Trends in Retail Pricing: A Consumer Perspective

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Trends in Retail Pricing: A Consumer Perspective

The Global Financial Crisis (GFC) has brought about considerable change in consumer behaviour, from increased price sensitivity to the use of price comparison websites. This paper goes beyond the surface and identifies ten consumer behavioural patterns that are occurring now and moving into the future. The pattern of trends, which will impact upon branding to strategy, are; mobile living, price sensitivity, gamification of price, pricing inefficiency, big data and promotions, concierge living, is loyalty dead, discounting forever, managing complexity, and choice and maximising behaviour. Each pattern of behaviour is robustly explained and supported by empirical evidence provided by the Future Foundation. The paper concludes with four predictions which the patterns are driving, namely; loyalty, temporary permanence, deals, and value.

Key words; retail, prediction, future, pricing, consumer behaviour, price sensitivity

Trends in Retail Pricing: A Consumer Perspective

What the Global Financial Crisis did to Consumer behaviour

Lord and Yeoman (2012) argue that in most developed economies pre-Global Financial Crisis (GFC) the pre-recession consumer behaviour was the product of 15 years of uninterrupted prosperity, driven by growth in real levels of disposal incomes, low inflation, stable employment, and booming property prices. Therefore, new consumer appetites emerged in which a shopper could afford to be curious about gadgets and technology, in which consumers shelled out for exotic handbags or designer jeans. The GFC changed that, propelling trends into slowdown, halting or even reversing the trajectory of growth in consumerism. So, is this a sample of the future, the era of the pension crisis, scarcity of oil, inflation, and falling levels of disposal income in which retail expenditure falls year by year?

For large numbers of consumer across the globe, the GFC made price even more important. The majority of global consumers shop around extensively to get the best deals and over half of global internet users consult price comparison websites online according to research by the Future Foundation (Future Foundation, 2012). In the 2010s decade, searching for deals, discounts, and promotions when shopping is a default behaviour and this inevitably has implications on how consumers plan and see promotion and purchase. Even in the more buoyant emerging markets, consumers see appeal in adopting a value-hunting approach to shopping and obtaining maximum value for money will become a key concern. This research paper evaluates the changing retail scene and examines retail pricing trends, identifying ten patterns of consumer behaviour.

The Future Retail Sector

The high street and retail environment is changing as a consequence of predominately the internet (Future Foundation, 2013) thus bricks-and-mortar retail locations will place an increasing focus on experiences - providing the shopper with tactile, sensory, playful, and unique encounters which simply cannot be replicated online. Technology will enrich so many of our day-to-day retail moments, with smartphones in particular becoming indispensable in-pocket shop assistants which help us to navigate stores, gather offers, manipulate prices, and augment the shopping experience. By the start of the next decade, online retailers will be capturing much more of our attention (and spend). But there will remain certain occasions when shoppers actively want to visit the high street, as well as times when the need to purchase and own is so instantaneous that physical retail outlets are the only viable option. Brands will be under pressure, especially as *smart* technology makes it ever easier to locate a better deal and / or inform any retail decision in any sector. Some brands, especially those offering low value fast moving consumer goods (FMCG) will continue to derive market place

advantage by operating on a no-thrill, maximum-value proposition. The advancement of technology will be even more important for some shoppers who will eschew all technological advances and revel in more traditional advances. However, the corner shop will not be disappearing as convenience shopping is part of everyday life.

Why the Shopper Has Not Returned to Pre Global Financial Behaviours?

Rising income, (and the wealth improvement connected with it), has been the driving agent of modern society - a key indicator of societal success and responsible for the empowerment of consumers in relation to companies, brands, and governments (Yeoman, 2012). Increased personal prosperity creates an emboldened consumer-citizen, a more demanding, sophisticated and informed actor with intensified expectations of, for instance, quality innovation and premium choices in every market; of efficient and ever-personalised customer service; of visible corporate commitment to tackling the environmental and ethical problems of the day. Following the GFC, one might have anticipated a rebalancing of power within the consumer-company relationship as consumers in several developed markets witnessed marked declines in both spending power and in the value of key symbols of personal wealth. However, the material and psychological shock of *affluence-interruption* has paradoxically emboldened consumers further. It is a more considered - but no less demanding - approach to consumption that now characterises the behaviour of many in, say, Europe and the US as meticulous and waste-conscious, with household budgeting, deal-hunting, product/price comparison, and a focus on value-for-money becoming the norm. For the retail sector delivering quality, affordability, and relentless product/service innovation and allusions have all changed the consumer's perception and behaviours relating to price.

Patterns of Behaviour

Understanding the future has many dimensions as Bergman *et al* (2010) observe, whether claiming the future is true or providing an explanation of the future. Here, in this paper, the authors are claiming a truthful explanation of the future through an insight or explanation of shopper trends. Patterns of behaviour are drawn from the Future Foundation's *nVision* survey, a survey representing over 80% of world Gross Domestic product (GDP) in 24 countries with a sample size of 1,000 per market; except US (5,000), China and India (2,000), and the United Kingdom (11,000). Data is weighted to be nationally representative on age, gender, and region with some markets weighted towards more urban centres. As a consequence, a future pattern of behaviours is precise, accurate, and normative explicitly claiming the truth through rational explanation. This prediction is insightful which will be 'surprise free', 'most probable', and 'actual'.

Pattern One: Mobile Living
As figure 1 suggests, soaring rates of smartphone ownership will see the global shopper becoming better equipped to chase value right up until the moment of purchase. By simply swiping their finger or synching with a smart code while in-store, shoppers will know instantly whether a better price

awaits around the corner or online. Against such a background, price comparison will become an ever easier affair and an automatic - even unconscious - part of the purchasing process. As mobiles become a payment device in their own right, more offers will be tailored to carry appeal based on the individual's preferences and previous purchase behaviours.

Comparing prices via mobile internet -
trend and forecast

"Which of the following, if any, have you done on the internet in the last 6 months? **Compared/looked up prices for any product or service / used a price comparison web site**" | Via mobile phone or smartphone | May 2013 nVision forecast
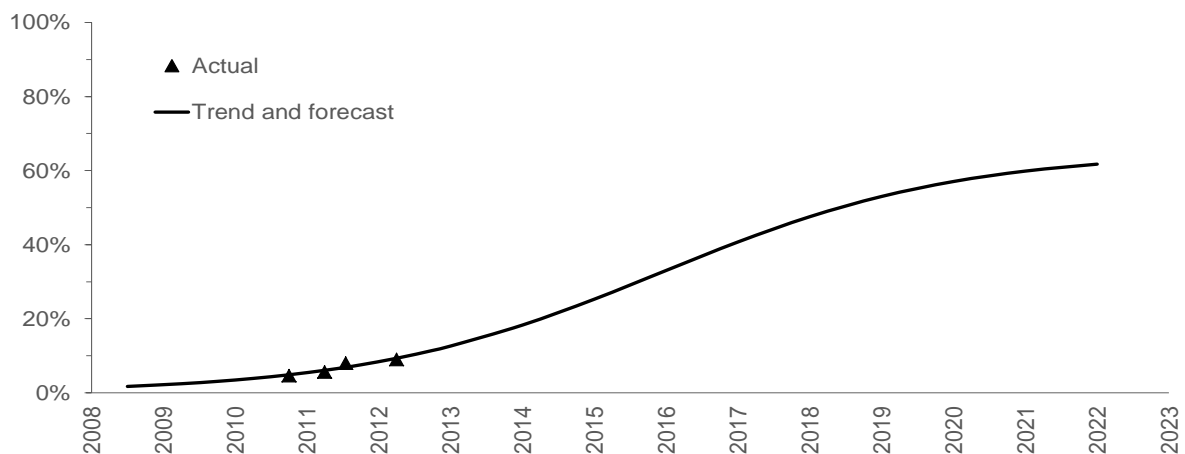
Source: nVision Research | Base: all individuals aged 16+, GB, 2013

Figure 1: Mobile living forecast (Source: Future Foundation)

Why?

According to International Telecommunications Union (2010, quoted in Watson *et al*, 2013) access to mobile networks is available to 90% of the world's population. With this level of availability, unsurprisingly, there has been seen a worldwide explosion in the use of handheld electronic communication devices such as mobile phones, digital music players, and handheld Internet access devices, and additionally a huge growth of subscription services offered through these devices (Shankar *et al*, 2010); as a consequence the movement towards a mobile lifestyle.

Today handheld Internet access devices are often referred to as Mobile Internet Devices (MID's) which include smartphones, phablets, and tablets. It is estimated that 80% of the computing devices sold worldwide are MID's (IDC 2013, quoted in Spaid and Flint, 2014) and that the increase in Internet usage through MID's already surpasses Internet usage through personal computers (Meeker and Wu, 2013, quoted in Spaid and Flint, 2014). The emergence of the smartphone has also allowed development and use of mobile software applications, providing even greater access to services anytime and anywhere (Okazaki and Mendez, 2013).

While smartphone ownership has now exceeded 40% of the mobile phone market in many industrialised countries, for example Australia, the Netherlands, UK, and New Zealand (Okazaki and Mendez, 2013), it was noted by Euromonitor International (2015), that consumer expectations of

closer online/offline worlds and 'mobile cocooning' also broadens their consumption needs, such as, a preference for larger screens on their portable devices, hence the increase in tablet computers too. These hardware innovations are not only driving change at a societal level but are also making fundamental changes to the lives of consumers as they integrate and bond with their devices (Spaid and Flint, 2014).

