FITCH

THE JOY OF SHOPPING: IT'S ALL IN THE MIND

A NEW MODEL FOR SUCCESS IN AN INCREASINGLY SPLINTERED RETAIL WORLD

The old notion of a linear Customer Journey has been splintered by the myriad shopping choices available today. While retailers and brands are scrambling to understand how the shopping behaviour of new empowered consumers is changing, we believe that we first need to understand what people want from their shopping experience.

Insights from *The Joy of Shopping 2012* – a survey by FITCH.

FITCH is a global design consultancy that influences the world around you by translating brand into consumer experience. We have a strong expertise in retail design.

The consumer is at the heart of everything we do and everything we do is the product of bold thinking. A profound understanding of both the brand and the consumer creates the confidence to challenge convention. Our consumer insights and our understanding of the motives that inform choice are the key to creating effective brand and consumer experiences.

Founded in 1972, FITCH employs 350 people in 12 offices in 8 countries. An integrated design offer combining both 3D spatial design and 2D communication enables us to create a seamless expressionof the brand at all touchpoints.

For further information, please contact:

Gavin Clark
Global Business Development Director

t: 020 7479 0354
e: gavin.clark@fitch.com

01. THE GLOBAL RETAIL REVOLUTION

The global world of retail is in a state of revolution. What was once so SIMPLE – “I’m just popping **out** to the shops” is now infinitely SPLINTERED. Shopping is anywhere and everywhere.

Today’s consumers have an abundance of choice for shopping – in a store, on a website, via an app on their smartphone and through their games console. They move fluidly and instinctively across retail brands and channels as they satisfy their different SHOPPER MINDSTATES at the flick of a key or the click of a mouse. The old notion of a linear customer journey is rapidly evolving into a more mosaic approach.

In response, retailers are seeking to understand how shopping behaviours are changing as consumers gain more choice, access and power across channels. They are looking to create a more seamless experience that keeps shoppers engaged with their brand. By not delivering a smooth and connected shopping experience, they risk losing control of transactions and loyalty – once delivered solely by their physical stores.

02. THREE UNIVERSAL SHOPPER MINDSTATES ARE DRIVING THE FUTURE OF RETAIL

FITCH has identified three universal ‘shopper mindstates’ that characterise the behaviours of shoppers across the world. Shoppers can exhibit any one of these different mindstates at any given moment, often switching from one to another in an instant, depending on the particular shopping mission and the stimuli around them.

DREAMING

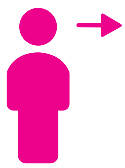
In this mindstate, shoppers actively look for new ideas and inspiration. They don’t yet have fully defined needs and wants, and skip between categories and brands to find inspiration or learn something, and have fun while doing it.

EXPLORING

Here, the shopper is open-minded, but has a category-specific purchase intent. They may have a few options in mind but are open to suggestions, to be influenced. They are looking to browse easily, find more information and narrow their choices down.

LOCATING

In this mindstate, shoppers look for a specific brand, product or service. They are often replenishing their usual stock, or already know the specific item they are looking for. They want things to be easy to find, welcome timely and relevant reminders, and want to feel reassured that they are making the right choice when it comes to things like price.



IS LOCATING NOW SIMPLY THE PRICE OF ENTRY? LIMITING RETAIL EXPERIENCES TO LOCATING IS DANGEROUS

Throughout modern history, retailers have built their offer around the Locating mindstate: displaying their wares within ever expanding avenues of choice. But as online shopping has grown, Locating transactions have begun to move off the high street and away from the malls.

THE ROLE OF PHYSICAL STORES MUST BE RE-EVALUATED

More and more shoppers are shopping online, lured by websites and smartphone apps that make it easier than ever to navigate abundant choices and locate the best deals. With a finger stroke, they can research products, compare prices, and ultimately make a purchase: on the go, or from the comfort of their sofa. Transactions no longer happen only at the till. Global e-commerce is estimated to reach almost $1.4-trillion by 2015, a five-year Compound Annual Growth Rate of 13.5%.

Practices like 'show-rooming' – exploring in-store with one retailer but buying online with another – will continue to take more business away from physical stores unless retailers re-think what their store experiences should bring to the party. They need more seamless retail experiences that can only be developed from a truly shopper-centric starting point. The key to unlocking more complex journeys is in understanding the evolved mindstates shoppers are looking to satisfy.

03. A UNIQUE LOOK INTO THE MIND: FITCH'S JOY OF SHOPPING SURVEY

A SHOPPER MINDSTATE STUDY

The Joy of Shopping 2012, a survey by FITCH, polled 7,250 shoppers in seven markets – China, India, Brazil, Russia, USA, UK and UAE – across age, income and region (both Tier 2 and 3 regions as well as major cities). The first quantitative global study of shopper mindstates, the survey explored today's shoppers from a number of critical angles:

