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IMPACT OF TECHNOLOGY ON RETAIL SPENDING EXECUTIVE SUMMARY

INTRODUCTION

In August 2006, ACA Research conducted a piece of consumer research on behalf of Fujitsu Australia. A total of 1,007 online surveys were completed using a permission-based email panel. The sample was constructed to ensure it was representative of the ABS population estimates for age, gender income and state.

The following executive summary gives an overview of one aspect of the research – the impact of technology on retail spending in Australia. Later this year, Fujitsu will be releasing the remainder of the research, which looked at areas including customer loyalty programs and drivers of customer loyalty.

We hope you find the following information insightful. If you would like to keep abreast of the follow-up research and the corresponding report, please email retail@au.fujitsu.com with your contact details and we will add you to our retail mailing list.



FOREWORD

Retailers are making ever increasing use of technology, resulting in increased productivity with on-going reduction in the cost of doing business. As vendors tune their offerings towards customer-facing technologies, so much more can be achieved. For example, the Australian Government's recent research into the manufacturing industry found that up to 85% of productivity growth can be attributed to technology projects.

The Australian Retailers Association recognises the value of technology to retailers, and has strengthened its services to members by offering objective and independent retail technology expertise as part of its business consulting services. We welcome independent research that quantitatively assesses the return on investment from technology projects.

Retailers understand that the use of innovative customer facing technology promises to extend the benefits of technology out to the consumer. Successful retailers are those who strive to improve the shopping experience for their customers, and this research confirms that it's not a case of a single solution fitting all segments, retailers, and consumers; here is direct evidence that consumers will react positively with their spending patterns when retailers invest in retail technology aimed at improving the level of services offered.

The ARA congratulates Fujitsu for having the insight to sponsor this Australian research, and for supporting innovation within retail.

David Edwards
Chief Executive Officer,
Australian Retailers Association



THE FINDINGS

In an extensive survey of consumer behaviour, recently undertaken by ACA Research on behalf of Fujitsu Australia, respondents indicated that the use of technology by a retailer to improve the overall shopping experience can have the effect of more than doubling spending over a year in that retailer's store.

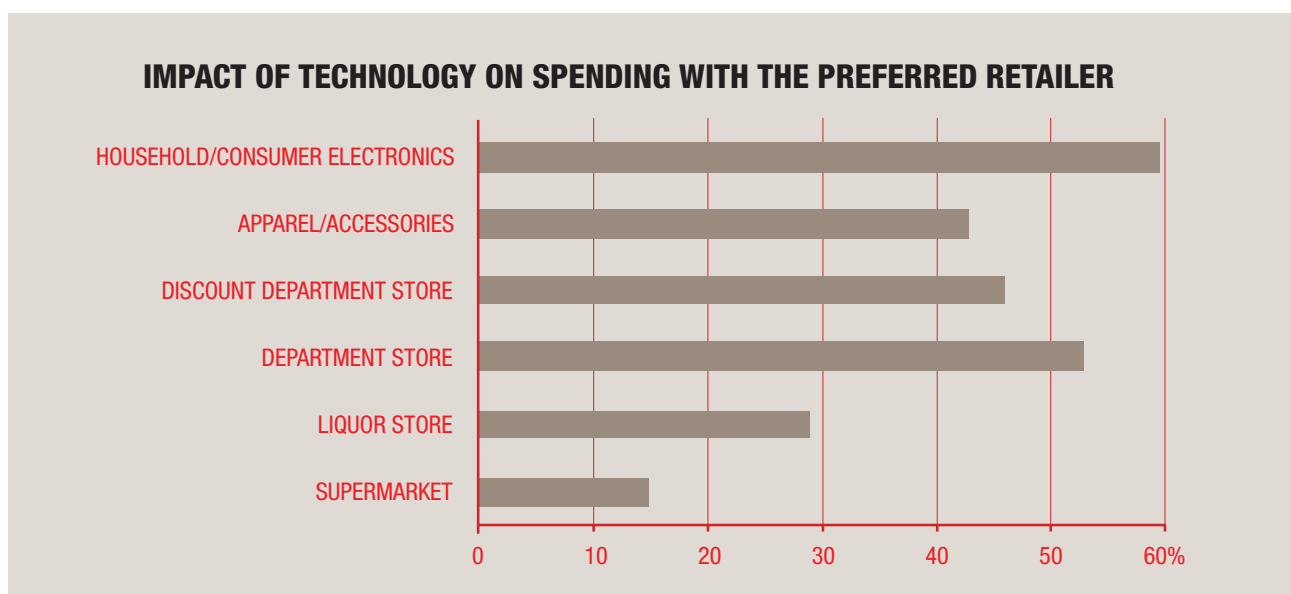
While the research indicated that interaction with friendly and helpful staff was the major determinant of an exceptional retail experience, using appropriate technology can improve that interaction and have a major impact on spending in a retail outlet.