Pattern Two: Increased Price Sensitivity

Proportion of adults aged 16-64 who have compared prices online

"Which of the following, if any, have you done on the Internet in the last 6 months? Compared/looked up prices for any product or service / used a price comparison web site" | Via laptop/desktop/netbook, mobile phone or tablet PC | 2012
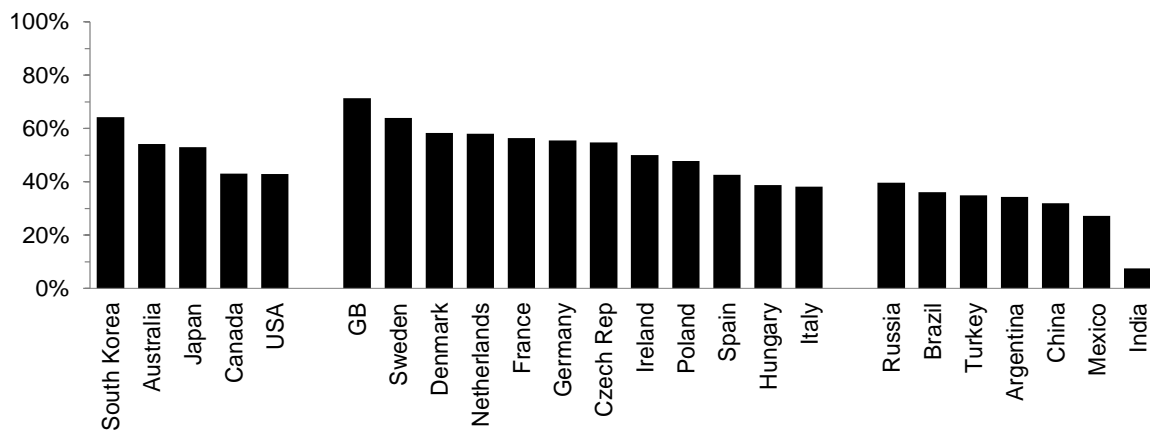
Source: nVision Research | Base: all consumers aged 16-64 (Mexico 16-54), 2012

Figure 2: Price Comparison (Source: Future Foundation)

As figure 2 states, the vast majority of consumers are using price comparison as a matter of course, whatever their nationality. Inevitably, a more mobile society will provide momentum for prices which are time- or location-specific - with deals which are valid only under certain conditions being delivered straight to the shopper's mobile or other portable device.   In a sense, this will satisfy both parties: shoppers will still be able to access the discounts they crave, while brands will be able to offer reductions which are tailored to certain circumstances and which do not impact the generally available headline Recommended Retail Pricing (RRP). Pricing will thus get much more opportunistic and much more conditional as the 2010s unfold. For example, *Meat Pack's* "Hijack" campaign in Guatemala using Global Positioning System (GPS), the brand detected when consumers at the mall were browsing in the store of a competitor and offered them a coupon of 99% at Meat Pack - with the value of the discount decreasing by 1% for each second that passed (see http://www.google.com/think/campaigns/meat-pack-hijack.html).

Why?

There is little doubt since the beginning of the GFC (2007) the world economy has been in varying degrees of recession (OECD, 2015; Office of National Statistics, 2008, 2014, 2015). As a consequence of economic downturns disposable household income has been compromised, and as noted by Valášková and Klieštik (2015) where 'consumer spending is often cited as a key driver for growth and economic integration 'that 'during the periods of recession, disposable income is reduced and consumer confidence usually falls'. This is supported by the Office of National Statistics (UK, 2014, 2015) in that despite a downturn in real wages in the UK (and therefore reflective of household income), household spending has been a strong driver of GDP growth since mid 2014 as the consumer has increased confidence in the UK economy .

Conversely, OECD data (2015), with respect to OECD countries in particular, has shown that the growth in household disposable income has on average outpaced the rise in GPD since the start of the GFC. This has been moderated somewhat by the chief statistician at the OECD, Martine Durand, where she notes that while there is divergent purchasing power across countries, and a number are still well below pre-2007 levels, actually since 2010, GDP has outpaced household income growth in most OECD countries, which infers that consumers in many OECD countries have increasing confidence in their economies.

Financial vulnerability is accessed by indicators such as, disposable income, consumer spending and confidence, and savings and indebtedness rates. Since 2007 and beyond, the turbulence of the economic environment has seen a change in consumer's sensitivity to price and generally in their shopping behaviours in order to simplify the overwhelming profusion of choice and to pursue the greatest value with the help of advisers (Harvard Business Review, 2009). A recent study by PriceWaterHouseCoopers, (2010, quoted in Spaid and Flint, 2014) show two new behavioural trends in particular; consumers are looking to find the 'best deal' (buying products at discount), and also limiting behaviours where consumers are focusing on 'needs over wants'. Euromonitor International (2014, 2015) and the Harvard Business Review (2009) further corroborate the needs over wants behaviour. Their research has found that consumers post-recessionary are generally more cautious spenders and in order to deal with 'the shock of living in a recession' they have developed coping strategies to modify their buying, and adaptive behaviours such as, thrift shopping and collaborative consumption. These limiting behaviours are even being carried out by those who do not need to economise, those in pursuit of a more wholesome and less wasteful life (Harvard Business Review, 2009), as well as emerging market consumers who have too become more price sensitive and cautious as economic confidence fluctuates (Euromonitor International, 2014).

Consumer behaviours, mind-sets, and trends acquired in times of recession, appear to continue into post-recession (Euromonitor International, 2014; Flatters and Willmott, 2009; Valášková and Klieštik, 2015; Lord and Yeoman, 2012). The unwillingness to pay full price (Yeoman, 2012), to seek out the best offers (Valášková and Klieštik, 2015), the shift of preferences based on perceived value (Bohlen, Carlotti and Mihas, 2009), the perception of hedonic versus utilitarian necessity (Wakefield and Inman, 2003) and an increase in the use of technology for shopping and social management (Spaid and Flint, 2014) are examples of behaviours, mind-sets, and trends that have influenced consumers price sensitivity to the retail landscape.

As noted by Lord and Yeoman (2012) price is no longer fixed, 'it is something to be manipulated, played with and ultimately challenged'. This concept of flexibility of price has been fuelled not only by the new economic environment we live in but also by the readiness of consumers to adopt mobile internet devices and software applications; tools that consumers now use extensively in their shopping experience to provide both time and dollar savings (PriceWaterHouseCoopers, 2010; quoted in Spaid and Flint, 2014). Essentially consumers will no longer accept a price on face value, smart shopping is here to stay as people increasingly look for bargains and are not prepared to pay the full price in any market (Valáškova and Klieštik, 2015; Lord and Yeoman, 2012).

Price and product comparisons will be made to validate achievement of the best deal, and confidence and certainty of the purchase will be sought from social media and friends, allegiance to brands or products which meet current needs, will be just as quickly abandoned if there is a better alternative (Flatters and Willmott, 2009), and utilitarian or hedonic needs, underpinned by the individual and consumption occasion or social context, will fluctuate (Wakefield and Inman, 2003). Basically Munroe's (1973) definition of price sensitivity, 'the extent to which individuals perceive and respond to changes or differences in prices, products or services' (quoted in Wakefield and Inman, 2003), is being well tested in today's retail environment.

Pattern Three: The Emergence of Gamification of Price

To appeal to the retail shopper who is technological informed more meaningful forms of engagement will occur, in which the *Gamification of Price* trend will increase. As consumers realise their increasing ability to monitor prices and promotions in real-time and continue to sustain acute price sensitivity across all their purchasing portfolios, along with the trend towards 'deals', retail providers have started to *gamification* - the application of game design mechanics in arenas outside of gaming - to increase shopper engagement. This is a world where prices are no longer fixed but are to be tactically negotiated, artfully manipulated; they can even become the subject of anticipative bets from which the best deal or discount is awarded only to those who earn it through clever or diligent play. The *Price Gamification* trend carries fascinating implications for the whole business of distribution and exchange and for how consumers will pursue and define value and how brands will maximise the value of pre-sale conversations with customers.

Retailers have begun to infuse game-like elements into their price strategies to leverage consumers' interest in *playing with price*. Brands are letting consumers negotiate around the RRP by allowing the age-old game of haggling - but in innovative 21st century ways. Elsewhere, consumers are simply given the power to name or bid for their price. The *Gamification* trend include *Netotiate* (http://www.netotiate.com/) which a site positioned for the "typical American shopperlikes deals, but doesn't like the discomfort of haggling". Consumers are invited to decide how much they are willing to pay for various items being offered by partnering retailers and then "make a binding, anonymous offer to the merchant". The *BandCamp* (http://bandcamp.com/) website provides a space where musicians can stream their albums, extended play recordings and tracks. Musicians have the option to allow consumers to nominate their own price to purchase their music, if they so wish, after listening to the freely available streams. The site claims that "On name-your-price albums, fans pay an average of 50% more than whatever you set as your minimum".

Some brands are using social networks to incorporate an element of play within their pricing strategies and to enable consumers to feel they are themselves manipulating deals and being rewarded for their engagement. Discounts are earned by tweeting, making a status update or checking-in. Prices also changes according to how many users are connecting with the offer - the more people who play, the better the promotion. And as shoppers are increasingly connecting to their networks on-the-go, will the opportunity to play for the price you want to pay soon accompany all purchasing occasions? Why not? For example, the Swedish supermarket *ICA Vanadis* (http://www.ica.se/) offered specific discounts on a weekly basis to customers who checked-in their location on Facebook while visiting a Stockholm branch of the store. The more people who checked-in the greater the discount became.