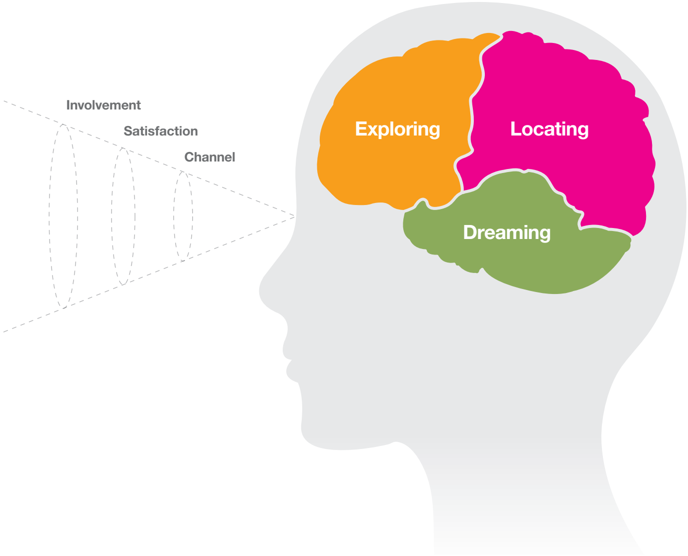
- Their degree of INVOLVEMENT in shopping a category*
- Their levels of SATISFACTION with their current shopping experiences**
- Their perceived CHANNEL preferences, across four channels: store, website, app, social media
- The GAP between their current and ideal imagined experience within a category

* **Three point scale of Enthusiasm, Enjoyment and Chore**

** **Five point scale from Overjoyed and Happy to Disappointed and Distressed**

The research explored these questions across three specific categories:

Electronics Groceries Fashion Apparel



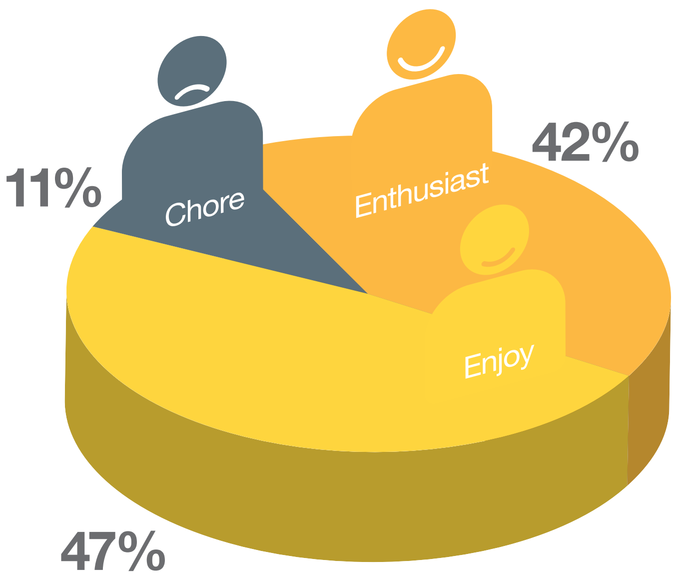
What Shoppers Want:

Our study measures people's Shopping Experience through Dreaming, Exploring and Locating against the dimensions of Channel, Satisfaction and Involvement in each Category

04. GLOBAL BRIEFING

THE GOOD NEWS FOR RETAILERS: ENTHUSIASM FOR SHOPPING IS ALIVE AND WELL

Despite the UK high street being in jeopardy, malls remaining empty in China and the US, and big box formats being called into question, people's enthusiasm for the world's favourite pastime remains high.



Involvement:

Global Average cross-category

We see the highest levels of enthusiasm in the electronics category, with 94% of people categorising themselves as very enthusiastic and enjoying the experience.

And, when it comes to shopping for food and fashion, we see that 85% and 89% of shoppers respectively categorise themselves as enthusiastic and being pleased with the activity.

SHOPPING ENTHUSIASM IS MOST STRONGLY FELT IN EMERGING MARKETS

As we look more deeply into the data we see wide disparities by country. Shoppers in the emerging markets of China, India and Brazil are clearly more enthusiastic in their shopping experiences than their counterparts in more mature markets. It seems the burgeoning middle-classes are enjoying the opportunities that their increasing disposable income and expanding retail choices present them. Perhaps the novelty effect of all the new shopping options is driving this enthusiasm?

In contrast, we see much higher numbers of people who consider shopping to be a chore in mature retail markets like the UK and the US.

