



Paying for Time: The Future of Retailing

SixthSense™

About SixthSense

SixthSense, part of YouGov plc, is a provider of comprehensive business intelligence. We offer a powerful new type of consumer-driven market intelligence report and online information platform, designed to help your business make better and quicker decisions.

Through our proprietary panel of over 350,000 UK consumers and bespoke research methodology, we collect unique consumer insight.

Our analysts are highly qualified and, on average, each draws on over 15 years industry experience to deliver analysis, comment, opinion and advice on the latest market trends and conditions across a range of sectors including Food & Drink, Retail, Health & Beauty, Lifestyle, Finance and Technology.

YouGov has been acclaimed as the country's most accurate pollster and the most quoted research company in the UK and has operations in the US, Europe and the Middle East.

For more information about our services, please see
www.yougovsixthsense.com

No part of this report may be stored or reproduced (either electronically or mechanically or otherwise) without the express prior permission of YouGov.

This report relies on data, conclusions and recommendations from primary and secondary sources (including third parties) that were gathered in good faith. Although believed to be accurate, this information is not guaranteed and, as such, YouGov can accept no liability for action taken based on any information in this report.

Your payment for this report is for one hard copy and one electronic copy only. If you would like additional hard or electronic copies of this report, or any of its sections, please contact us to purchase them separately.

PUBLISHED BY :

YouGov Plc, 50 Featherstone Street, London, EC1Y 8RT
T: +44 (0)20 7012 6063, F: +44 (0)20 7012 6001, E: sixthsense@yougov.com

Table of Contents

Table of Figures	4
Introduction & Scope.....	7
Report coverage.....	7
Definitions.....	8
Report Summary.....	9
Online shopping ubiquitous	9
A multichannel environment	9
The time versus money trade-off.....	9
Retailer choice factors.....	10
Finding the best deal.....	11
Retail arbitrage: store versus store	11
Retail arbitrage: store versus online	11
Arbitrage (discount delay) typologies	12
Fighting back against the price leader on online threat	13
Technology Typologies	15
Young, male urbanites lead the technology charge.....	15
Two types of consumers	16
Attitudes towards technology.....	18
Online Shopping Behaviour	21
Nine in ten engage in E-retailing.....	21
...with Techno Junkies leading the way.....	21
Young male Londoners most likely to phone shop	23
Findings.....	24
Three types of shopping actions	24
Three shopping typologies	26
Findings.....	27
Online Shopping Characteristics.....	28
More loyalty to grocers.....	28
Findings.....	29
Meeting consumers' rapid retailing needs	29
Three levels of loyalty	30
Findings.....	31
Rapid retailing varies by demographics and markets	32
The time versus money trade-off.....	32
Does experience shift the debate towards time?	34
Findings.....	35
Impact of website delays on online shopping.....	35
Issue of speed will grow in importance.....	35
Findings.....	36
Choosing the Right Place to Shop.....	37
Old-fashioned retailing skills more important than technology	37
Findings.....	38
Drivers of website choice	39
Online grocery retailing: It's the price, stupid!	39
Findings.....	40
The young want their food cheap, while the old want a good deal	40
Electrical purchases: prices the key factor	41
Household sector: Price again is numero uno	43
A quality purchase: clothing and fashion accessories.....	44
Online entertainment purchases are very price-sensitive	46
Relative importance of choice factors	47
Summary decision diagram.....	49