The *Gamification of Price* trend will also influence retail environments across the globe. Playful interaction will be used to engage, entertain, and create closer bonds with shoppers in conventional retail spaces as well as online and on mobile platforms. Playful experiences which lead to deal-making, price morphing or points accumulation will become part of the shopping journey. Location-sensitive technologies will be used to entice consumers to take part in unique mobile gaming opportunities to win price based discounts while on-the-go. So, imagine in the future a shopper walking through the mall, shoppers will be sent invitations to take part in challenges to win time-limited discounts or to accrue more game-based loyalty points. Some will be games of chance and some will be games of skill. Price becomes a challenge to one's shopper savviness.

Why?

Technology plays such an important part in today's society that the word gamification has crept into our business vocabulary. Gamification is the process of adding mechanics to processes, programs, and platforms that wouldn't traditionally use such concepts (Swan, 2012). As Insley and Nunan (2014) highlight, gamification in the retail sector is changing the whole concept of being online from co-creation and new experience. Retailers have begun to enhance online experience through game mechanics to online shopping as gamification (Insley & Nunan, 2014). For example, popular websites such as, www.facebook.com or www.instagram.com all incorporate game elements to engage with customers through reward mechanisms or online shopping as an entertainment activity. The use of gamification in marketing has been driven by the observation that games engage people, and that this engagement is sustained over a period of time. According to Insley and Nunan (2014) a number of authors have considered the potential benefits that gamification could bring to business processes pondering what if you could reverse engineer what makes games effective and graft it into a business environment. Insley and Nunan (2014, p.349) state:

'behaviour by online shoppers creates challenges for retailers still basing their online pricing and promotional decision on an assumption of information asymmetry between themselves and consumers. When comparing prices and special offers between different types of retailers some consumers in this study not only sought out information on different prices, but have found a way of making such information seeking a type of entertainment. Similarly, this study highlights the challenges of assuming that online retailing is overly analogous with its offline counterpart. For example, the role of the online shopping cart as an organisational tool used to help compare prices rather than as a means of storing goods before purchase has potentially significant implications for retailers.'

Gamification and pricing add a sense of self-control over purchases as online shoppers gain a feeling of the right purchase at the right time, all of which is the essence of Revenue Management. (Yeoman, 2014; Zichermann and Cunningham, 2011) From a pricing perspective, gamification allows retailers to experiment and engage. Price has never been fixed in the realms of Revenue Management and now with gamification it is spreading to new industries as consumers anticipate, negotiate, and manipulate price.

Pattern Four: The End of Pricing Inefficiency

In the early 2010s, the emergence of intelligent, data-mining systems and algorithms which can make informed, accurate, and optimised choices for the shopper, as figure 3 suggests, consumers are interested in pricing services that would benefit them (Vinod, 2013). By analysing personal information in ways that no individual could or would want to replicate, services are appearing that can relay advice on the best moment to purchase a deal, the most competitive or value-laden brand or offer in any given marketplace, the perfect evening meal to suit our new personal training regime As the decade progresses it is anticipated that the processes involved will become more automated - with algorithms having absolute discretion to act on our behalf, automatically switching us between suppliers or communicating with - and controlling - domestic appliances to obtain the best possible value for money. For, ultimately, it is personal involvement which has the potential to introduce inefficiency into everyday life; what is anticipated in the *End of Inefficiency* is the mainstreaming of *choice-taking* services that will automate many of the purchases that today require shoppers' focused (and often imperfect), attention. Naturally, there are barriers of trust to be overcome before such a scenario occurs and there will always be some sectors and contexts in which individuals want to retain control. One obvious consequence will be an intense focus on value-for-money and a pro-active type of price comparison carried out by brands themselves.

Interest in a service that automatically switched one's household utility supplier

"How interested would you be in the following services? A service which automatically switched your household utility supplier so that you always got the cheapest tariffs" | 2012
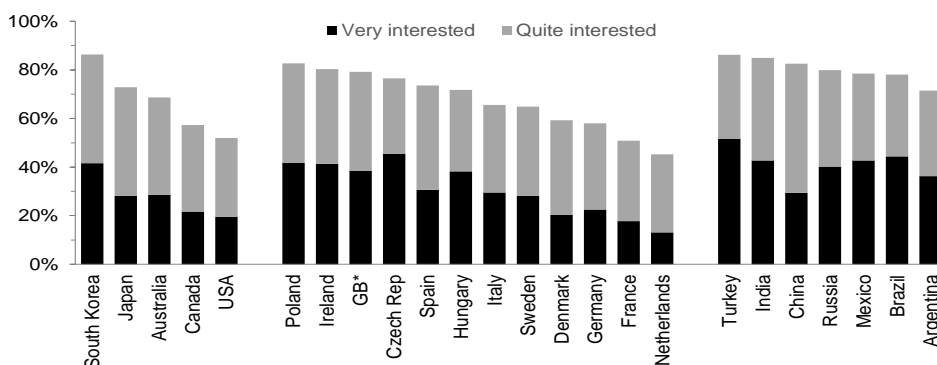
Source: nVision Research | Base: 1,000-5,000 online respondents per country aged 16-64 (Mexico 16-54), 2012

Figure 3: Interest utility pricing service (Source: Future Foundation 2012)

Why?

Big data analytics has become big business. Simply put, it analyses large amounts of data using specialised software tools and applications for predictive analytics, data mining, text mining, forecasting, and data optimization. The data is collected from a variety of sources such as; the web site, online and offline sales, the customer contact centre, social media, and mobile data. This data is used to look for hidden patterns, predict future outcomes and trends, provide scenarios and risk assessments (Beal, 2015). According to Dan Berthiaume, Senior Editor of Chain Store Age (quoted in VendHQ, 2015), the biggest upcoming offering from big data analytics providers during 2015 will be the ability to do analysis of granular segments of big data in near or actual real time. He suggests for physical stores this will bring the retailer closer to providing true one to one personalisation where the customer has a completely tailored shopping experience.

Analysis of data for the purpose of organising and naturalising information gathering about customers has been used widely in the retail industry since the 19th century (Turow *et al*, 2015). Until the 1980s customers were seen through a broad demographic lens, but as we progress through the 21st century sophisticated technologies and the ability to analyse big data has seen a transition to monitoring customers as individuals, customers who willingly (or unwillingly) give off streams of data, often in real time, and effectively 'submit to tracking and data mining regimes in exchange for personalised attention and offers realised through repetitive purchases' (Turow *et al*, 2015). While online retailers were very quick to realise the value of predictive analytics in the selling arena and its usefulness in the personalisation of an offer, physical stores took a little longer. However many physical stores have now migrated into the digital world and are developing capabilities to integrate data mining and surveillance in their physical stores in order to mimic a websites' ability to follow customers and tailor offers (Turow *et al*, 2015).

As one of the main objectives of online and offline retailers is to 'construct' their 21st century customer (Turow *et al*, 2015), physical stores have had to become physical websites (Shaw, 2014). Customer shopping behaviours have been tracked since the 1990s using the results of point of sale data, but there is now increasing interest in finding out the customer's actual shopping process, to ascertain for example, which product zones in the store they visit or how long they thought about a particular purchase. This can now be achieved, in combination with the points of sale data with the likes of shopping path data which tracks customer movements through the store using RFID data and eye tracking data (Nakahara and Yada, 2012). Store fronts are becoming digitalised in order to generate data about where individuals go and what they buy, and how firms define them. Facilitated through the smartphone, and its 'default setting' which sends out a steady stream of location data to centralised servers (Mims, 2012), stores which already hold history about a customer are using geo-fencing to send discounts as the shopper approaches the store, 'greeters' are being used to identify the shopper as they enter the store to suggest buying offers based on their past purchases, and via smartphone apps offers are being made on their mobile phone as they transition through the store. Shoppers are being encouraged to have receipts emailed and to pay using mobile devices. This digital interaction with the customer provides the retailer with more and more knowledge of the customers identity – 'and to connect the shoppers offline shopping life with his or her online identity' (Turow *et al*, 2015).

Pattern Five: A World of Big Data, Big Promotions

There can be little doubt that, as the next decade progresses, more of our personal data will be analysed by brands looking to understand customer behaviour at a highly intimate level - and then target offers, deals and rewards accordingly (Vinod, 2013). While much of this activity will be carried out behind-the-scenes, there are more opportunities for consumers to actively trade their data in return for better deals for which consumers are willing to do (see figure 4). Data becomes a currency in its own right.

Exchanging information for discounts

"I would consider giving companies access to information about my past purchases in exchange for discounts on products / services" | 2013
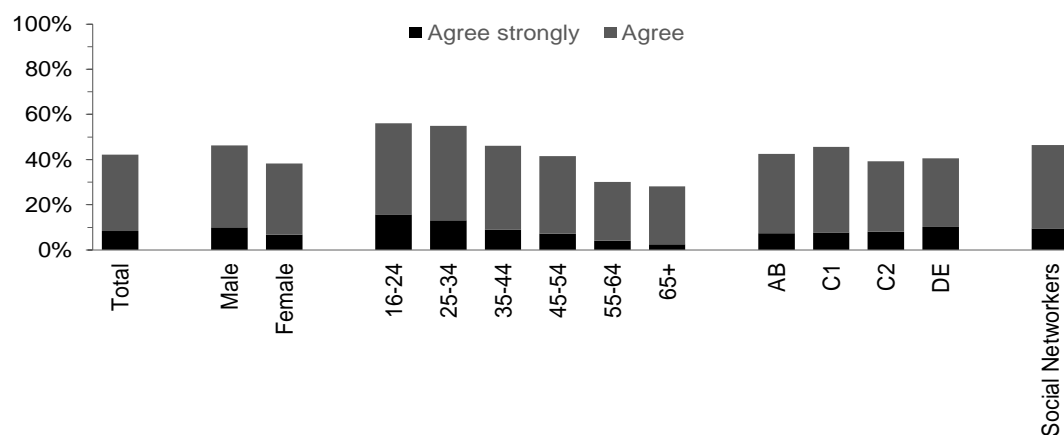
Source: nVision Research | Base: 5,000 online respondents aged 16+, GB, 2013

Figure 4: Exchange information for discounts (Source: Future Foundation)

Manifestations of this trend include online literature recommendation service *BookRx* (http://books.knightlab.com/). It suggests a broad range of book titles to users based on their Twitter stream - looking at which words, hashtags and @s they have been using most frequently. Whereas the British credit card *Barclaycard* announced that its existing Freedom loyalty scheme was to be replaced with Bespoke Offers (https://www.bespokeoffers.co.uk/) - calling it a "digital offers service". Bespoke Offers is open to everyone - not just existing Barclaycard customers - and allows participating merchants to create offers using "insight into shopper spending behaviour", thereby ensuring that promotions are targeted at those likely to be interested. Those consumers wanting to use the service are first required to sign up, providing details about their interests and consent for their personal data to be used.

