CHANGING CONSUMER BEHAVIOR AND ITS IMPACT ON RETAIL

Understanding the Root Causes for Disruptions Affecting the Retail Sector

-Research Report
FOREWORD

In 1998, when the world of retail was meeting the dawn of digital innovation and today's online retail giants like Amazon and eBay were mere startups, Tavant was born with a different take towards helping our clients take full advantage of technology to truly innovate with new ways of doing business.

We have now walked the journey with our clients for almost 20 years and it therefore gives us great pleasure to introduce the results of our Consumer Perspectives Survey.

The survey, sampled across 300 individuals in United States, gives astonishing insights about consumer behavior and patterns. It highlights how personalization, omni-channel approach and excellent post sales service continue to generate more business for online retail merchants across the globe.

Retailers will get consumable insights on what convinces a customer to make a purchase and how they traverse different communication channels before arriving on a decision. We took a deep dive to also extract information on niches and kinds of products people buy and avoid while shopping online. The survey goes an extra mile to help retailers not only identify their customers but also understand what it takes to gain their long-term loyalty.

Happy reading and we do hope you'll reach out to us for any questions or feedback you may have for us!
## Summary of Findings

Our key takeaways based on the survey indicate that there are ‘3 First Principles’ that retailers still need to execute on to really succeed. They are

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<th>Personalize</th>
<th>Execute across Omnichannels</th>
<th>Provide excellent service</th>
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<td><strong>01</strong></td>
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<tr>
<td><strong>PERSONALIZE</strong></td>
<td><strong>EXECUTE ACROSS OMNICHANNELES</strong></td>
<td><strong>PROVIDE EXCELLENT SERVICE</strong></td>
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<td>There is an astonishing variety to purchase consideration factors and their relative importance to customers. One size fits all just does not work and retailers need to build strong capabilities to both understand who the customer is and personalize to the way they make their decisions.</td>
<td>Customers still interact using different channels including digital and physical channels. Once again the variety of paths traversed is astonishing. However, all digital paths are show a growing prominence indicating the importance of digital channels across the attraction to retention funnel.</td>
<td>Our survey found that across positively and negatively correlated factors (positive reinforcing and negative detracting) for loyalty, Service and Convenience had the strongest correlation.</td>
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<td><strong>33</strong> variations of the <strong>307</strong> mathematically allowed variations were chosen by the customers.</td>
<td>There were <strong>200+</strong> possible journey paths without any dead paths.</td>
<td>Calculated on the basis of purely positive sentiments ‘Price’ was an important determinant for loyalty.</td>
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<td>No single variation represented even <strong>15%</strong> of the whole set.</td>
<td>Respondents tended to follow an all-digital path proving its growing dependency.</td>
<td>Measured as an aggregate of positive and negative sentiment parameters, ‘Convenience’ &amp; ‘Service’ came out to be more important.</td>
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PEOPLE WHO RESPONDED
300 users sampled across United States

The survey looked at consumers across gender, demography, geography, and income categories.
DETAILED FINDINGS
WHAT MAKES CUSTOMERS BUY
Customer’s choices are driven by an astonishing variety of driving factors
Retailers need to personalize experiences and offers to address this variety.

- Price
- Convenience
- Variety
- Reliability
- Attention/Personalization

No single variation is representative of more than **15%** of the whole set.

The 18-24 cohort of men and women showed much stronger preference for **PCRA**.

Women showed **VARIETY** as one of their key preferences.

The most popular combinations were of Price, Convenience, Reliability, Personalization/Attention (PCRA).

**PRICE** has the most common occurrence across factors that customers considered.

Tavant helped a large omni-channel retailer customize their pricing engine to consider diverse factors such as location, competition, inventory to set prices for their online store across thousands of SKUs. In the process, we developed a platform that processed 100+ TB of data daily to drive the pricing engine. **LEARN HOW**
HOW CUSTOMERS TRAVERSE CHANNELS
Customer’s interactions are omni-channel across the life-cycle

Online and mobile constituted almost 60% of the total acquisition phase.

200+ possible customer journey paths without any dead path.

Digital channels are preferred at each stage of interaction.

‘Search’ scored lower than ‘Display’ and ‘Social’ as awareness tools.

Mobile is almost at a point where it will overtake in-store sales.

Tavant helped a leading gaming company streamline retail operations, allowing the development of an ‘in-game’ purchase path well integrated with online and contact center retail operations.  

LEARN HOW
WHAT PEOPLE BUY DIGITALLY
The 45-54 age-group made groceries a strong category.

Older age groups are yet to buy into digital in a big way.

Pharma did particularly well with women above 55.

Personal finance product was the weakest performing category.

Tavant helped an online retailer sell excess inventory through an innovative business model, traversing thousands of product categories. **LEARN HOW**
WHAT DRIVES LOYALTY
Service is the strongest driver for loyalty

Service and price along with personalization are all factors influencing loyalty.

Price continues to be the most common positive determinant towards brand loyalty.

Service and convenience-based features are more important parameters than pricing.

Experience and personalization emerged as the next most important features for building loyalty.

Key omni-channel features such as, information availability came out very strongly.

Tavant’s aftermarket services optimize the experiences as customers consume and use products. Find out how our product platform can help. **LEARN MORE**
Retailing traditionally may fast lead to a dead end

Understanding ‘Who’ the consumer is and ‘Where’ they are placed in a relationship journey is a must for success in the digital retail space.

For gaining long term customer loyalty, service and convenience-based features are more important parameters than pricing.

Digital channels bring in high convenience with mobile accounting for better product availability, pricing, and distribution logistics.

Services that drive loyalty are crucial to ensure that sales targets are met efficiently and consistently.

Enterprises may need to upgrade their data collection processes to deliver free and fast shipping, and optimized and responsive pricing.
A smaller footprint on physical channels, backed by better technology with a growth in investments on the digital channels, is no longer a future-forward strategy.

**IT IS A SURVIVAL STRATEGY.**
Samya Ghosh is Vice-President, Retail & Digital Practices for Tavant Technologies. He is currently responsible for new technology implementation, digital transformation, and consulting in the retail domain. Samya joined Tavant in 2016 to lead innovations in advanced analytics, omni-channel experience, and software testing for retail industry. He has more than 17 years’ experience in digital services while working with world’s most recognizable brands in technology. He can be reached at samya.ghosh@tavant.com

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Headquartered in Santa Clara, California, Tavant Technologies is a digital products and platforms company that provides impactful results to its customers across North America, Europe, and Asia-Pacific. Founded in 2000, the company employs over 2500 people and is a recognized top employer.

Tavant's disruptive retail technology enables retailers to cater to the everchanging customer needs by providing a seamless omnichannel experience. Tavant's AI-powered Retail Solutions help retailers optimize productivity and profitability by focusing on personalization.

Our digital retail solutions use predictive analytics to anticipate customer behavior at every touch point that helps in timely decision-making. The automation suite offers a comprehensive approach to deal efficiently with retail merchandising challenges. We are here to enable retailers of the future.

Reach out to us at retailresearch@tavant.com to get more information.