

“Omni-Channel” Retail Insights and The Consumer’s Path-to-Purchase

How Digital Has Transformed The Way People Make Purchasing Decisions

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INTRODUCTION

The Need for Insights in an Omni-Channel World

Marketers always have relied on consumer insights as the basis for their sales and marketing strategies. This becomes an especially critical issue in times of rapid change when the assumptions of yesterday are called into question. The challenge to marketers intensifies each year as the advent of digital technologies has created a fast-growing e-commerce channel while also making it much easier for consumers to conduct research and obtain the price and product information that influences their buying decisions. In many ways, the Internet has put pricing power in the hands of the consumer.

Not long ago, the sales funnel was thought to be simple. In this view, the first step was for marketers to use television advertising, print, and/or direct mail to

- create awareness of a product, which then
- led to interest and
- drove desire before
- the purchase was consummated in a physical store.

As the digital world evolves, the consumer’s path-to-purchase has become anything but straightforward. Although television, print, direct mail, and word of mouth still play important roles, digital now amplifies each of them while also providing marketers and consumers with a plethora of new communication channels. More recently, mobile devices have grown at a rapid rate, fundamentally altering the path-to-purchase by allowing consumers to easily obtain pricing and product information whenever and wherever they want. And, when it comes to purchasing, consumers now have the option of either buying in a physical store or online,

the latter often occurring at lower price points (See Figure 1).

In this world of massively increased complexity, marketers need insights into the consumer path-to-purchase more than ever before if they are to assemble a coherent and effective marketing plan.

The Influence of Digital on in-Store Buying

How important is digital’s impact on buying? Digital interactions influenced 36¢ of every U.S. dollar spent in a retail store—or approximately \$1.1 trillion in 2013 (Deloitte, 2014). By the end of 2014, that number was expected to climb to 50 percent, or \$1.5 trillion of total store sales.

The degree to which consumers avail themselves of information via the Internet before making a purchase is astounding. For example, in just one month (December, 2013), 222 million people in the United States visited the retailer site category, making 26 visits per visitor. Additionally, some 98 million visited comparison-shopping sites, making three visits per visitor. Another 91 million people accessed coupon sites such as Groupon at a rate of 11 visits per visitor, while 229 million used search engines to conduct 33 search queries per person, according to comScore data (comScore [Local Search Association Conference], 2014).

Simultaneous to this “pull” of information by the consumer, is the digital “push” by marketers, who spent more than \$43 billion on digital advertising in 2013 (Interactive Advertising Bureau, 2014)—more than the amount spent on network television, radio, magazine, and newspaper advertising individually and equivalent to almost 60 percent of all television advertising.

CROSS-CHANNEL OBSERVATIONS

With all of this online influence, it is clear that marketers need deep insights into the complicated role

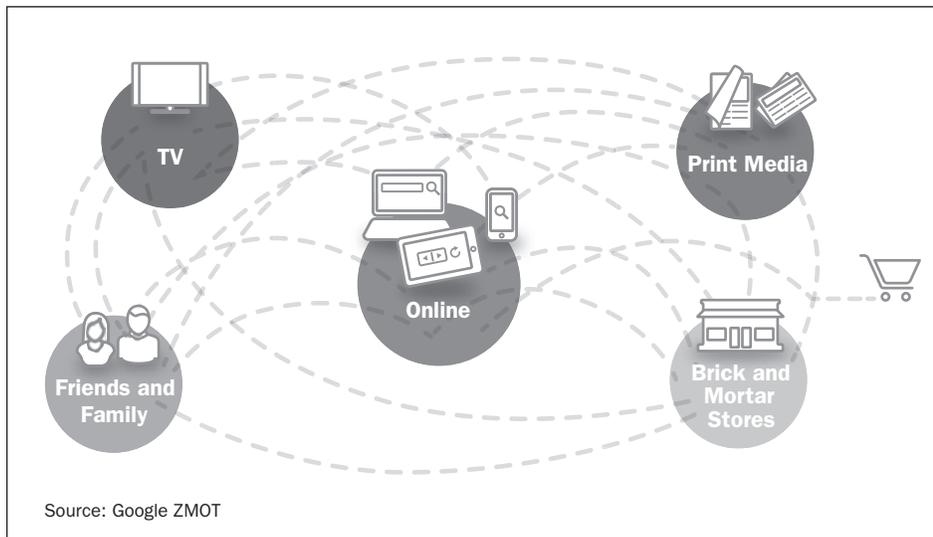


Figure 1 Today's Path-to-Purchase: A "Flight Map"

that digital plays in their existing customers' and prospects' path-to-purchase.

Understanding how this varies by product category and channel is important. For example, in research conducted for a client by comScore, consumers who ended up buying a television at a retailer's physical store tended to start their journey with a search query. Conversely, many of those who eventually purchased online began their journey with a visit to the retailer's Web site. For the television-set manufacturer, the challenge is to establish its brand in the consumer's consideration set in both scenarios.

Search queries, in particular, play a vital role in today's path-to-purchase. In one investigation of the importance of a broad variety of shopping "tools," consumers rated search as the most important tool in helping them save time and for obtaining new product ideas and second only to digital coupons in terms of helping them save money (comScore [Local Search Association Conference], 2014) The shopping tools included traditional (direct mail, print, and television), digital (including search, display advertisements, and e-mail) and all forms of mobile.

Many marketers today are using display-related online advertising (banners, rich media, video and mobile) to influence consumers' decision making across all channels. A surprising number of retailers, however, still think of digital advertising solely as a tactic to lift e-commerce sales. Unfortunately, the organizational silos that still dominate many large retailer organizations serve to limit much of their advertising and promotion communications to the legacy of print (and some television) when trying to lift in-store sales. In reality, digital advertising is able to lift both e-commerce and in-store sales, and the combination of display-related advertising and search provides a powerful synergy (Fulgoni and Morn, 2009).