Why?

The introduction of World Wide Web browsers (Mosaic and Netscape) in the mid 1990s saw the emergence of e-commerce, and around the same time with the development of tracking cookies online merchants were also able to track and store data about visitors activities on their site as well

as elsewhere on the web. Within a short period of time companies such as Amazon started using data gathering and collaborative filtering techniques based on visitors past activities to offer personalised shopping suggestions (Turow *et al*, 2015).

Many physical stores now have both a online and offline presence, however the challenge for these stores has been, and still is, how they manage to emulate in the physical store the 'individualized relevance' (Turow *et al*, 2015) online stores have achieved. In essence the physical store needs to be able to present a shopper with products that reflect individual interests, to encourage shoppers to investigate products,and to offer goods at personalised prices, within their comfort zone (Turow *et al*, 2015). While online stores, through constant surveillance, using a variety of technologies, (rarely detected by the shopper), are able to provide this 'individualised relevance' with relative ease, this has proved more difficult in the physical stores. However developments in tracking technology and the actuarial potential of the data collected are now enabling constant surveillance in store but not as discreetly (or hidden) as online stores. To assist in the 'individualise relevance' process physical store retailers are using a variety of methods and third party information from data brokers and such like to analyse the gathered data from customers and future prospects in order to prioritise and predict individual behaviours.

One of Amazon's main tools is its own recommendation algorithm – item to item collaborative filtering. This differs from many other recommendation algorithms in that it focuses on finding similar items not similar customers, it is scalable and generates online recommendations within a sub second, regardless of the number of purchases or ratings. In their view, in terms of providing an effective form of marketing, it creates a personalised shopping experience for each customer (Linden *et al*, 2003). While Amazon recognises that personalisation is easier for e-commerce, they suggest that it is possible for offline stores to utilise recommendation algorithms for target marketing such as postal mailings and coupons, enabling the retailer to hyper-personalise its advertising.

Pattern Six: Concierge Living

E-commerce forecasts show strong growth to come in the next decade, with a range of products and services being purchased online with much greater frequency (see figure 1). Unable to compete on price - and suffering from the effects of "showrooming" (browsing in-store to make a decision before purchasing the item online) - bricks-and-mortar retail spaces will attach a sharpening premium to customer service and to innovative promotions which are either not available or simply not relevant in online contexts. *Concierge living* is a bid to revitalise the shopping process and command attention within crowded marketplaces, this encompasses much more than just the provision of highly skilled staff or a user-friendly website - in this decade, retailers concierge-style perks, services and amenities i.e., exclusive customer lounges where shoppers can relax and make use of free Wi-Fi or iPads, in-store demonstrations which teach new skills or bring a sense of fun to the shopping experience, digital tools and services which enrich retail encounters and help people to navigate choice. As figure 5 demonstrates, the interest amongst consumers for concierge services for exclusive displays is highest amongst females, 16-34 of Generation Y. But increasingly, every shopper is being treated as a VIP; every person is entitled to a sense of exclusivity - very often at no extra cost and as a default part of the retail offer. Many brands will continue to seek competitive advantage simply by offering consistently low prices rather than concentrating on service (as per the model followed by some

airlines). And shoppers will certainly have different perspectives depending on which marketplace they are entering - we will not expect the same type of concierge service from a newsagent and we would a fashion store. Nevertheless, we suspect that - in the years ahead - shoppers will grow more accustomed to their custom being *rewarded*, and that service expectations will swell accordingly.

Interest in concierge services : exclusive displays

"How interested would you be in any of the following services? A clothes store which invited you to displays of the latest styles before they are available in the shops" | % who are very or quite interested
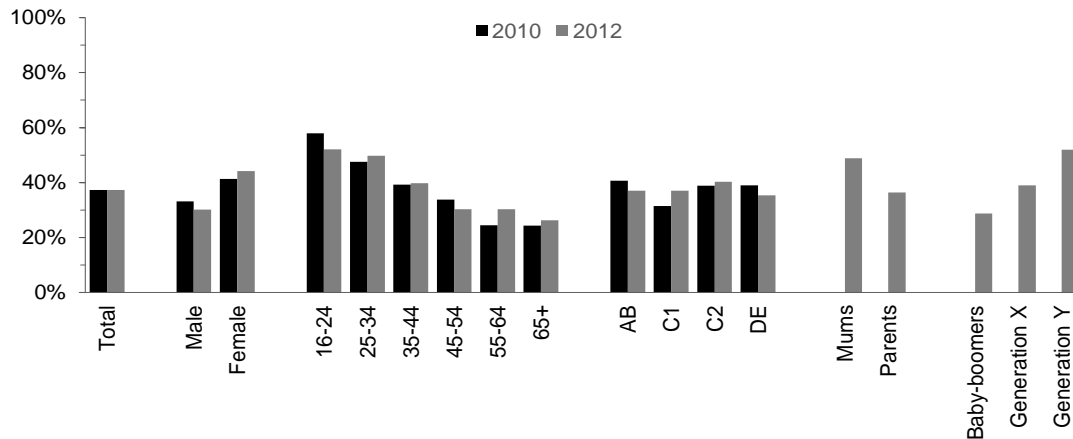
Source: nVision Research | Base: 1,000–5,000 online respondents aged 16+, GB, 2012

Figure 5: Interest in concierge services (Source: Future Foundation)

For example, *My Refrigerator* from South Korean convenience chain GS25 (http://gs25.gsretail.com/) is positioned as a way for shoppers to take better advantage of the now ubiquitous "buy 1 get 1 free" style promotions. For those who do not want to - or cannot - carry home additional items during their visit, or who would not be able to make immediate use of a free extra product, *My Refrigerator* allows them to "store" the items in a digital fridge and then collect them on their next visit. Alternatively, those keen to take advantage of such offers but who do not personally need the extra item can choose to donate it as a gift to one of their friends (who are then notified accordingly and can pick the product up during their next store visit). In addition, customers are not restricted to returning to the same branch - once an offer is stored in their virtual refrigerator, it can be collected from any of the brand's stores.   Selfridges (see http://www.selfridges.com/en/StaticPage/Personal%20shopping/) unveiled its "Personal Shopping Salon" - an in-store 5000 sq. foot space containing a central relaxation area, seven themed "character" rooms as well as two VIP suites. The "character" rooms inside the Salon are dedicated to a range of stylish women, including Grace Jones and fashion designer Jeanne-Marie Lanvin, and are furnished/decorated accordingly. The space also includes a bar area and a library, with the intention being to provide a more enjoyable and leisure-based shopping experience

In this decade, multi-channel shopping will become a more commonplace activity. In turn, consumers will increasingly expect to engage seamlessly with brands across bricks and mortar, online, mobile, and tablet channels. Poor service in one context will be punished quickly, even if offers elsewhere are

brimming with concierge-style perks. Indeed, the prospect of so-called omni-channel shopping looms on the horizon and, soon, it may seem anachronistic to talk of shoppers connecting with brands via just one platform. Inevitably, more instances where shoppers seek advice from highly skilled in-store employees before completing their transaction online. So too will more people browse product ranges via their mobiles during moments of downtime, selecting items of interest in advance of entering a store. Elsewhere, many may choose to order online but then collect in-store. All this creates new types of brand-shopper interactions and new moments when the shopper can be impressed / courted. While not seeking to underplay the extreme price sensitivity that has characterised shoppers in all income groups as a result of the double-dip recession, it remains the case that consumers report good service as one of the things that will motivate them to pay full price. Of course, there may be a gap here between expressed attitudes and actual behaviours while inside a store, but opportunities clearly abound to build relationships with customers which are based around factors other than price.

Why?

Over the past two decades retailing has changed dramatically, this has been due to the onset of the online channel and ongoing digitalisation (Verhoef *et al*, 2015). These developments have affected customer behaviours as they progressively embrace technology, and the business models of many retail sectors as they meet the challenges of the ever changing retail mix and customer expectations. Shopping through multiple channels is growing rapidly, a phenomenon where companies are continually adding new channels and customers are increasingly using various devices anywhere and at any time (Beck and Rygl, 2015).