Finding the Best Deal.....	51
Six in ten use price-comparison sites.....	51
Rebels make heaviest use of price-comparison sites.....	52
Disloyalty encouraged by the focus on price and delivery.....	53
Online price-comparison data used as an online and offline bargaining tool.....	54
Slippery Rebels use price comparison in-store.....	54
Findings.....	56
Mobiles encourage In-store price checking.....	56
Men look to save online and women in-store.....	56
Younger adults make more sophisticated use of price-comparison data.....	57
Techno Junkies focus online.....	58
Urbanites more likely to look at online prices.....	59
Main price-comparison sites for groceries price comparisons.....	60
Main price-comparison sites for electrical goods/technology price comparisons.....	60
Main price-comparison sites for household goods.....	61
Main price-comparison sites for clothing/fashion accessories price comparisons.....	62
Main price-comparison sites for entertainment product price comparisons.....	63
Delivery Preferences.....	65
Online grocery shoppers the most time-sensitive.....	65
Time versus money dichotomy again.....	66
Findings.....	67
Automating the Checkout.....	68
Most adults have not used contactless payment.....	68
Mobile the route to further usage.....	69
Most adults use self-scanning technology.....	70
Mobile users again the most likely to adopt.....	71
Use of Mobiles as a Shopping Platform.....	74
Consumer usage of mobile phones to aid in-store shopping.....	74
Mobiles help save money and precious seconds.....	75
Male urbanites the main market for in-store mobile services.....	76
Technology and awareness limit the in-store use of mobiles.....	78
Findings.....	78
Most mobile users are satisfied with the website they access.....	78
Slow websites the main cause for abandoning a purchase.....	79
Marketing Communication.....	81
Don't annoy your customer base by texting them.....	81
Slippery Rebels happier to receive texts once they start receiving them.....	82
If you are going to text, give the customer something in return.....	83
Make your texts relevant.....	84
Consumers more sanguine about receiving email messages.....	84
Slippery Rebels the happiest to receive emails.....	85
But email messages must also give the consumer something.....	85
Beware of the spam trap.....	86
Findings.....	87
After-sale and Returns Process.....	88
Communicating after an order is OK.....	88
Ordered online, returned via snail mail.....	91
Convenience and cheapness often dictate returns strategy.....	91
Eight in ten get their money back.....	92
Discount Delay and Store Switching.....	93
Switching: a 9% saving can prompt consumers to walk.....	93
Online price sensitivity lowers the threshold to walk.....	94
Time Sensitivity.....	95
Consumers not willing to pay much extra.....	95
Price versus time equation.....	96
A classification of consumers.....	97

Discount delay typologies	99
Entertainment sector has the most Pricematchers	100
Can in-store technology limit store walking?.....	101
Findings	103
Discount delay varies by market	103
Appendix.....	109
Further analysis results	109
Questionnaire	137

Table of Figures

Figure 1	Ownership of modern technology	15
Figure 2	Ownership of modern technology, by technology group	16
Figure 3	Profile of Early Birds and Ostriches	17
Figure 4	Typical adoption lifecycle of new electronic retailing technologies	18
Figure 5	Net agreement* with the technology statements	19
Figure 6	Ownership of technology gadgets and adoption, by attitude groups	20
Figure 7	Electronic purchasing of items, by attitudes towards technology	22
Figure 8	Tendency to shop electronically, by key demographics	23
Figure 9	Tendency to engage in electronic retailing actions.....	25
Figure 10	Relationship between technology adoption, attitudes towards technology and online shopping behaviour	27
Figure 11	Shopping characteristics, by category of goods	29
Figure 12	Graphic representation of customer loyalty, by product	30
Figure 13	Percentage of Loyalists always using the same retailer for online purchases	31
Figure 14	Retailer loyalty, by product.....	32
Figure 15	Graphic representation of retailer loyalty and time preference, by product	34
Figure 16	Maximum time a consumer will endure a website delay, by product sector	35
Figure 17	Factors driving choice of retail store, by attitudes towards and use of technology.....	38
Figure 18	Ranking of the main reasons for choosing a supermarket when shopping online, by retailer loyalty.....	40
Figure 19	Ranking of main reasons for choosing a supermarket when shopping online, by age.....	41
Figure 20	Ranking of main reasons for choosing an electrical retailer when shopping online, by retailer loyalty.....	42
Figure 21	Ranking of main reasons for choosing an electrical retailer when shopping online, by gender and attitudes towards technology	43
Figure 22	Ranking of main reasons for choosing a household goods retailer when shopping online	43
Figure 23	Ranking of cheapest prices when choosing a household goods retailer when shopping online....	44
Figure 24	Ranking of main reasons for choosing a clothing retailer when shopping online, by retailer loyalty	45
Figure 25	Ranking of cheapest price, by key demographics.....	46
Figure 26	Ranking of main reasons for choosing an entertainment products retailer when shopping online, by retailer loyalty	47
Figure 27	Comparative factors driving retailer choice when shopping online	48
Figure 28	Graphic representation of the comparative factors driving retailer choice when shopping online... ..	48
Figure 29	Graphic representation of the online decision-making process.....	50
Figure 30	Use of price-comparison sites when shopping online, by product.....	51
Figure 31	Use of price-comparison sites when shopping online, by attitudes towards technology and online shopping actions	52
Figure 32	Graphic representation of product loyalty and use of price-comparison websites	53
Figure 33	How price-comparison websites are used, by product sector	54
Figure 34	Graphical representation of the specific use of price-comparison websites and product loyalty .	55
Figure 35	How price-comparison websites are used, by online shopping technology.....	56
Figure 36	How price-comparison websites are used, by gender and socio-economic grade.....	57
Figure 37	How price-comparison websites are used, by age	58
Figure 38	How price-comparison websites are used, by attitudes towards technology.....	59
Figure 39	How price-comparison websites are used, by location	60
Figure 40	Price-comparison sites mentioned for electrical goods	61
Figure 41	Price-comparison sites mentioned for household goods	62
Figure 42	Price-comparison sites mentioned for clothing/fashion accessories	63
Figure 43	Price-comparison sites mentioned for entertainment products	64
Figure 44	Ideal collection times, by product	66
Figure 45	Graphic representation of delivery times versus retailer loyalty	67