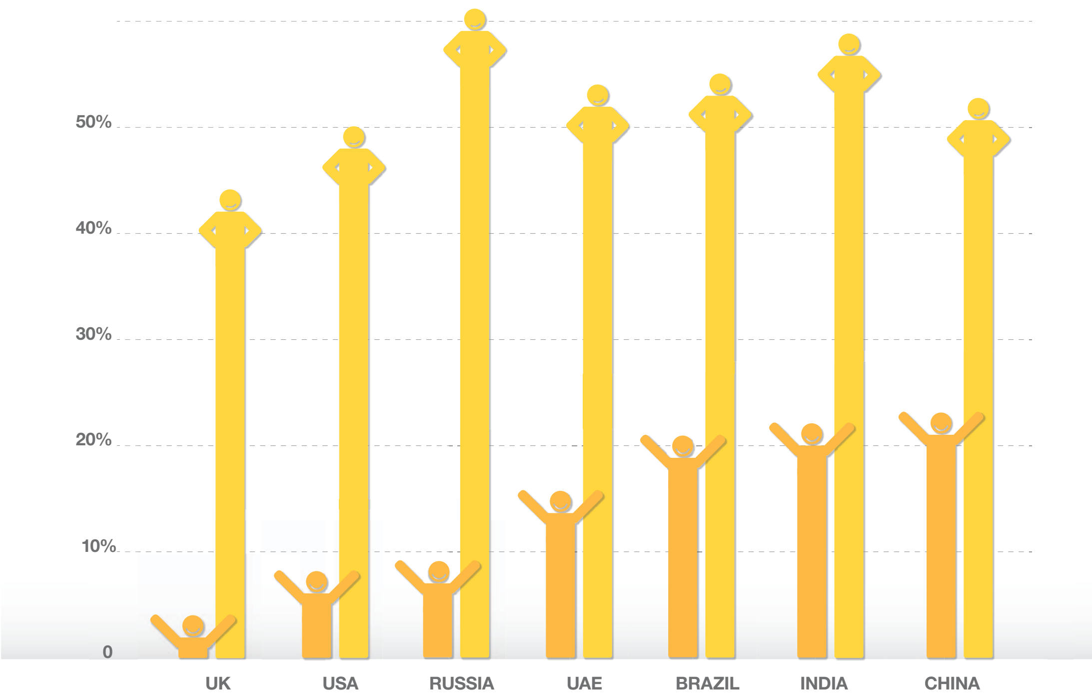
Involvement:

Cross-Category by Country

- Enthusiastic
- Enjoy
- Chore

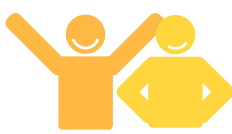
This pattern is echoed by the differences seen in levels of satisfaction with their shopping experiences. Those in the emerging markets are far more likely to describe themselves as Overjoyed or Happy with their experiences, than those in mature markets.

Retailers in these markets must find ways to address this apathy if they are going to re-engage customers and tackle tough issues around loyalty when so much choice is available.



Satisfaction:

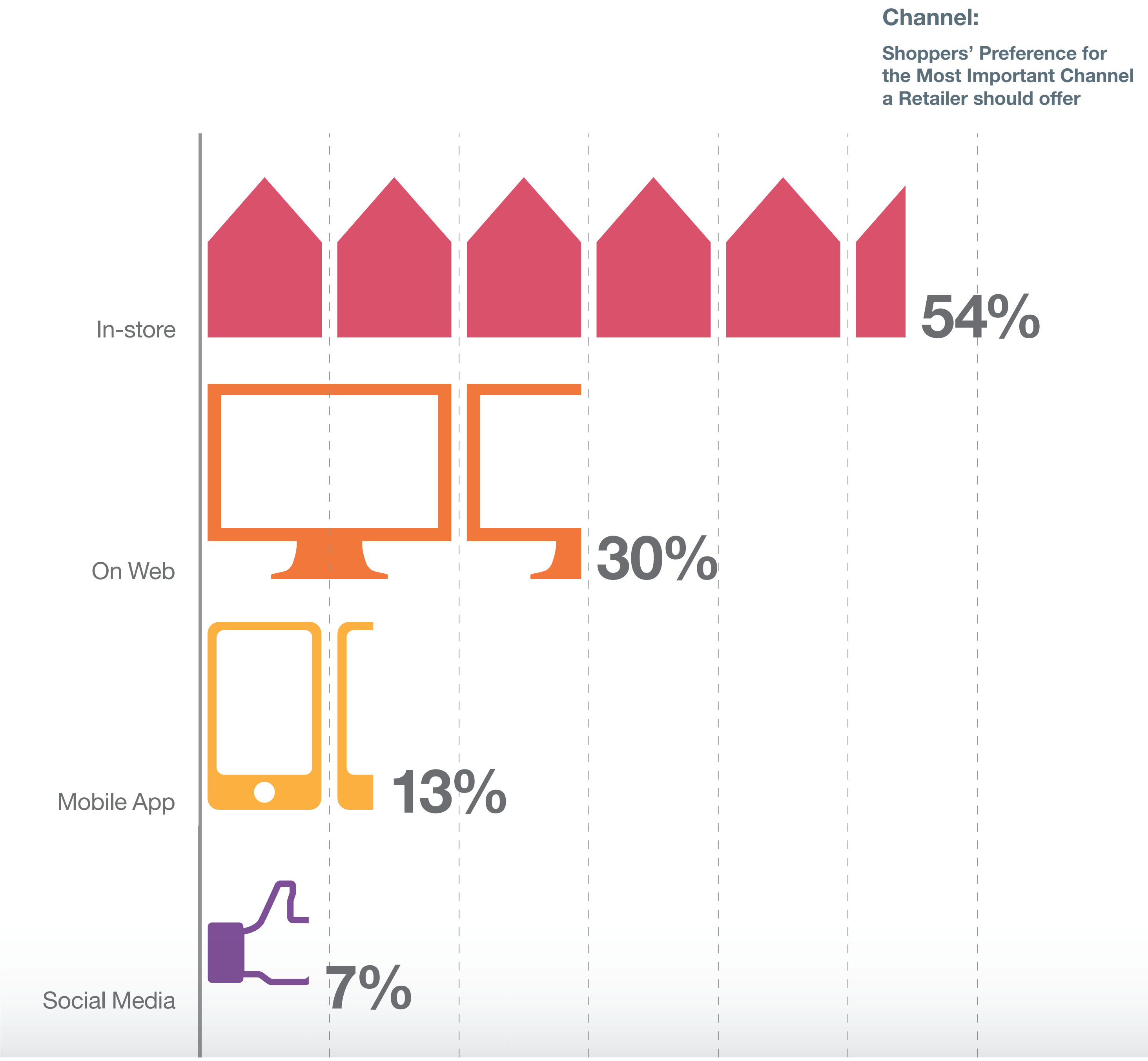
Percentage of People Overjoyed and Happy with their Shopping Experience Cross-Category