Indeed, smart marketers are realizing that online advertising helps build the brand equity that search ultimately converts into sales.

Offline Influencing e-Commerce

Many digital businesses are leveraging the power of television advertising. One paper identified a variety of online companies that aggressively used television advertising to promote their businesses (Fulgoni,

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2010). The popularity of television likely traces to the fact that it has surpassed every other medium in its ability to maximize reach in a short period of time.

In fact, despite the rise of video viewing and digital advertising, television has maintained its popularity among both viewers and advertisers. There is no evidence that consumers are cutting back on the total time they spend watching television or that television advertising is declining. In fact, many e-commerce retailers still are making television a central part of their branding advertising campaigns.

With consumer use of mobile devices becoming commonplace, physical-store retailers are finding themselves in a tricky position: In "showrooming," consumers visit retailers' stores to "touch and feel" a product, but they consummate their eventual purchase online. In fact, about one-third of consumers say they have showroomed, with fully 50 percent of showroomers saying they always intended to buy online but wanted to see the product in person before buying (comScore [Webinar], 2014). When asked why they showroomed, 73 percent said it was because the price was lower online.

Needless to say, showrooming puts the physical-store retailer in an extremely difficult position. Many retailers have concluded that they need to match lower online prices or risk losing the sale and now

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offer guarantees to that effect. Although this tactic often will allow a retailer to keep the sale, the negative impact on its operating margins can be substantial. As a result, physical-store retailers have no option but to continue trying to increase their e-commerce sales so as to take advantage of the lower operating costs inherent in an online business model. Hopefully, this allows them to reduce prices without suffering margin compression.

Mobile as a Lynchpin across Channels

The number of smartphone users in the United States in 2014 is approaching 200 million and still is growing, year over year by 20 percent. In addition, 2014's head count of 93 million tablet users has grown by 36 percent over 2013. As noted earlier, the use of mobile devices by consumers for showrooming has helped establish a close causal link between visitation to physical stores and resulting e-commerce sales.

There is much more to the mobile story, however: These devices, as a group, have become one of the primary ways in which consumers access digital content in support of both an e-commerce *and* in-store purchase. Mobile now accounts for 60 percent of all the time spent on the Internet and 60 percent of the time spent visiting the retailer-site category. And, in any given month, about 30 percent of the visitors to the Web sites of leading retailers do so *exclusively* using a mobile device. As a result, no retailer today can afford to not have its Web site tuned for mobile visitors.

It is not just e-commerce and in-store buying that mobile is affecting. M-commerce also is growing rapidly, with 12 percent of all digital retail buying now occurring through the use of a mobile device. Consider also that, in Q2 2014, consumer discretionary spending in the United States across all digital and in-store channels grew by 3 percent versus that in 2013, while digital commerce using a desktop device grew by 10 percent, and m-commerce surged by 47 percent.

This truly is the day and age of the mobile omni-channel shopper and buyer, and the channel's influence will only grow more pronounced as consumers become more comfortable completing transactions on their phones and tablets.

CONCLUSIONS AND IMPLICATIONS

In an omni-channel world, a consumer-centric focus is vital. For marketers, this entails three key priorities:

- Eliminate organizational channel and platform silos that reduce marketing efficiency or that infuriate today's digitally savvy (and demanding) consumers. They expect a seamless experience across the physical and digital worlds because they have the ability to use mobile technology to easily find the information needed to support their buying decisions wherever and whenever they choose.

Any friction present in consumers' path-to-purchase is likely to result in a lost sale for the retailer in question. From the consumer perspective, this could include in-store prices that are higher than those online, difficulty in completing a transaction using a mobile device, or shipping costs that are too expensive.

◇ Implication: For a retailer, it is vital to recognize that its organizational structures and marketing investments need

to be planned with a clear understanding of the return that can be expected in an omni-channel world.

- Leverage the ability to electronically communicate with omni-channel shoppers by understanding how to best deliver digital advertisements and incentives to mobile devices that can be redeemed either online or in-store. Marketers' mobile communications have been shown to be surprisingly effective, probably because they elicit high engagement levels and can reach consumers closer to an actual in-store purchase.

Of particular importance in this regard is the use of apps on mobile devices. Apps now account for more than 80 percent of mobile engagement with the Internet and provide important benefits to omni-channel shoppers because they simplify the process of purchasing any product or service online. The leading pure-play (*i.e.* online-only) retailers, such as Amazon and eBay, understand this and are able to obtain 70 percent or more of their mobile engagement via apps, with the mobile browser accounting for the balance. In contrast, most multi-channel retailers struggle to get their apps used more than 30 percent of the time.

Apps also are important because they can be used by marketers to deliver electronic discounts easily and more efficiently that can be redeemed online or in a physical store. Target's Cartwheel app is a particularly good example of an app that eliminates the tedious clipping of coupons and allows the consumer to easily receive mobile offers that can be redeemed in-store. Finally, retailers should not ignore the emergence of electronic in-store beacons that can be used to efficiently alert shoppers to incentives while at the store shelf.

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- Analytical systems need to be able to measure consumer behavior across all touch points and provide management with a deep and unified understanding of the drivers of consumer choice. The marketing-research industry is working diligently toward providing the electronic measurement systems needed. Already in 2014, it is possible to conduct A/B testing of the impact of alternative digital campaigns at scale by linking consumers' online exposure to their in-store buying.

What is still needed is the ability to link online and offline exposure across

all platforms to in-store and e-commerce buying. In an omni-channel world, this is the Holy Grail of market research: the accurate attribution of all marketing efforts—both digital and non-digital—to their impact on consumer buying across all channels. 

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