Figure 46	Attitudes towards contactless payments	68
Figure 47	Proportion of adults using contactless payments*	69
Figure 48	Proportion of adults happy to use contactless payments	70
Figure 49	Attitudes towards self-scanning technology in grocery stores.....	71
Figure 50	Proportion of adults using self-scanning technology*	72
Figure 51	Tendency for self-scanning checkouts to influence store choice	73
Figure 52	Use of mobiles in-store	74
Figure 53	In-store retail activities with mobile phones, by technology use and attitudes.....	75
Figure 54	In-store retail activities with mobile phones, by loyalty.....	76
Figure 55	In-store retail activities with mobile phones, by demographics.....	77
Figure 56	Why a mobile device is not used in-store.....	78
Figure 57	Rating of the use and navigation experience when using mobile phone-optimised websites	79
Figure 58	Why transactions are abandoned.....	80
Figure 59	Attitudes towards receiving text messages from retailers	81
Figure 60	Attitudes towards receiving text messages from retailers, by technology	82
Figure 61	Attitudes towards receiving text messages from retailers, by retailer loyalty	83
Figure 62	Types of text messages consumers are happy to receive from retailers.....	83
Figure 63	Attitudes towards messages consumers receive from retailers.....	84
Figure 64	Attitudes towards receiving email messages from retailers.....	84
Figure 65	Attitudes towards receiving email messages from retailers, by loyalty	85
Figure 66	Types of email messages consumers would be happy to receive from retailers	86
Figure 67	Why consumers do not wish to receive email messages from retailers	86
Figure 68	Type of post-order communications consumers prefer	88
Figure 69	Type of post-order communications consumers prefer, by consumer demographics and technology	90
Figure 70	How consumers return ordered items	91
Figure 71	Main reasons for using the post to return items.....	92
Figure 72	Actions taken when returning goods.....	92
Figure 73	Level of savings on a single item which would prompt a consumer to walk out of one store and go to a nearby store that they knew had the same item at a cheaper price.....	93
Figure 74	Level of savings on a single item which would prompt a consumer to walk out of one store, by online price sensitivity	94
Figure 75	Consumer willingness to pay more to have an item straight away from a physical store	96
Figure 76	Consumer willingness to pay more to have an item straight away from a physical store, by online price sensitivity	97
Figure 77	The gratification and price characteristics of consumers, by market.....	98
Figure 78	Relative position of the gratification and discount groups.....	98
Figure 79	Summary of retail arbitrage actions and focus, by discount delay typologies	100
Figure 80	Classification of consumer, by their discount delay actions	100
Figure 81	Graphic representation of consumers, by their discount delay actions.....	101
Figure 82	Discount delay factors, by drivers of store usage and usage of technology when shopping in-store	102
Figure 83	In-store price premium and the percentage of customers attracted, by sector	104
Figure 84	Discount delay situation in the electrical retail sector	105
Figure 85	Discount delay situation in the household goods retail sector	106
Figure 86	Discount delay situation in the clothing and fashion accessories retail sector	107
Figure 87	Discount delay situation in the clothing and fashion accessories retail sector	108
Figure 88	Profile of mobile phone and computer ownership.....	109
Figure 89	Profile of the technology attitude groups.....	110
Figure 90	Home shopping behaviour groups, by items bought in the last six months	111
Figure 91	The demographic profile of home shopping behaviour groups	112
Figure 92	Shopper loyalty and technology attributes: electrical goods	113
Figure 93	Shopper loyalty and technology attributes: groceries.....	114
Figure 94	Shopper loyalty and technology attributes: household, DIY and general merchandise.....	115
Figure 95	Shopper loyalty and technology attributes: clothing and fashion items merchandise	116
Figure 96	Shopper loyalty and technology attributes: entertainment products like books and DVDs	117