Overjoyed Happy

WE STILL WANT TO 'GO SHOPPING', BUT WE WANT SOMETHING DIFFERENT WHEN WE GET THERE

Bricks and mortar stores are in no danger of going away soon. Our research shows that shoppers across the world still see physical stores as the most preferred shopping channel.



However, across markets we can see the encroaching effect that the internet is having on shoppers' preferences, particularly in the emerging markets of India, China and Brazil. The internet is seen to be significantly more important in these markets than in more mature markets. They want it all or, to put it another way, they want **Seamless Retail.**

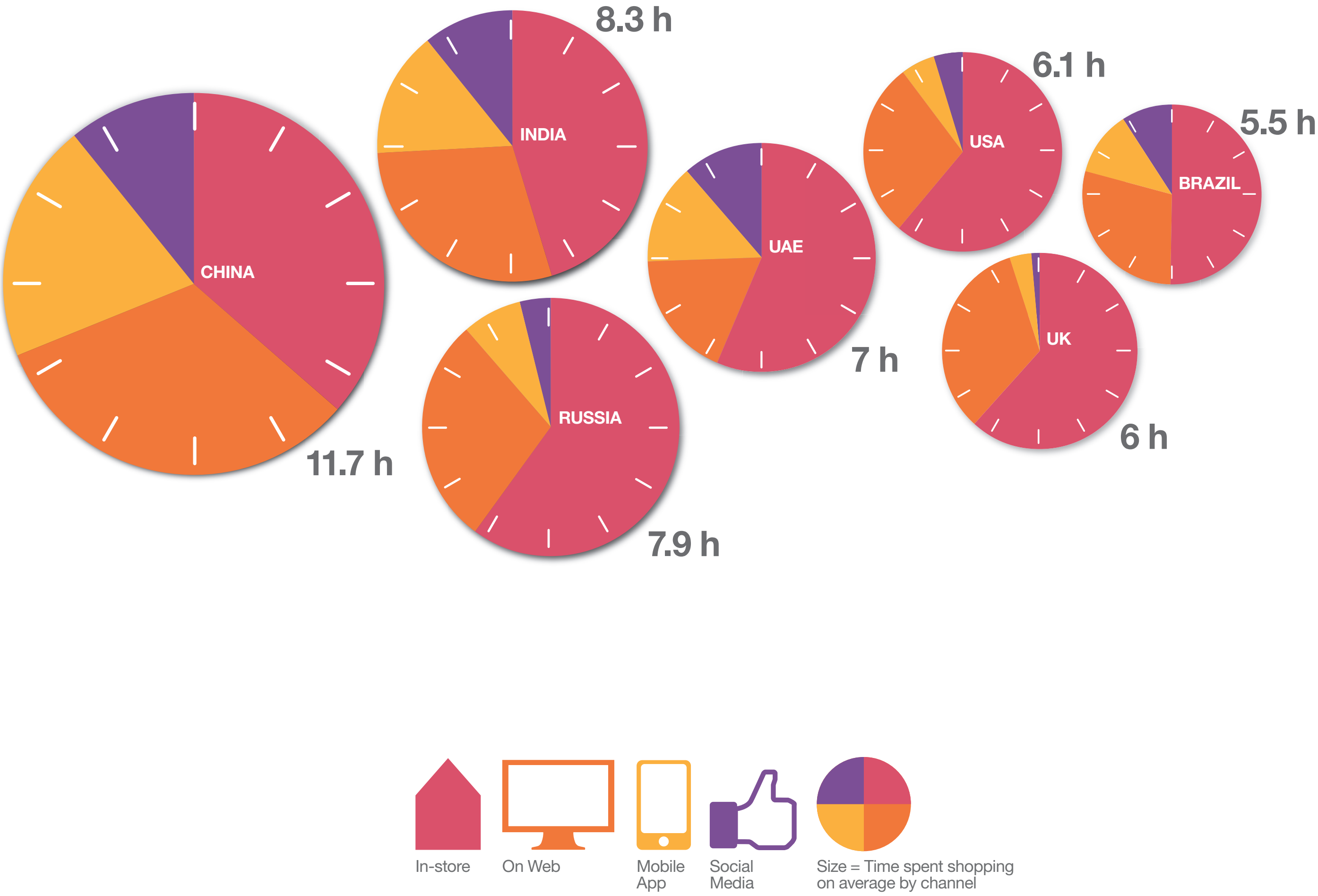
TODAY'S SHOPPERS, PARTICULARLY IN EMERGING MARKETS, NOW EXPECT TO SHOP ON THEIR TERMS, DRIFTING BETWEEN IN-STORE AND ONLINE WORLDS