Online shopping will continue to grow (ATKearney, 2014; Ruddick, 2015), and according to Passport 's Top 10 Global Consumer Trends (Euromonitor International, 2015) 'the online world will be the defining factor for the way people buy and live the year's shopping milestones'. In addition Passport suggests that 'consumers in 2015 live in a world where the real world and online culture are blending in an evolving coexistence'. It is believed this is due to the movement of the retailing model from multi-channel to the broader omni-channel model (Rigby, 2011, quoted in Verhoef *et al*, 2015; ATKearney, 2014; VendHQ, 2015) where full interaction can be triggered by the customer, full integration is controlled by the retailer and all channels can be widespread at the same time (Beck and Rygl, 2015). However for both the consumer and the retailer the use of multiple channels does bring some issues, for example for the consumer it is hard to disengage from 24/7 connectivity, and for the retailer there can be constraints and challenges, such as channel integration difficulties and decentralised organisational structures (Zhang et al, 2010, quoted in Beck and Rygl, 2015) .

Interestingly studies such as the 'Omnichannel Shopping preferences Study' by ATKearney (2014) found that despite the reshaping of customers buying behaviours through the use of online shopping, 'two-thirds of consumers who purchase online use a store before or after the transaction' and '90% of shoppers surveyed would prefer to buy in a brick and mortar store across demographic and age groups'. This research is supported by the 'reinvention' of malls in many cities where there is a focus on community and experiential, and a movement from the out-of-town megamalls to smaller, more centrally located shopping centres or high streets; these shopping hubs are becoming the centre of social life, places to meet friends, enjoy quality restaurants, cinemas and free Wi-Fi (Euromonitor International, 2015). And to further quantify the importance of a physical presence for both the consumer and the retailer a number of e-commerce businesses recently have expanded into brick and mortar; for the retailer, to gain market share as a majority of retail sales are still taking place offline

and to provide a seamless online to in-store service, and for the consumer, to enjoy a more enriched and enhanced in-store experience (Verhoef *et al*, 2015; VendHQ, 2015).

Mobile Internet Devices (MID's) are used for a variety of functions, in particular for internet access and social networking, especially with smartphone users (Watson *et al*, 2013). With the rapid adoption and the use of MID's it has been found that this has affected how the consumer manages the task of shopping and also how they negotiate the retail environment (Shankar *et al*, 2010). MID's now allow 'time-pressed' consumers the convenience to purchase or browse either on the move or from home (Euromonitor International, 2014), and with the option of multiple channels in the search and purchase process, consumers can also use these multiple channels throughout the [shopping] journey, often using more than one channel simultaneously at any given stage in that journey (Verhoef *et al*, 2015; Spaid and Flint, 2014; ATKearney, 2014); empowering the shopper 'who traditionally have felt captive, shy on knowledge or at a power disadvantage in shopping settings' (Spaid and Flint, 2014).

With the proliferation of MID's two trends in particular have emerged 'sofa shopping' and 'showrooming' (Euromonitor International, 2014). Sofa shopping is when the consumer uses their hand held device to shop at home and showrooming is when the consumer first searches in the physical store and then purchases online; recent research has shown that the use of MID's in-store is becoming increasingly popular(Shankar *et al*, 2010; Sapid and Flint, 2014; Rapp *et al*, 2015; Verhoef, 2015; ATKearney, 2014; VendHQ, 2015), where on the spot price and offer comparisons are made, retailer reviews are studied, and communication (possibly) exchanged between the firm and the consumer. Social media is also becoming influential in buying decisions, with the consumer seeking opinion from others who they feel they can trust as a valuable source of information (Kumar *et al*, 2014), whether sofa shopping or showrooming.

Pattern Seven: Is Loyalty Dead?

In order to shift attention away from price alone, retailers will focus on more brand partnerships that deliver exclusive, unobtainable-anywhere-else deals and perks as well as contracts which offer more flexible and malleable forms of commitment (still tying individuals in for extended periods of time but offering them greater scope to change conditions or take advantage of new deals). From a retailer perspective, brands will work together where the relationship is mutual. Brand cross-fertilisation - in some form or other - goes back a long way. The grocery industry, for instance, has long looked for creative overlapping to entice potential customers. Coca Cola's ongoing relationship with iTunes is a case in point (Future Foundation, 2012). Manifestations include clothing retailer Banana Republic collaborated with Condé Nast's Bon Appétit and the online restaurant reservation service Open Table to produce a "Desk to Dinner" collection - a range of garments it says consumers can wear at the office or while in a restaurant. Gallo Wine partnering with Universal in order to launch the Gallo film club. To support the initiative, a special website (http://filmclub.gallofamily.co.uk/welcome) allowed consumers to claim a free DVD after purchasing select bottles of Gallo wine - with the site also featuring food and wine suggestions as well as interviews with actors and directors.

Another aspect of loyalty is emotional connection and commitment. Shifts in social conventions most recently have been dramatic for everything from the etiquette of commercial communications to the invention of new services - from sector to sector. This commitment is about the intertwining of

Individuals, aspirations and permissions which is becoming a monogam *Ish* and verging on not social revolutionaries, just hesitant about any unbreakable contract. Fundamentally, a lifestyle attitude where loyalty is prized for as long as this quarter's emotional returns stay on that upward curve. Monogamous stability remains the culturally preferred option in most of the world. But in a century when millions can expect their post-pubescence to last over 60 years; when social pressures to exist within a uniform, traditionalist family frame are not what they were; when, in so many theatres of life, consumers are encouraged to experiment, switch brands, avoid the monochrome, deprecate the one-size-fits-all. It is noticed that the apparent rise of more bendable, more instrumentalist intimacy-systems.

In a sense, *Ish!* (Future Foundation, 2014) is a disquisition about the nature of loyalty in modern times. It would be just too glib to argue to argue that consumers learn how to hunt the best offer in the marketplace is, as a culture, being absorbed into our personal relationships. But everything can indeed become a transaction, a flight from compromise, a demand for better within inter-personal arrangements that can be seen as highly contingent and conditional. This is not a statement about humankind but rather the quality of contemporary human intimacy or nostalgia for more conventional, more stable behaviours. This is an argument that human beings will now continue to apply essentially consumerist values within every theatre of their lives - and are increasingly open about doing so.

Ish! is the appetite of consumers to minimise the scale of their lifestyle commitments. If the deal, any deal, is not working, then why stick with it? Find another partner. Move to another job. Switch to another supermarket. Lease a BMW rather than your usual Ford. Put your money with BNP Paribas and close that old Crédit Agricole checking account. Fundamentally, the essential flightiness of the modern shopper can only grow. In the global marketplace as the GFC is prolonged, shopper behaviours change (Yeoman, 2012). One manifestation of this is contractual flexibility. Here, why make a long-term commitment to a personal possession or an entertainment service or a professional contract when ad hoc, flexible alternatives work perfectly well - in the particular sense that they promise low prices, easy freedoms and simplifiable lives. The GFC has changed relationships and increased shopper volatility for essential goods naturally undermines brand loyalty and behaviour repetition. Such volatility seems structural now. Consumers have responded with a version of demand-side deregulation. They are driven to find new suppliers, test new foods, shop in unfamiliar stores, rebel against their old habits, and generally de-formalise their lives. *Ish!* is a confluence of many modern forces; social, psychological, economic, where the future is in short bursts and narrow horizons.

Why?

Attracting new customers and retaining old customers has always been challenging for retailers. The creation and nurture of customer loyalty is as important in the current economic environment as ever before. However, limited disposable income, changes in customers behaviours, and the rapid advances in technology have changed how customers and retailers engage with each other, and to some degree the expectations and desires each party require from the relationship to accrue loyalty.

According to Turow *et al* (2015) retailers are 'constructing the 21st century customer' by inculcating a new personalized version of loyalty (Clifford, 2010, quoted in Turow *et al*, 2015). Turow *et al* (2015) describe three key changes to construct the 21st century customer and instil the new understanding

of the loyalty relationship. Firstly, *reshaping the shopper*, where the shopper submits to tracking and data mining and in return they receive for personalised attention and offers through repeat purchases. In addition shoppers can accumulate rewards by using mobile apps, social media and games to perform acts of loyalty. Secondly, *reshaping the store,* where constant surveillance of customer behaviours becomes the norm, and customers and prospective customers can be tracked, described, scored, tagged and trained. Thirdly, *reshaping the deal*, where a retailer places a value on a customer based on the data points collected through online and offline tracking technologies, and then uses this value to decide the deal he or she receives – essentially the individual's utility to the retailer.

The retail industry has cultivated shoppers to adopt change in customer-related routines as a natural progression across decades, such as posted pricing, customer assessment and loyalty programs. Little has changed, today where, with the help of consultancies and technological firms, retailers are endeavouring as an industry to integrate many forms of personalised deals as taken for granted into everyday shopping. 'Their challenge in getting shoppers to accept the new data practices is to implement them in ways that do not alienate desirable customers worried about their privacy and even make them happy that they are receiving "relevant" offers', (Turow *et al*, 2015).

Significant trends in customer behaviour can be seen in today's society; thrift, generally meaning frugality and focusing on needs over wants, looking for the 'best deals', 'mercurial consumption', where loyalty can easily be abandoned (Flatters and Willmott, 2009), purchasing with due diligence, using trusted information sources, and increased use of technology throughout the shopping process. All of the above trends imply change in customer loyalty relationships with brands and stores from those that previously existed prior to the recent recession and now in post recessionary times.

Roberts *et al* (2003; quoted in Liu *et al,* 2011; Sashi, 2012) determined that customers care about relationships as a whole and that the quality of the relationship and a high level of relational exchange are positively linked to customer loyalty. Also to foster an enduring relationship, satisfaction, trust and commitment are significant (Liu *et al*, 2011; Sashi, 2012). Despite the cautious and fickle nature of today's customers service and product quality still matter and the degree of quality can impact on trust and satisfaction (Liu *et al*, 2011; Sashi, 2012).