In the survey of 1,007 consumers, respondents were asked if a retailer implemented specific technology would they be more likely to consider or recommend that particular retailer. They were also asked about the impact of technology on their intended spending with a particular retailer. Almost half of all respondents (47%) said that they would increase spending with a retailer, if

the retailer had invested in the latest smart technology, according to the survey findings. When the impact of technology on the amount of spending is taken into account, consumers indicated that, on average, overall spending would increase by 30%.

The survey looked at consumer behaviour across six types of retailers including supermarkets, liquor stores, department stores, discount department stores, apparel and accessories stores and household goods and consumer electronics stores.

As depicted in the table below, consumers that shopped in household goods and consumer electronics stores indicated an increased average spend of 60% within those stores that implemented their desired technologies. While the percentage increase in average spending in the liquor and supermarket segments was lower, sitting at 29% and 15% respectively, this segment represents the largest proportion of the total retail spend in dollar terms.



SUPERMARKETS

In supermarkets, information kiosks were chosen by the highest number of consumers (59%) as the technology that would most likely influence their choice of retailer or recommendation. Useful information on products, product locations and pricing/specials, that make it easier for consumers to shop and find the products of their choice, is the key driver behind this choice of technology.

Information kiosks were followed closely by “smart trolley” or handheld PDA technology, which were chosen by 56% of respondents. These findings suggest that consumers want more self-service capability from their supermarket shopping experience as well as the information they need to make their shopping experience easier. Smart-trolley technology also enables retailers to make customers personalised offers, based on their shopping history, as they pass particular products in the shopping aisles. For example a shopper that normally buys Coca Cola could have a tailored Pepsi promotion message directed to their smart trolley or PDA in the soft drink aisle as they approach the Pepsi range. Similarly, it may be possible to target regular customers with volume-driven promotions rewarding loyalty, for example buy-one-get-one-free type promotions.

The third most popular choice of technology in supermarkets was self-service check-outs (51%). Again, in keeping with the self-service environment in supermarkets, shoppers are looking for self-service check-outs to reduce check-out queues and allow them to get out of the stores quickly and easily.

In our research, consumers indicated that if a supermarket implemented these types of technology they were on average likely to increase their annual spend, at that supermarket, by 15%.

LIQUOR STORES

Similarly to supermarkets, liquor retailers would benefit from the implementation of information kiosks that make shopping easier by providing information on products, such as tasting notes and matching wines with meals. Kiosks can also provide information on pricing and specials by category of product, making it easy for consumers to find a wine that would meet their needs and price-point, as well as where to find that product in the store. 61% of shoppers would be more likely to consider shopping with a liquor retailer who had implemented their desired technologies, with an impact of increasing basket size by 29% in that store.

With product locations and promotions changing all the time, the challenge to liquor retailers is keeping a network of these kiosks up-to-date with current specials and product locations. Kiosks that provide static information that is not current or relevant quickly become redundant.

Smart trolleys, or handheld PDAs, also provide useful information to make a customer’s liquor store shopping experience easier. Smart trolleys were favoured by 62% of liquor store consumers, as opposed to 56% of supermarket shoppers. This would suggest that shoppers in liquor outlets are hungrier for information on products, pricing and specials as they shop, than those in any other retail segment.