Retailers must now consider how to develop online shopping experiences seamlessly with their physical stores. These days, people do a lot more 'shopping in the mind', and don't need to restrict their browsing and buying to stores. So, developing an integrated and rich range of experiences that can satisfy the shopper's need to dream about and explore new product choices as well as efficiently locate their final choices is critical.

A 2011 Deloitte survey of retail executives found that three quarters believe that in five years' time the roles of bricks and mortar stores will shift to providing compelling and immersive brand experiences, as well as meaningful interactions with sales staff who are technologically savvy brand ambassadors, with specialised product experience.

Channel:

Most important Channel by Country and average Time Spent Shopping



05. THE EXPECTATION GAP: THE MAIN HURDLE TO WINNING AT RETAIL

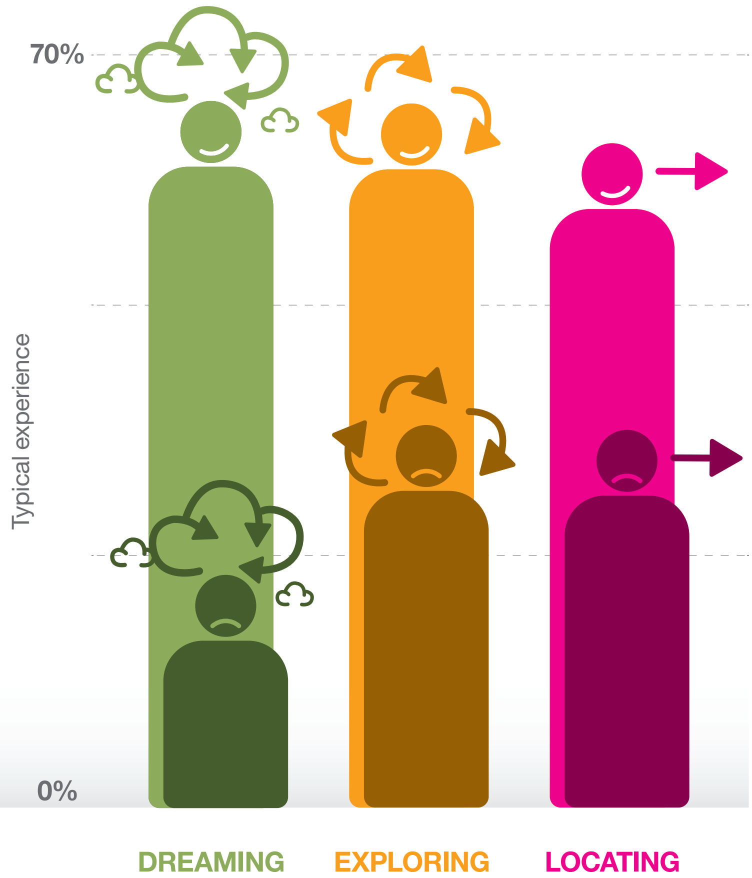
IT'S IMPERATIVE TO UNDERSTAND THAT TODAY'S SHOPPERS WANT TO SATISFY ALL THREE MINDSTATES EQUALLY

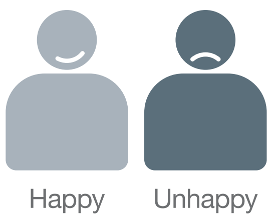
Richer shopping experiences will win hearts.

Those shoppers who are happiest with their current shopping experiences are more likely to feel that all three of their mindstates are being met. In particular, they feel that their Dreaming and Exploring needs are better met.

Expectation Gap:

Contrasting Typical Levels of Dreaming, Exploring and Locating among Shoppers who are Happy and Unhappy with their Experiences





Today's shoppers have sophisticated needs, and are driven by the motivation to satisfy all of their mindstates as they seek richer shopping experiences. Our research has not only validated the equal importance placed on satisfying each of these needs, it has shown that shoppers want to have experiences rich in Dreaming, Exploring and Locating across categories. Shoppers want to be inspired to dream, whether they are shopping for Saturday evening's dinner, or something fabulous to wear on that first date.