Satisfaction is a reflection of being content with a product or a service (Liu *et al*, 2011), however although overall satisfaction can emerge over time as a result of repurchases, it does not necessarily mean high emotional bonds by the customer (Sashi, 2012); this essentially could explain why many customers today can easily abandon a product or service or retailer (collective reference when appropriate – 'retailer'), should a better alternative arise.

Essentially trust exists when the consumer has confidence in the retailer's reliability and integrity (Sashi, 2012). Without trust there is little chance that the relationship will be long lasting or intimate (intimacy is a satisfier that provides a customer with something above normal expectations and is positively linked to service and product quality, [Liu *et al*, 2011]). Trust is very important to customers, and increasingly so as they share more and more of their personal data with businesses, therefore privacy and data security are major issues. In addition, with asymmetry of information customers need to be able to trust the sale person providing a service or product, and likewise when sourcing information, be confident that it is true and accurate, hence the need to reach out to friends and family for confidence and security in making the right decisions.

Commitment is also significant if a customer is going to develop a long-term relationship with a retailer. Commitment has two major dimensions; affective and calculative (Gustafsson *et al*, 2005; quoted in Sashi, 2012). Calculative commitment is rational where there are no other suitable alternatives or the switching costs are too high, whereas, affective commitment results in an emotional bond with the retailer, capturing trust and reciprocity (Sashi, 2012). A loyal customer has no emotional attachment and is only loyal for purely rational reasons, which adds support to the concept that customers are always on the lookout for the 'best deal' even if it means being disloyal. For a customer to be a 'fan' (beyond loyalty) of a retailer relational exchange and emotional bonds must be high; fans trust sellers and can become passionate advocates for them (Sashi, 2012). And as research has shown, today many ordinary customers are now becoming influencers in other peoples buying decisions by using social media to air their own purchasing joys and grievances. This helps explain the need for consumers today to seek information from sources they trust before completing a purchase (Euromonitor International, 2015).

On an interesting note, Liu *et al* (2011) have identified an additional satisfier that customers appreciate from their relationship with a retailer – playfulness. Playfulness can impact on satisfaction and can be influenced by external and contextual factors. In the service industry for example, previously more utilitarian in nature, they can now often contain both utilitarian and hedonic values. This links in with the research by Spaid and Flint (2014) where 'hedonic shopping' through hedonic experiences (including playfulness), mainly facilitated by the use of mobile internet devices while in store, is becoming a customer norm, and can have an emotional impact for the shopper; that is, affecting their choice and preference behaviours in the retail environment (Dawson *et al*, 2002; quoted in Spaid and Flint, 2014) and their inclination to buy (Belk, 1975; quoted in Spaid and Flint, 2014).


Pattern Eight: Discounting Forever

Given so much product and category choice, shoppers have naturally keen price sensitivity. Yet the whole concept of price has become more pliable; it is now something to be readily negotiated, reshaped or compared. More, in regions hit by the recession in the late 00s and early 10s, consumers have faced increased pressure to drive down their spend and ruthlessly search for the best deals. We expect this to have a lasting impact on their attitudes towards price. In so many parts of the world, the presence of discount and value categories has expanded, mainly due to greater availability of more cheaply produced goods. This has much eroded the attitude that quality must always come at a high price and has instilled an appetite within the shopper for value priced items across almost every market. While haggling is a firm feature of Asian shopping cultures, the internet is also fuelling shopper propensity to search for discounts and deals in new ways (Future Foundation 2013). Price comparison sites, discount advice forums and group discount websites have all increased the consumer's ability to challenge face-value price and capitalise on promotions. The positive associations consumers now place on good deals have boosted interest in discounts for wider social reasons as well as simple economic ones; the discount buy is often the wise, sensible, socially acceptable buy. Nevertheless, in many non-Western markets, foreign and luxury brands are closely tied to social status and the aspiration to own expensive goods in emerging markets is strong.

So great is the *expectation* that discounts will inevitably appear that large proportions in some markets claim to actively delay a purchase until a special offer materialises - a majority in BRIC (Brazil, Russia,

India and China) and over 6 in 10 in Ireland, Australia and Britain claim this is true for them (see figure 6).

Discount mentality : significant proportions claim to delay purchases in anticipation of future price drops

"When I am planning to buy certain items online (such as books or DVDs) I often wait to see if the price drops over time before making the purchase" | % who agree or agree strongly | 2012
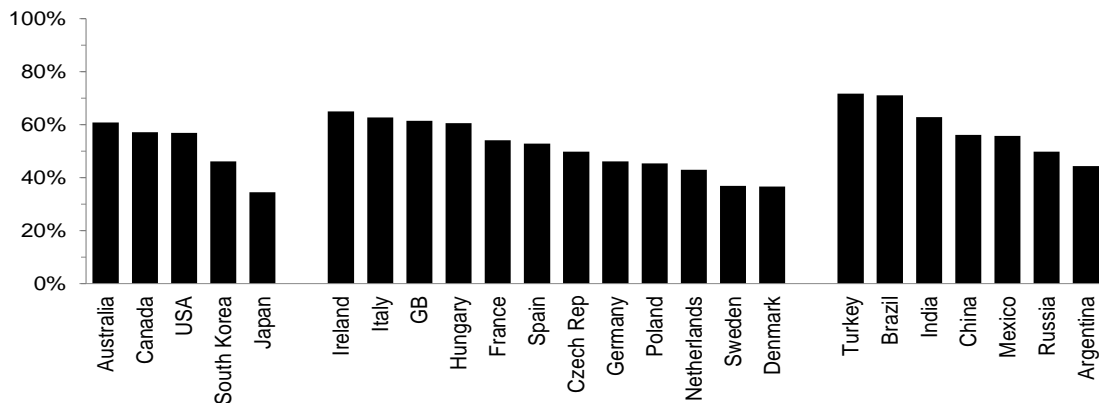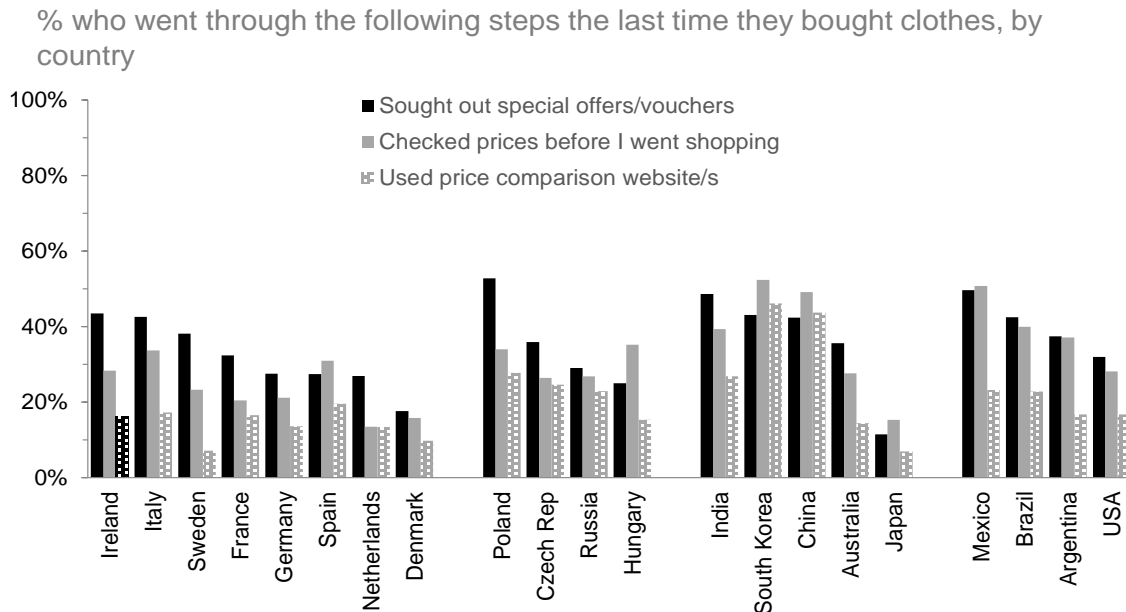

Source: nVision Research | Base: 1,000-5,000 online respondents per country aged 16-64 (Mexico 16-54), 2012

Figure 6: Discounting decisions (Source: Future Foundation)

Whereas a significant proportions of respondents claim to carry out price-related behaviours when shopping for clothes and mobile phones; over 4 in 10 Irish and Italian respondents claim to have sought out special offers/vouchers when last buying clothes (see figure 7).

Buying clothes : price-related behaviours

% who went through the following steps the last time they bought clothes, by country

Source: nVision Research | Base: 1,000-5,000 online respondents per country aged 16-64 (Mexico 16-54), Sep 2011

Figure 7: Buying clothes (Source: Future Foundation)

As a consequence of this trend, brands will be under more pressure to meet shopper demand for competitive and discounted prices in almost all markets. The ingrained taste for discount prices alters shopper perceptions of what is worth a premium. Brands will be expected to communicate any claims to premium status or quality much more explicitly. In order to divert consumers' attention away from price, innovative features that bestow a product or service with a truly alluring, luxurious or exclusive feel become more central product criteria for brands wishing to maintain their price margins and premium status. In emerging economies where the availability of Western brands is a relatively recent development, their price premiums will be more accepted at face value by consumers given the status-enhancing values associated with them. Discounting is a firm feature of brand promotional activity and group discount websites present a particularly interesting proposition - guaranteeing both sales for vendor and satisfaction for discount hungry consumers. Manifestations of this trend include, GraysEscape (http://www.graysescape.com/)describes itself as "Australia's first accommodation website that puts you in control" - giving consumers the ability to "deal direct with properties and Haggle down the price on a wide range of quality getaways". According to its website, the service does not place individuals in competition with one another in the style of an auction; rather, it connects them directly with the hotel at which they would like to stay and allows them to make an offer to its owner. Subsequently, the hotel can choose to accept or decline the initial offer, with a three-hour "Haggle" period then allowing further negotiation. The site claims that consumers can save up to 50% on rooms in "five-star hotels, motels, bed and breakfast's, apartments and more", with the time limit being placed on the "Haggle" period allowing them to get same-day confirmation. Handsup (http://www.handsup.cn/) is a collective buying website in China which allows consumers to submit requests about the deals they would like to see being made available. According to the company,

individuals simply find an item they wish to purchase and then submit details of the product in question together with an image and a proposed (but realistic) discount. Subsequently, Handsup will approach the company which sells the item and attempt to negotiate a deal. In the meantime, Handsup encourages the person who made the original suggestion to share its details with others in order to rally support. The more people who express support (by showing a "hands up"), the greater the potential discount may become.

