Part II
Digital Business 2020: Getting there from here!

The First Word
Deconstructing the Digital Consumer
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Deconstructing the Digital Consumer
By Reshma Trenchil

As online commerce continues to grow apace, the digital consumer is becoming an increasingly complex entity, requiring a more nuanced understanding.

What drives the digital consumer? What does she look for when deciding to use a social or mobile channel to determine what to buy?

The answer: It depends!

Our recent survey of 1,458 digital consumers across the U.S. and Europe (see Appendices, page 13) reveals hidden nuances within established trends and shatters some myths associated with widespread assumptions.

Here are our insights to help consumer-facing companies transcend passive participation in the digital age and find more dynamic ways to grab the reins and control their fates.

The Lure of Shopping Online

Not surprisingly, consumers turn to online channels for time savings (80%), lower prices (56%) and convenience (65%).¹ Greater choices, the ability to see reviews from other shoppers and comparison shopping are among the other lures.

Now for the not-so-obvious findings:

- **Mobile devices still lag way behind:** The average digital shopper doesn’t come armed with a tablet. Desktops or laptops remain the preferred device for online shopping (80%). Smartphones (10%) and tablets (5%) are used far less than conventional devices.

- **The myth of the app:** Consumers prefer mobile browsers to apps (see Figure 1, next page). Their reasons range from being more comfortable with the website to a reluctance to download apps for occasional use. Apps don’t always work well or are unreliable, respondents report. Clearly, the hype around apps notwithstanding, consumer-facing companies should rethink their app investment strategies and whether this money might be better spent elsewhere.

Findings that reinforce the current understanding of digital customers include:

- **Search dominates:** Across all phases of the digital shopping journey, Internet search is the dominant digital channel, outstripping social media, news media, retailers’ websites, store displays and online advertising. Almost 70% of consumers start with a search engine to look for and eventually buy products online.

- **Shopping is social:** Aside from connecting with friends and family members, most digital consumers use social media to learn
about others’ experiences (51%) and about products or services (46%). A majority of digital consumers aged 18 to 44 follow brands and products on social media sites. About 35% actively share their experiences on social media, thus creating a cycle of sharing and buying.

**Brick-and-mortar still rules**: While they may spend hours on the Internet researching products and services, consumers still do most of their spending in-person (see Figure 2). Not surprisingly, payment security or the lack of it was cited as a major turnoff (77%) for shopping online.

### Digital Consumers Still Spend More In-Person

**Total amount spent on shopping last year**

Approximately 42% of consumers spent more than 500 dollars/euros at physical stores last year, while about 52% spent less than 50 dollars/euros on mobile shopping in that timeframe.

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online buying using mobile devices</td>
<td>Less than $50</td>
<td>$50-$100</td>
</tr>
<tr>
<td>Online buying using desktop/laptop</td>
<td>$101-$200</td>
<td>$201-$500</td>
</tr>
<tr>
<td>Buying in-stores</td>
<td>$50-$100</td>
<td>$201-$500</td>
</tr>
</tbody>
</table>

Response base: U.S. = 679; Europe = 736
Source: Cognizant Research Center
Figure 2
When it comes to high online spending per category ($500 or more annually), groceries, apparel and consumer electronics were among the top categories (see Figure 3, above). Increasingly, consumers are willing to forgo the ability to try on garments and physically select their own produce in favor of the convenience of buying online.

As a corollary, payment security and transaction cost (price plus shipping cost) are major factors influencing purchase decisions (see Figure 4, next page). Clearly, digital consumers are more apt to patronize a category or brand if they see a cost advantage.

Retaining Customers: Looking Beyond Millennials

Our study indicates that age, income and motivation for shopping online were the biggest predictors of what digital consumers seek from their shopping experience.

Consumers making less than $30,000 a year and those aged 35 to 45 whose prime motivation is cost-savings will seek the best deals, whether online or offline. Such consumers say they use their mobile devices in-store to compare prices and are drawn to coupons, free shipping and easy return policies. Discounts and promotional offers
are great ways to catch their attention. But a word of warning: They tend not to stay true to any particular channel unless there are loyalty points to be gained.

Consumers in the 25 to 34 age range tend to perform extensive online research on blogs and forums, and seek recommendations from family, friends and their large social networks. They are very comfortable with digital channels and use mobile apps and payments extensively. Reaching them through social media and highlighting payment security are effective approaches for gaining their business.

Consumers older than 55 tend to be wary of online transactions and sharing their credit card information. They also tend to be less tech-savvy and less comfortable browsing the Internet. The potential for digital converts is high in this group. Consumer-facing companies must emphasize payment security and ease of transaction, and should continue to reach out to this group through offline means.

Perhaps the most important consumers from the seller’s perspective are those who define themselves as advocates for or against a brand, product or service. They look for the best products and experiences rather than price and avidly follow brands on social media sites, make product suggestions and share their experiences. Consumer-facing companies can secure their loyalty by offering them a sense of involvement through e-mail notifications, seeking their input through online chats and discussions, and acknowledging their feedback.
Pitfalls to Avoid

Roughly 50% of digital consumers will abandon a transaction if their preferred payment option is not available. For U.S. consumers, credit cards and debit cards remain the favored payment options, with third-party platforms such as PayPal coming in as a close third. European consumers prefer online bank payments and payment gateways. PayPal is the overwhelming leader in the latter category.

Shipping costs tend to be a significant cause for consumer dissatisfaction (see Figure 5, above). Poor product quality is the second biggest consumer complaint.

Easy Wins

To translate digital consumer insights into action, we recommend that businesses consider the following:

- **Digital consumers use mobile devices for short and quick interactions.**
  Messages specifically designed for each digital channel will be the most effective, especially for smartphones.

- **Mobile apps need additional features,** such as store locators, deal finders or online-ordering links to make it worthwhile for consumers to download them.

- **Smartphone owners use their devices for price comparison while in the store.** As a result, retailers should aggressively use in-store technologies to track spending and enable product search, QR codes and payments.
Digital consumers often need help when purchasing online. Businesses should consider the potential of live-chat support to answer their questions in real-time.

Consumable products show weak browse-to-buy rates. Engage consumers with unique, interactive and targeted links, videos, newsletters, blog posts and website content.

Appendix A: Survey Demographics (U.S.)

Appendix B: Survey Demographics (Europe)
Footnotes

1 All percentages cited in the text have been rounded.

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