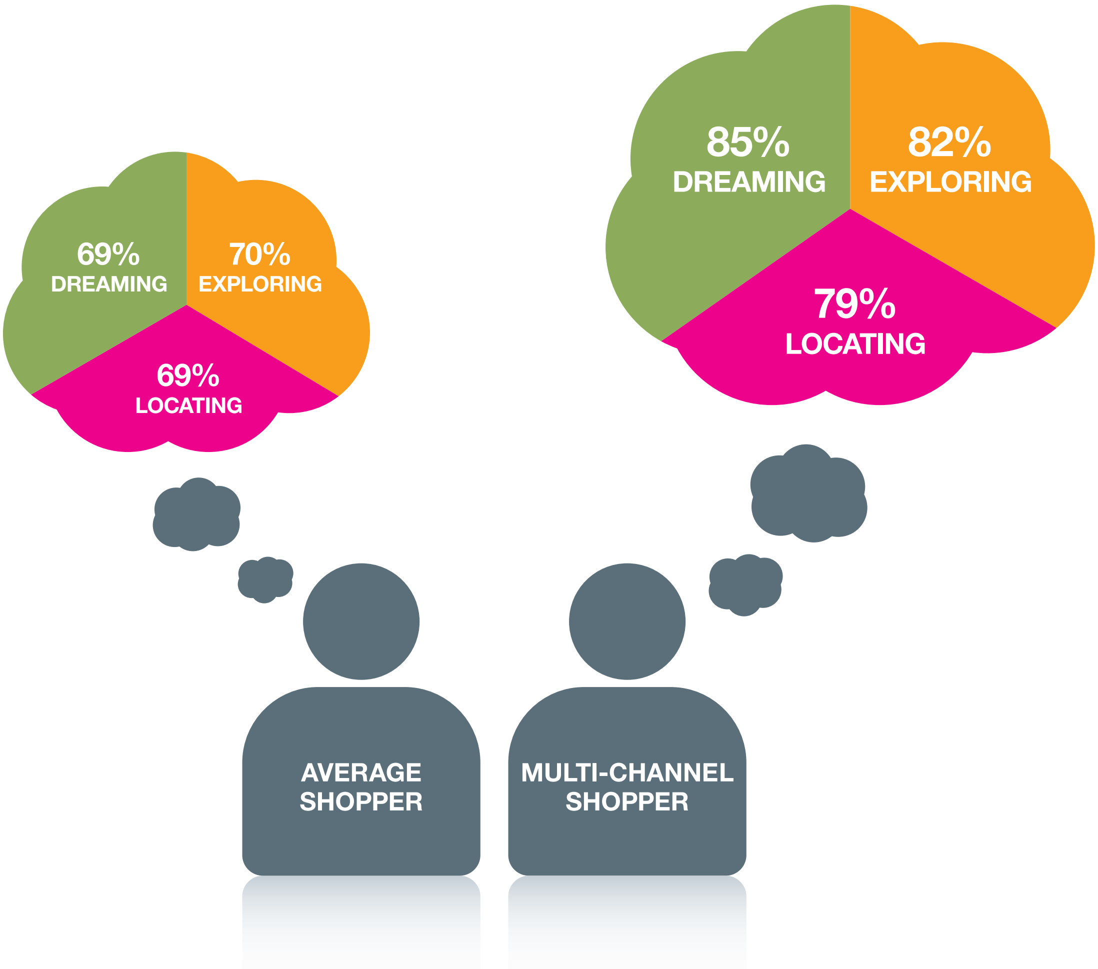
YET, IN REALITY IT'S NOT HAPPENING

While shoppers have clearly evolved their behaviours, it is clear that retailers are failing to keep pace. There is a significant Expectation Gap between what shoppers want from their shopping experiences, and what they are experiencing in reality.

In examining shoppers who value using multiple channels (both in-store and online), we can see that retailers are failing to deliver most in the area of Dreaming, followed by Exploring, and then Locating.

Imagining the Ideal:

Level of Dreaming, Exploring and Locating Shoppers Expect in their 'Ideal' Experience



We can drill down to see where the biggest gaps are between expectations and experiences, relative to the three mindstates.

The research shows the Locating dimension *Making things easier to find* and *Helping shoppers feel reassured* still represents the cornerstone of the retail experience. This is where retailers have traditionally focused their efforts, but clearly if retailers fail to help shoppers locate effectively, then they are failing at the first post.

Fashion retailers are perceived to fall short in this area in terms of finding things and reassurance of the right purchase.

What smarter navigation strategies could be employed and what reassurances can accompany the sale?

The Exploring dimension *Easily find more information* on a product and to *Get help in narrowing down choices* is the new differentiator. Retailers who acknowledge this mindstate have some real opportunities to help shoppers.

What curating or editing strategies could be employed?