Why?

Euromonitor International (2014) found that a significant numbers of consumers surveyed in 2013 were planning to decrease their spending over the next year, and while not willing to sacrifice consumption they would be looking at ways to reduce spending such as, continuing to buy private label brands, using discount stores and searching for bargains. Valáškova and Klieštik (2015) also found through their secondary research that 'smart shopping' was an increasing trend for American consumers as they searched for bargains, and 'deal seeking' to look to buy products at discount (PriceWaterHouseCoopers, 2010; quoted in Spaid and Flint, 2014).

Research on store brands and store choice has shown that customers who focus on price are more likely to shop at discount stores (everyday low price stores) and tend to be more price sensitive, usually with minimum store loyalty (González-Benito and Martos-Partal, 2012). González-Benito and Martos-Partal (2012) also argue that customers who purchase high levels of store brands do not differentiate or select store brands in specific categories and they choose solely on price, which implies that most store brands satisfy their quality standards. This may be the case for some consumers, as Bohlen *et al* (2010) has shown in a recession consumers are less willing to pay more and that some consumers preferences shift from product A to product B as their perception of value changes. However studies show that while many consumers are trying to locate the best price this is not usually at the expense of value and quality (Euromonitor International 2014, 2015; Valáškova and Klieštik, 2015). It could be fair to assume, based on the latter, that discount stores are only used by most consumers for some purchases, and only when specific product categories satisfy their quality standards. Perhaps this is a reflection of post-recession shopping behaviour; purposeful, rational and responsible (Flatters and Willmott, 2009; Valáškova and Klieštik, 2015).

In the quest for discounted goods and the thrill of bargain hunting many shoppers are enticed by the 'constant' sales and promotions rampant in today's retailing environment. However, the quest at times can prove fruitless as the recency, frequency, variability, and intensity of prior price promotions have been shown to heavily influence perceptions of the reference price of a product (and its transaction utility). The discounted selling price can therefore be perceived as more reflective of the product's true value, and hence price–quality inferences could reduce the attractiveness of the discount (Kaltcheva *et al,* 2013). Fortunately, with the increased use of mobile internet devices by today's savvy shoppers it is easy to make across store comparisons to decide whether the discount is really a bargain (and if there are other opportunities for more gains in transaction utility).

While finding a bargain (especially an unexpected one), in objective monetary terms is beneficial, there are a number of nonfinancial rewards that can increase purchase satisfaction, such as, perceptual framing, smart shopper attributes, and lucky shopper attributes (Darke and Dahl, 2003). In addition, for many customers the nonfinancial reward associated with the perception of fairness have been found to increase the satisfaction of a purchase (Darke and Dahl, 2003). However Darke

and Dahl (2003) also investigated the impact of social cues on fairness and purchase satisfaction, and they found that 'fairness associated with prices obeyed similar rules to perceptions of fairness typically observed in social interaction'. For example, a better discount given to another customer had a larger impact on satisfaction, even more so than the satisfaction they had had themselves; although the better bargain for the other customer was seen to be more acceptable if the customer had a larger loyalty status, this did not totally compensate for the discrepancy between the two levels of discount. And as noted by Turow *et al* (2015) some customers are well aware that retailers and their 'algorithm driven approaches' are being used to decide an individual's utility to the retailer, essentially creating a culture of winners and losers. Potentially this is breaking the rules of social equity upon which the perception of fairness is based, and maybe taking away some of the thrill of finding a bargain as uncertainty and concern increases regarding the discount lottery stakes.

Pattern Nine: Managing Complexity and Choice

The proliferation of choice has become a defining feature of the modern shopper landscape. Relentless product and service innovation as well as ever-intense corporate competition mean that shoppers face panoply of quality- and price-points in almost every marketplace they encounter. In fast developing economies such as India, Brazil and China, growing middle classes are seeing the level of product and service choice grow at a particularly dramatic rate. Rising personal prosperity is opening access to previously unfamiliar sectors and product categories including premium iterations of existing offers and access to once unheard-of leisure options and travel destinations. More, a narrative familiar to many consumers in more advanced economies is taking root amongst newly affluent urbanites in emerging markets; namely that the products and services chosen - at least to some extent - can help us communicate personality, taste and status to others. Extended choice gives maturing shopper populations the opportunity to outwardly express their individuality through consumption as never before. A certain amount of *choice anxiety* may inevitably creep into the shopper mindset; more choice not only confuses but can damage people's ability to make rational and informed decisions, the argument runs. However, there is no strong evidence for any lack of appetite amongst consumers for ever more options (Future Foundation, 2012). For millions, the fact that quality and price now exist on a seemingly infinite spectrum means that they can enjoy greater control over their lives. Consumers *everywhere* will become more and more skilled in handling choice complexity during in this decade. Consumers in emerging markets, though not necessarily used to higher levels of choice will embrace rather than balk at a multiple choice world (not least because it provides more options to express identity, status and newfound affluence) and will grow accustomed to sophisticated choice-filtering in those categories that matter most to them. As figure 8 highlights, consumers from emerging economies would be open to out sourcing choice, whether it was technology or a third party.

Outsourced choice-management: interest in a new product/service recommendation service

"How interested would you be in the following? A recommendation service that suggested products/services to me that I would not normally consider buying" | 2012
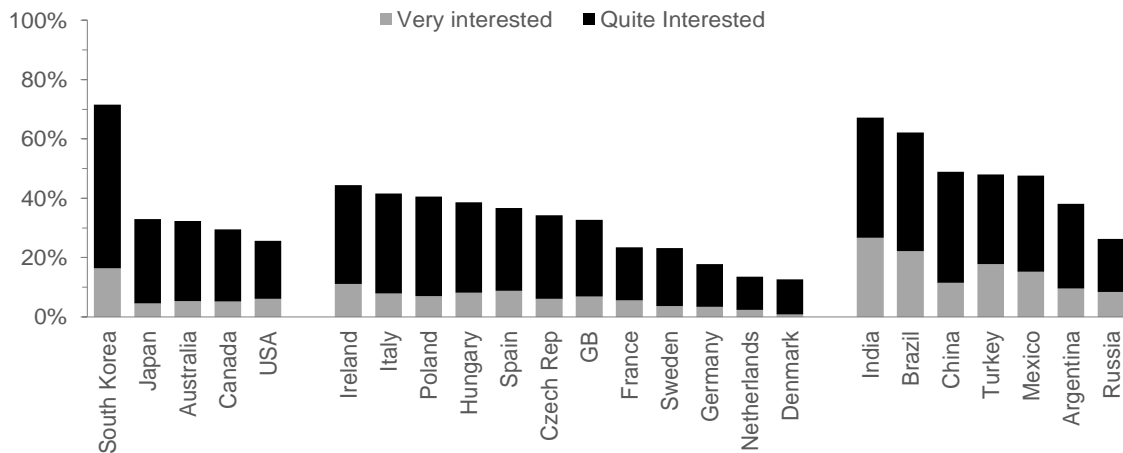
Source: nVision Research | Base: 1,000-5,000 online respondents per country aged 16-64 (Mexico 16-54), 2012

Figure 8: Outsourcing (Source: Future Foundation)

In the context of skilled choice-management, retail brands are compelled to innovate - through the addition of eco-friendly or healthy features, for example - in order to stand out from the competition; and particularly so, one imagines, in those categories considered relatively homogenous.

Why?

'When people are given the chance to exercise choice they feel a positive sense of empowerment………a means of personal expression……..a positive assertion of our individual identity. Choice, empowerment, and autonomy march hand in hand', (Schwartz, 2006, p. 45). However, for many, in today's world there has been a dramatic explosion of choice and with this, costs (stress, anxiety and regret), as well as benefits. Schwartz (2004) questions if the positive senses attributed from choice have been diluted through its proliferation.