Figure 97 Demographic profile of customer loyalty: electrical goods 118

Figure 98 Demographic profile of customer loyalty: clothing and fashion items..... 119

Figure 99 Demographic profile of customer loyalty: entertainment products 120

Figure 100 Demographic profile of customer loyalty: groceries 121

Figure 101 Demographic profile of customer loyalty: household, DIY and general merchandise 122

Figure 102 Online shopping behaviour, by use of price-comparison sites: groceries 123

Figure 103 Online shopping behaviour, by use of price-comparison sites: electricals..... 123

Figure 104 Online shopping behaviour, by use of price-comparison sites: household goods 124

Figure 105 Online shopping behaviour, by use of price-comparison sites: household goods 124

Figure 106 Online shopping behaviour, by use of price-comparison sites: entertainment products 125

Figure 107 Desired delivery times, by retailer loyalty: household goods..... 125

Figure 108 Desired delivery times, by retailer loyalty: groceries goods 126

Figure 109 Desired delivery times, by retailer loyalty: electrical goods 126

Figure 110 Desired delivery times, by retailer loyalty: clothing and fashion accessories 126

Figure 111 Desired delivery times, by retailer loyalty: entertainment products..... 127

Figure 112 How consumers return ordered items, by demographics and technology 128

Figure 113 Demographic and technological profile of the discount delay groups in the electrical goods sector 129

Figure 114 Demographic and technological profile of the discount delay groups in the household goods sector 130

Figure 115 Demographic and technological profile of the discount delay groups in the clothing sector 131

Figure 116 Demographic and technological profile of the discount delay groups in the entertainment goods sector 132

Figure 117 Shopping behaviour when buying electrical goods, by discount delay typologies..... 133

Figure 118 Shopping behaviour when buying household goods, by discount delay typologies 134

Figure 119 Shopping behaviour when buying clothing and fashion accessories, by discount delay typologies 135

Figure 120 Shopping behaviour when buying entertainment products, by discount delay typologies 136

Introduction & Scope

Report coverage

This report deals with three inter-related issues, which can be summarised as the impact of new technology on the retail industry, discount delay and rapid retailing. The aim of the report is to assess how new technology can play a role in helping retailers improve their profitability in a world where consumers often want instant gratification of their wants, but may be persuaded to delay gratification if the appropriate rewards are provided (e.g. lower prices). For example, is the growth of multichannel retailing and the impact of new technology altering customers' expectations of speed/tolerance of delay?

This report addresses a fundamental question: Can the bricks and mortar operations of retailers (and bricks and mortar-only retailers) compete against the online world by using in-store technology?

The notion of discount delay is bound up with a host of psychological, economic and sociological motivations and factors that collectively influence what can be called "the price of impulse". The price of impulse covers not just the final consumption of goods, but areas such as how quickly goods can be ordered, how quickly consumers can find information to make choices and how easily and quickly can goods be returned if required. This in turn feeds directly into the notion of rapid retailing – how quickly retailers satisfy their customers with data in the right place at the right time (e.g. making the consumer aware of relevant offers and enabling the consumer to buy at a time of their choosing (e.g. via a mobile, and having the goods available when required)).

For this report, YouGov SixthSense commissioned a survey among its online panel, drawing on a nationally representative sample of 1,957 UK adults aged 16+.

Over 50 questions were asked in total, covering the following topics:

- Ownership and attitudes towards new technology
- Online shopping activity over the past six months
- What factors lead to the choice of a retailer when shopping online
- Customer loyalty to a particular retailer
- Desired delivery times
- Attitudes towards website delays
- Used of mobile devices in-store
- Use of price-comparison websites
- How much money would a consumer need to save on a single item to walk out of one store and go to a nearby store that you knew had the same item at a cheaper price
- How much extra would a consumer be prepared to spend on products that are in stock and available to purchase immediately in a physical store if they knew they could get it at some point in the future by ordering it online and getting it delivered
- Use of in-store technology like self-scanning checkouts and contactless payments
- Attitudes towards receiving text and emails from retailers
- The factors that encourage a consumer to shop in a particular store
- Consumer actions if products have to be returned.