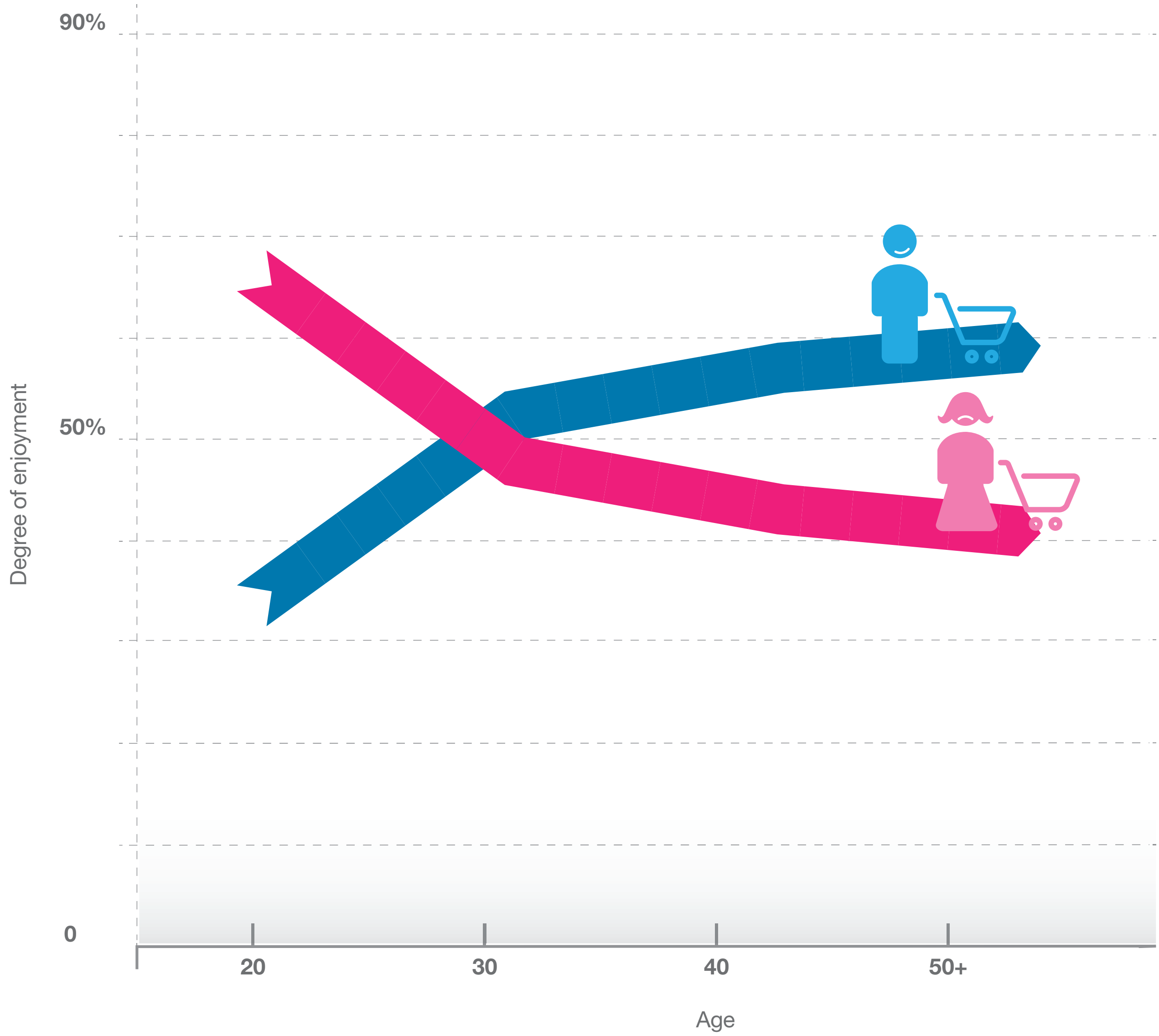
The Dreaming dimension *Helping shoppers to have fun while they shop* and *Be inspired to try something new* is still largely untapped:

[An Envision Retail survey](), based on observations of more than 8,000 apparel shoppers, found that 71% of shoppers who tried on clothes in fitting rooms bought something, as opposed to only 10% of those who didn't use a fitting room. Fitting rooms are the perfect venues to dream, if retailers can get the lighting, ambience and mirrors right!

Inspiring customers to dream emerges as particularly poignant when we view it through the eyes of female shoppers, across age groups. As women age, the opportunities to dream in the fashion category become fewer and fewer – perhaps with so many retailers seemingly more intent on chasing younger women, rather than meeting the needs of older generations.

The Gender (Shopping) Wars:

How Having Fun changes over the ages between Men and Women



06. NAVIGATING THE NEW CUSTOMER JOURNEY

The findings of the FITCH 2012 Joy of Shopping study highlights the challenges and opportunities facing today's retail brands, as they seek to redefine their relationships with customers who have never enjoyed such abundant levels of choice and control, and whose behaviours are becoming ever more fluid and unpredictable.

FITCH's research has revealed some practical tenets for winning at retail in this new world order.

1. DON'T UNDERESTIMATE YOUR CUSTOMERS' ENTHUSIASM FOR SHOPPING AND GOING TO STORES

Today's consumers enjoy shopping. In fact, a reassuringly large proportion are extremely enthusiastic about it, and see themselves as influencers within their peer groups. Don't miss opportunities to capture the hearts and minds of your most involved and enthusiastic customers by engaging all of their mindstates in ways that are entertaining, surprising and rewarding. Turn their enthusiasm into evangelism.

2. RETHINK HOW YOU DEFINE AND MEASURE CUSTOMER SATISFACTION

In today's fast moving retail world, nothing remains static – including your customers' expectations. Old models of satisfaction need to be torn up and re-drawn. Make sure that you understand the dynamics of how your customers 'shop in the mind' so that you can deliver the right types of experiences at the most relevant touchpoints. As we've seen, happier shoppers are those that feel they are experiencing richer retail by satisfying all three mindstates.

