is to be a leader for industry-relevant knowledge creation, academic retail education, and job placement of graduates—guided by a global perspective of the retail industry. The Baker Center counts the leaders of America's largest retailers among its advisory board members. For more information about the Baker Retailing Center, visit <http://www.wharton.upenn.edu/bakerretail/>.