Definitions

The following location classifications are used in this report:

City Dwellers	Live in a large or small city
Suburbanites	Live in suburbs/outskirts of a city or town
Townies	Live in a town
Villagers	Live in small locations like a village, hamlet or other

Three forms of statistical analysis are used in this report, the definitions of which are provided below:

Correspondence analysis	A technique to explore data based on two-way and multi-way tables containing some measure of correspondence between the rows and columns. The analysis produces two dimensions (i.e. axis data) for both the row (e.g. age) and column data (e.g. ownership of smartphones) which can be plotted to show graphically the relationship between the row and column variables. The closer the variables are on the graphic, the more closely they are associated or correspond with each other.
Cluster analysis	Cluster analysis is a method for grouping consumers of a similar kind into respective categories. The technique sorts consumers into groups in a way that the degree of association between two consumers is maximised if they belong to the same group and minimised otherwise.
Factor analysis	Factor analysis reduces the number of variables in an analysis and provides information to assess the structure in the relationships between variables. For example, if consumers have indicated agreement with a list of 15 statements, factor analysis may be able to reduce this to five factors which are related in some way.

A full list of questions that were asked in the YouGov SixthSense survey is provided in the Appendix. Cross-tabulated results to these questions are available for subscribers to this report – please contact us on 020 7012 6063 if you would like detailed tables.

Report Summary

Online shopping ubiquitous

Around nine in ten consumers have purchased items via their computer at home or via a mobile digital device in the past six months. While using a computer is the default means of shopping online, using a mobile device is a much more niche activity.

Adults who are the most likely to own the latest tech and have the most positive attitudes towards modern technology – the Techno Junkies – are the most likely to have engaged in electronic retailing, especially when using a mobile device, while their mirror reflections – the Technophobes – are the least likely to shop electronically.

The purchases of books or DVDs and clothing/fashion items are the most common electronic retailing activities undertaken by consumers as a whole.

Modern smartphones and internet-enabled mobile devices are often used as adjuncts to normal in-store shopping, unlike computers which are more likely to be used as alternatives to a visit to a store. Retailers have an opportunity to utilise new mobile technologies to improve the in-store shopping experience and exploit the mobile's capabilities to cement customer loyalty and improve the in-store product browsing and ordering experience. The mobile must be seen as a device to enhance rather than compete with in-store shopping, especially in the areas of in-store product information, product browsing and rapid ordering.

A multichannel environment

The prevalence of online shopping shows that retailers have to compete in a multichannel environment, meaning consumer expectations of service, prices and delivery are based on being able to switch one channel for another as well as one shop for another. If one channel/store fails to live up to expectations, demand can be switched to another. This is especially so in non-grocery markets, where consumers are very willing to switch the source of purchase based purely on price, highly likely to use more than one retailer for purchases and likely to use a different retailer for electronic and bricks and mortar shopping.

The time versus money trade-off

Three types of consumer can be identified based on their loyalty to a particular retailer, their willingness to see an order through to completion and their requirements for lower prices versus a faster shopping experience:

Loyalists

These consumers are the most likely to stick to one retailer. These buyers tend to stay with a retailer even if the website or ordering experience is lacking in some degree. These consumers are not concerned with rapid retailing. Many grocery shoppers are loyalists.

Sticky Rebels

These adults are not loyal to a single retailer but do tend to see and remain with a retailer once they have chosen to shop with it, even if the website or ordering experience is poor or deficient in some way. These adults are very price-conscious, but like Loyalists, are less concerned with rapid retailing. These adults are found strongly in the groceries sectors and also make a large proportion of the customer base in the electrical sector. These adults are more focused on saving money rather than saving time when shopping.

Slippery Rebels

These adults are the least loyal to a particular retailer and also the most likely to abandon an order or change retailers if the website or ordering experience is poor. These are the hardest online buyers to please and are the most focused on rapid retailing. They are found in their highest concentration in the electrical/technology and household sectors. These adults are more focused on saving time when shopping rather than saving money (although they remain very price-sensitive). These adults are so slippery because they are willing to abandon a purchase in order to speed up the ordering or delivery process.