3. PLAY TO THE EXPLORING AND DREAMING MINDSTATES – THE NEW DIFFERENTIATORS

Ensure that you're evolving your offer in line with your customers' expectations. If you continue to just play to the Locating mindstate you leave yourself vulnerable to competition, particularly online competitors. Locating is now the price of entry (and there's much work yet to be done), so find ways to make it more compelling than the competition. They are looking past Locating and seeking out Exploring and Dreaming experiences. Consider all three mindstates equally when establishing future retail and marketing initiatives.

4. DON'T THINK OFF- OR ONLINE. THINK SEAMLESS

Don't look at store design or operations in isolation. Consider your retail experience in totality, as a matrix, and look for ways to enhance shopper experiences across channels and mindstates. Help your shoppers move through your experience, effortlessly, and on their terms. In addition, recognise that the continuing onslaught of online communication and shopping opportunities will force you to re-think the roles that your physical stores need to play. Consider the opportunities to build your intangible brand value through real-world interactions across the Dreaming and Exploring mindstates.

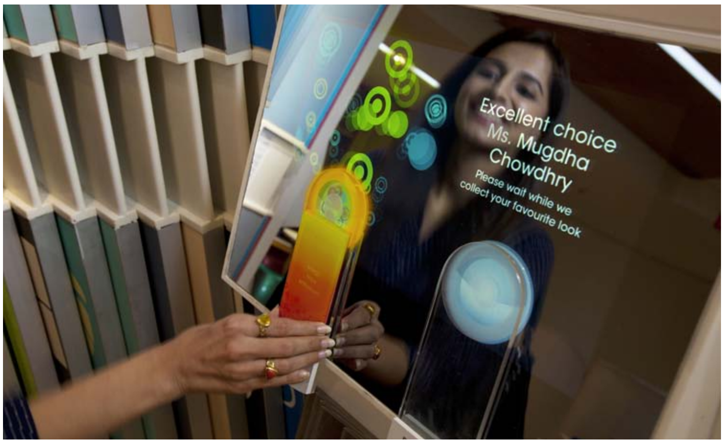
07. CASE STUDY: ASIAN PAINTS

Asian Paints (AP) is one of the largest paint companies in the world operating across 17 countries. They sell through 22,000 small franchised shops packed to the rafters with paint. AP wanted to sell more quality coloured paint at higher margins but discovered that the average Indian feels a bit daunted when it comes to home decoration decisions. Anxiety around getting colour wrong means that most opt for the safe choice: white.

But who would pay more for white paint?

A playground of colour, the Asian Paints Colour store invites customers to dream, explore and discover the right choice for them – without selling a single pot of paint.

AP's goal was to increase colour confidence but franchisees had tiny shops and were averse to big change. Typically, retailers may try to squeeze in as much 'experience' as possible into the little shops through communications or an iPad. But FITCH concluded there was no way to genuinely help people dream and explore their way to colour confidence with these spaces. In response, we created separate large experience centres that gave room to dream and explore colour for their homes.



Indian consumers lacking confidence with colour get help from an Asian Paints consultant, exploring possibilities, learning new things and having help narrowing down their choices

From a full range of colour cubes, shoppers get to visualise their ideas in a virtual room on screen

These dreaming and exploring hubs host a series of experiences ranging from colour chefs that mixed different schemes, to digital touch walls that recolour customers' rooms in real time, to vignettes designed to explore how colour can influence mood, character and light. Digital tools are used extensively, adding up customer preferences, helping them capture colour schemes outside of the store and sharing what they've learned on social media. Store staff are central to increasing colour confidence and we gave them myriad tools to inspire, educate and plan alongside customers.

The experience hubs sell no paint, but people walk out colour confident with a menu of paints for their homes. The small satellite franchise shops remain mostly about locating and have experienced a sales uplift of 35%. AP now owns colour in the Indian market in the way that Volvo owns safety. They continue to roll out the experience hubs dedicated to dreaming and exploring about colour, making each new centre a more engaging experience.

Digital technology enables customers to seamlessly capture and collect their experiences throughout the store along a fun, engaging and meaningful journey

Inspirations are fashioned into a tailored colour magazine of 'dreams' and shared on social media for comment or as a brief for an AP colour consultant

08. HOW FITCH CAN HELP

Translating a brand into a consumer experience now requires a refined process that orchestrates a much broader range of touchpoints than ever before.

Our methodology follows FITCH's proprietary 4D Process™: we Discover, Define, Design and Deliver.

DISCOVER - We begin with a new approach to researching and modeling the current splintered customer purchase journey using our Mindstates Mapping™ tool.

DEFINE - From this foundation, FITCH then studies the customer journey to identify weaknesses, missing links and new opportunities for development. The Locating, Exploring and Dreaming perspective drives the unifying 'Big Idea' that sits at the core of the new Seamless experience.

DESIGN - FITCH's diverse creative skills are then combined to bring the entire experience to life through a number of different design phases.

DELIVER - Finally we take the seamless experience into the heads, hearts and hands of the target shopper, whoever they are and wherever they may be.

Further reading:

Understanding the New Customer Journey: From Simple to Splintered to Seamless