Compared to supermarkets, more liquor store shoppers wanted customer loyalty cards that allowed them to take advantage of personalised offers and promotions. 57% of respondents said they would choose or recommend a liquor store that had a customer loyalty program, compared to 49% for supermarket customer loyalty cards.

TRADITIONAL AND DISCOUNT DEPARTMENT STORES

Department store shoppers are also looking for more information to be delivered by technology to improve their shopping experience, with 67% acknowledging in-store information kiosks and 65% the retailer's internet site, as important technologies. In department stores, such technology would be seen as an aid to having helpful and informed sales staff.

These results are interesting considering the move away from the internet by the traditional department stores. The major department stores limit their internet product exposure to an electronic version of their current catalogue. Also in-store kiosks are usually little more than a directory of department locations in the store, definitely not compelling for most regular department store shoppers, according to our survey.

Shoppers at discount department stores want very similar technologies to those they want implemented at department stores, with both kiosks and internet sites considered important; however in discount department stores the internet was seen as slightly more important as more consumers (67%) look at the internet to research product offerings, pricing and promotions.

Both traditional and discount department store shoppers consider digital multi-media as important (51% and 53% respectively). To be relevant to department store shoppers, digital multi-media must be constantly updated with relevant information and promotional offers. Using the right mix of technology can contribute an additional 53% per annum to the average consumer spend at a chosen department store, according to the research.

APPAREL AND ACCESSORIES RETAILERS

Unlike all the other segments, the technology most often chosen by apparel and accessories shoppers was the customer loyalty card (59%). Shoppers within this retail segment felt that the card offered value when linked to past purchases allowing for personalised special offers and recommended products. Overall the majority of consumers felt traditional customer loyalty cards offered little value unless they were linked to special offers, discounts or free products.

Consumers in this segment also felt the retailer's internet site being easy to use to research and purchase products was important. This was chosen by 55% of consumers compared to 59% who chose the customer loyalty card. However consumers in this segment still preferred the personal touch with friendly sales staff the most important factor in ensuring a good shopping experience – interestingly ranking this above having the products/brands in stock. Even so, having the right technology (customer card and internet site) in this segment would still raise the annual spend by a healthy 43%.



HOUSEHOLD/CONSUMER ELECTRONIC RETAILERS

Unsurprisingly, the retailer's internet site being easy to use to research and purchase products was considered the most important technology, chosen by 62% of consumers in the household/consumer electronic segment. This retail segment, with its frequent introduction of new consumer electronics (such as computers, flat screen TVs, digital cameras) requires that retailers provide detailed technical information and specifications allowing consumers to undertake extensive pre-purchase research and product comparison. Usually this would still be followed by a visit to the store to purchase the product and having knowledgeable, informed sales staff in the store was also considered crucial to ensuring a good shopping experience.

The second ranked technology in this retail segment was the in-store information kiosk, which again allows consumers the ability to research and compare product information in-store. Kiosks were chosen by 54% of consumers in this segment followed by 41% of consumers who chose customer loyalty cards. Detailed product information, informed sales staff and products/brands in stock were considered the three most important factors that consumers in this segment nominated would ensure a good shopping experience.

Providing consumers with these technologies would have the greatest impact on spending across all segments, with a massive 60% increase in their annual spending.

IN CONCLUSION

Consumers today are looking to retailers to provide an easier and more enjoyable shopping experience and invest in the appropriate technology to make that possible. Smart retailers will utilise the correct technology for their particular market segment, understanding what their customers want, as clearly one size or type of technology does not fit all. Shoppers in supermarkets have very different technology needs to those in consumer electronics stores. Supermarket customers want help in finding products offering the best value, quickly and are looking to get out of the store as fast as possible. A shopper in a consumer electronics store, on the other hand, is looking for retailers to provide technology that provides product information allowing them to research and make an informed choice. This research demonstrates that choosing the right technology will increase consumer spending ensuring the investment is worthwhile.





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