Retailer choice factors

When choosing a retail store to shop in, traditional retail skills like keeping a store well stocked, having knowledgeable staff and detailed product descriptions are more important than having technical capabilities. Having modern technology like Wi-Fi connections are of secondary importance to consumers. However, the existence of modern tech in-store is likely to grow in importance as more usage is made of the mobile device as a platform for e-retailing, in which case factors like free Wi-Fi, free mobile apps enabling product research and QR Codes will grow in importance.

Of particular relevance in the future will be the deployment of technology that will help the consumer find information on stocking levels in-store and offer product/purchasing advice and information, including detailed product descriptions. As mobile retailing rises in importance, increasingly this information can be delivered in-store or near store over the mobile device.

For mobiles to take off as a shopping platform there is a need to raise awareness of the ability to use a mobile device to support retail activities and a need for increased smartphone penetration.

When choosing which online website to use for shopping, consumers see price as the prime factor. Other factors that play a role are a wide range of products, good special offers and product quality.

In all product sectors, the ranking of the website choice factors is very similar, with the demand for cheapest prices at its strongest in the entertainment sector and the demand for product quality at its highest in the clothing and fashion accessories sector.

Grocery shopping is somewhat distinct from non-grocery shopping. Loyalty to retailers is much stronger in this sector than in the others and issues like delivery slot and familiarity with the retailer play more important roles in this sector than in the others.

Finding the best deal

Over six in ten consumers use price-comparison websites, especially when buying electrical, household and entertainment goods. Techno Junkies and the Sticky and Slippery Rebels tend to use such sites more than other consumers. It seems these sites result in retailer disloyalty, although it could also be that naturally disloyal consumers find these sites useful.

The use of price-comparison sites not only influences online shopping behaviour; the information they provide is also used to contrast and compare online prices with in-store prices and to set guide prices when shopping in-store. This is especially true of Slippery Rebels. In other words, these sites encourage store-by-store and store-by-online price and product comparisons.

Retail arbitrage: store versus store

With modern technology and price-comparison sites increasingly used, there is a danger that consumers can play one store off against another; that is, engage in a form of store versus store retail arbitrage. Store arbitrage takes place at a relatively small level of price differential between stores. A price differential of 9-10% between stores will prompt a shopper to switch from the higher-priced store to the lower-priced store when buying a product sold in both outlets. The average price differential is similar in all retail sectors, indicating that prices in any store cannot move far away from the price leader.

Adults who use price-comparison sites and are either Sticky or Slippery Rebels are prepared to leave one store and go to another at a lower price: it is these shoppers who are the most likely to engage in retail arbitrage, playing one store off against another.

Retail arbitrage: store versus online

Arbitrage takes place not only between stores but also between channels, specifically between in-store and online shopping.

When shopping online, consumers in general want instant gratification of their wants; that is, they prefer short delivery times, with the majority in all markets wanting delivery within two days of the orders, with same-day delivery popular in the grocery sector. Given the desire for instant gratification, can retailers compete against the online operator by offering faster, i.e. immediate, access to products?

On the surface, offering immediate access to goods, rather than having to wait for online delivery, is one way that retail stores could compete against online sites. Slippery Rebels, who are the most likely to demand rapid retailing, are the most likely to be willing to pay extra for a faster delivery time: it is to these consumers that any services guaranteeing shorter delivery dates will most likely appeal.

However, around 60-70% of adults, varying by market, are not prepared to pay any extra in order to get a product immediately rather than wait a few days for online delivery: the desire to get the cheapest prices overpowers any desire for instant gratification.

Moreover, most consumers seem willing to pay only up to 4% extra to get a product immediately in-store rather than waiting for online delivery, with the willingness to pay more at its highest in the clothing and fashion accessories sector. Therefore, bricks and mortar retailers are limited in their ability to charge extra for goods over and above the online prices, based on their ability to provide products immediately.

However, on a positive note, around one in three to one in four consumers might be tempted to switch an online order for a store visit, if the price is right. There is a clear trade-off between price and time. The higher the mark-up of in-store prices over online prices, the smaller the number of consumers attracted into retail stores in order to gain immediate access to products. This means stores have a choice to offer 30-40% of their customers a trade-off: instant gratification against money. Among these consumers, retailers can charge around 5-14% more for immediate access to goods, with the higher the margin over online, the smaller the percentage of consumers attracted. The precise percentages vary somewhat between product markets.

Arbitrage (discount delay) typologies

Based on the willingness to trade instant gratification for money and engage in between-store retail arbitrage, consumers can be segmented into four broad types

Pricematch Customers

These are the most price-sensitive of consumers. These adults will be the first to leave one store and go to another if they see they can save money. They generally will not abandon an online purchase in order to gain immediate access to goods in-store. This group buys primarily on price, with instant gratification a secondary issue: these adults trade instant gratification for lower prices, being above-average users of price-comparison websites. They make relatively heavy use of their mobiles to find information on prices and products and they tend to look for relative price information because they tend to use this as bargaining tools with stores. These consumers are the most likely to demand items in stock and to search for stock across rival retailers and they also want knowledgeable staff.

Captives

These are the most willing to trade an online purchase for an in-store purchase in order to get goods immediately and the least likely to switch between stores if price differentials exist: it takes a relatively big price differential for them to move from one store to another. Instant gratification is important for them, resulting in willingness to trade price savings for immediate access and a willingness to complete a purchase within one store rather than take time to visit another store that offers lower prices. Captives are interested in general product information to support a purchase and absolute prices, in other words information that helps confirm their decision to buy from a retailer.

Impatient Pricematchers

These are consumers who are willing to substitute an online purchase for an in-store one in order to get what they want immediately. However, when they visit the high street they are very price-sensitive and are willing to shop around and go to the store with the lowest prices.

Patient Captives

These are consumers who will not abandon an online shop in order to get an item immediately in-store, but equally, they are loath to leave one store for another offering lower prices, unless the price differential is large. These adults exhibit strong loyalty to both the website retailers and the bricks and mortar retailer. These adults are the least likely to engage in any form of retail arbitrage.

If retail stores are to compete against online by offering immediate access to goods, that appeal will go to the Captives and Impatient Pricematchers. These are the only consumers who are willing to trade money for instant gratification.

Fighting back against the price leader on online threat

To operate in an environment where retail arbitrage takes place, stores must make shopping more experiential, using modern technology to create an enjoyable informative in-store ambience. For example, one of the biggest requirements for consumers is for knowledgeable staff and product/stock information in-store. A simple way to improve the shopping experience (and cut staff costs) is to have stores fitted with Wi-Fi, enabling those with mobiles to have product specifications and data fed to them as and when they need it and not just as they enter the store but possibly as they approach a store or enter a shopping mall.

Moreover, Pricematch Customers are interested in relative prices and relative stock levels. One way to compete against the price leaders is to have excellent stock levels and possibly a selection of products that are not found in the price-leader stores. This implies leading-edge back-office IT systems and logistics and an ability to stock at short notice new products and to dispose of under-performing stock. A fast product rollover will keep the store fresh and limit the ability of Pricematchers to compare products like-for-like.

In addition, it may be necessary to use a selection of goods as loss leaders to attract Pricematchers into the store, making them aware of these products by text messaging, emails and placement on price-comparison websites. Time-limited deals will also tend to attract the Pricematchers, possibly offering “happy hours” where the store will match online prices for the hour in question.

Where a store’s prices are above those of local rivals, the ability to deliver at short notice might appeal to the Impatient Pricematchers, a competitive advantage most likely to apply to the sale of white goods, brown goods and groceries, which again suggests good local stock levels and logistics to fulfil orders at short notice.

It is important that stores can communicate their offers with shoppers when the shoppers are at home and as they are shopping. If stores are to use mobile and computer technology to communicate with customers before or as they shop, they must be careful to structure their communications carefully.

The overwhelming majority of adults do not want to be contacted by text, with nearly eight out of ten consumers expressing unhappiness about being texted. If consumers are to be texted, the communications must offer the consumer something which is highly tailored and relevant to them in the form of sales information, information on special offers or money-off vouchers. In other words, using mobiles as a communications medium is best for highly targeted and relevant promotions and offers, and offering restricted benefits like preferential store access. And this is true for both text messages and email messages, even though consumers are generally more willing to accept the receipt of emails.