While core theories in economics, psychology and marketing suggest that decision-makers benefit from more choice, (Scheibehenne *et al*, 2009) that is, more choice means better options and greater satisfaction, Schwartz (2004) posits that this is not the reality. In fact choice overload has created a positioning where decisions are questioned before they are even made, expectations have become excessively high and self blame is becoming the norm for any perceived failures, to the point that we often struggle to enact at all through indecision and the fear of making the wrong choice, resulting in reduced satisfaction once a choice is actually made. He also suggests that too many choices have produced psychological distress, worsened when it is combined with regret, concerns about status, adaptation, social comparison, and particularly the need to maximise – the desire to have the absolute

best of everything. Schwartz (2004) offers eleven steps to mitigate, or even eliminate, the many sources of distress, in order to manage the complexity of burgeoning choice, which are:

1. **Choose when to choose** – decide what choices really matter and focus time and energy on those and let other opportunities pass;
2. **Be a chooser not a picker** – reflect on what makes a decision important, modify your goals and avoid following the herd;
3. **Satisfice more and maximise less** – maximisers suffer more in a culture with too many choices, learn to accept 'good enough', this will simplify decision-making and increase satisfaction;
4. **Think about the opportunity costs of opportunity costs** – limit how much we think about the attractive features of the options we rejected;
5. **Make your decisions non-reversible** – final decisions allow us to engage in a variety of psychological processes that enhance our feelings about the choice we made relative to the others;
6. **Practice an attitude of gratitude** – be consciously grateful for what is good about the choice and disappointed less about what is bad about it;
7. **Regret less** – let go of regret, the sting of regret can sometimes influence us to avoid making decisions at all;
8. **Anticipate adaptation** – develop realistic expectations that experiences change with time, learn to be satisfied when pleasures turn into comforts to reduce disappointment with adaptation when it occurs;
9. **Control expectations** – increase satisfaction of a decision by decreasing the excessively high expectations about them, decrease the number of options you consider and be a satisficer rather than a maximiser;
10. **Curtail social comparison** – it is destructive to our sense of well being – focus on what makes you happy and what gives meaning to your life; and
11. **Learn to love constraints** – use second order decisions, when to deliberate and when to follow predetermined paths, allows us time and attention for the decisions we have chosen to retain.

While acknowledging that there were a growing number of publications in support of the demotivating effect of too-much-choice, Scheibehenne *et al*, (2009) question the extent of the too-much-choice effect and whether there are specific conditions in which it is more or less likely to occur. In their study (carried out in Germany and the US), they found there was no main effect of too-much-choice on any of the three main dependent variables; post-choice satisfaction, post-choice regret, and choice motivation. A variety of moderators were also assessed, such as, the amount of search, propensity to maximise, to avoid regret, domain-specific expertise, difficulty of decision and the need to justify one's decision. Despite the range of moderator and choice contexts, they found there was no too-much-choice effect in Germany or the US except when individuals needed to justify their choice. From this study Scheibehenne *et al* (2009) concluded that the too-much-choice effect was in fact less robust than previously thought. However they suggest that more research is still required to further understand the too-much-choice effect and to reliably demonstrate boundary conditions in which it may occur. Sound theory could then perhaps address the discrepancy between the empirical data which showed the opposite effect or no effect and current thoughts, where the over abundance of choice actually decreased the motivation to choose and satisfaction with the chosen option.

Pattern Ten: Maximising Behaviour

With a proliferation of choice characterising the retail sector, significant numbers of shoppers have developed rigorous selection criteria by which to judge potential purchases. Mere satisfaction will no longer suffice at many moments of purchase; maximising customers expect to get the best possible offering at the lowest possible price and are willing to expend a substantial amount of time and energy in the process. The explosion of price comparison and review websites invites the global shopper to undertake wide-ranging research before committing to a product - and increasingly so at the point-of-sale itself. No matter which aspect one wants to assess (value, functionality, eco credibility etc) the self-promoting claims of the brand in question are no longer the only story; so many fellow customers and third party experts stand ready to dispense advice. As consumers shop around more extensively and ruthlessly, brand loyalty is far from guaranteed. Faced with intense scrutiny of their offers, even established names will prove their ongoing value to the customer through continuous innovation and improvement. Online price comparison has become an activity practiced by the majority of respondents according to the Future Foundation (2013) shopper survey with over 7 in 10 regular users of the internet use such websites in Britain, France, Russia, Australia and Argentina (see figure 9). And in many countries, over 1 in 5 users of the mobile internet now use their handsets to compare prices, a proportion set to increase dramatically throughout the 10s internet behaviours migrate to mobile platforms. In Czech Republic, Poland, Russia, China, India and Brazil - that are particularly intent on carrying out pre-purchase research. Consulting the advice and recommendations of fellow shoppers appears to be a particularly popular pre-purchase activity.

Shopping around to get the best deals : over 60% agree they do in US, Britain, Germany and China

"I shop around extensively to get the best deals" | 2012
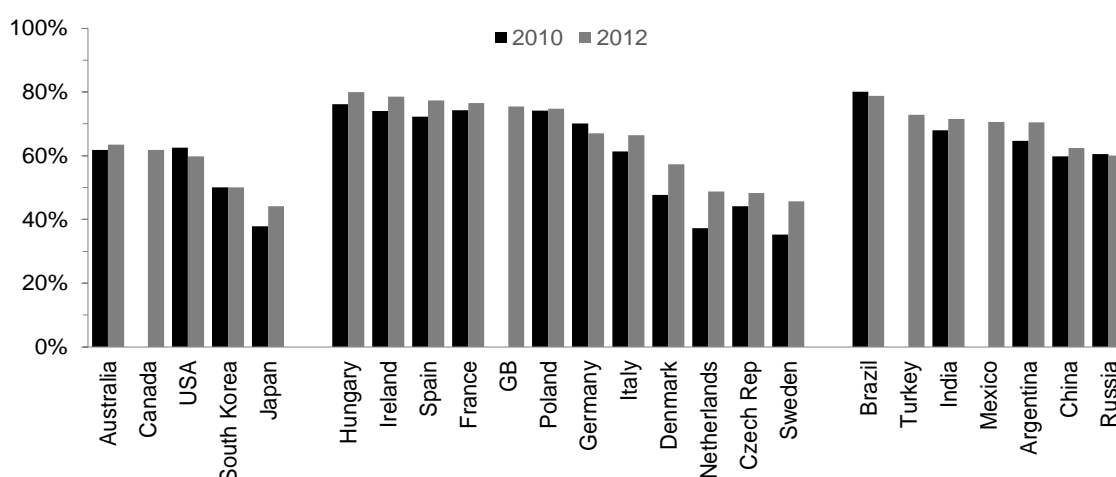
Source: nVision Research | Base: 1,000-5,000 online respondents per country aged 16-64 (Mexico 16-54), 2012

Figure 9: Shopping around for the best deals (Source: Future Foundation)

Online price comparisons are now an established part of the retail experience. Those who do not undertake research or shop around will find themselves in an ever dwindling minority. With smartphone penetration set to soar throughout this decade, mobile price comparison will become increasingly important as customers seek instant in-store access to information. In emerging markets, considerable numbers may bypass the fixed online stage altogether. Smartphone apps and m-commerce options will continue to ameliorate the high-street shopping experience, providing ever more targeted offers to customers in search of the best deals. If location-based discounts and incentives lose their novelty and become commonplace, however, companies will need to work hard to lure customers across the shop threshold and convert speculative interest into actual custom (using apps and other location-sensitive devices to beckon footfall). Shoppers will expect ever better rewards for spending time in the shop space as well as ever richer in-store experiences - point-of-sale will become ever more *theatrical* and *professionalised* in these circumstances. Consumers will demonstrate their *savoir-faire* in the retail environment, seeking to acquire cultural capital through sharing details through social media networks - often becoming brand curators in the process. Within this trend, the emphasis is not exclusively on price. Rising incomes and hardening expectations will drive *maximisers* everywhere to look for rich, service-enhancements just as much as cheap deals.

Why?

The increase in maximiser behaviours as seen in today's consumers has been fuelled by the desire to always have the best of everything, the constant search for the best deal and the ease of access to information through mobile internet devices. For the retailer this means that loyalty to a brand or store is not always a given, as price and value for money have become the determinants more than ever before.

However a number of heuristics and cognitive biases come into play throughout the search and buying process in an endeavour to make wise decisions. Heuristics are simple but efficient rules (learned or hardcoded), which are used by people to make decisions, come to judgements and solve problems, they typically are used when faced with complex problems or incomplete information. Although they do not guarantee to find the perfect or optimal solution, these mental shortcuts can ease the cognitive load of making a decision by speeding up the process of finding a satisfactory solution (Interaction Design Foundation, 2015; Schwartz, 2004). Additionally under certain conditions, these rules can lead to cognitive bias which may sometimes lead to perceptual distortion or inaccurate judgment, broadly termed as irrationality (Wikipedia, 2015). Following are a few examples of the heuristics and biases that can influence the purchasing decision-making process.

The availability heuristic tells us that the more available a piece of information is to memory then we must have encountered it more in the past. However, in addition to frequency, salience and vividness are important too, hence information, for example, gathered from a friends experience may influence a decision choice over a more reliable source of information (Schwartz, 2004). The anchoring heuristic is a person's tendency to use the first piece of information as the anchor from which to base a decision, this is used by retailers to manipulate the consumer into accepting the value of another product when compared to the anchor (Schwartz, 2004). Framing is a cognitive bias, essentially if a choice is presented to a person as a loss or as a gain, they will generally tend to avoid risk when a positive frame is presented and seek risk when a negative frame is presented. Often though only one of the frames is usually presented which hence makes it difficult for the consumer when they are attempting to make an informed decision (Schwartz, 2004).

To observe the purchase behaviour of known and unknown consumers is another interesting heuristic used by consumers (Simpson *et al*, 2008). The information gained from the observation is accepted if it is perceived to, for example, help them purchase a product. The study carried out by Simpson *et al* (2008) identified four specific factors that determined if a consumer would observe others before making a purchase decision, namely, brand overload, self-confidence, propensity to conform, and risk aversion. The findings of this study suggested the observation heuristic was important for all types of customers under conditions of brand choice overload, even the highly cognitive consumer, where in this case it was thought this consumer viewed other people's choices as just one more helpful piece of information. For the retailer there are a myriad of strategies which can be formulated to take advantage of this propensity to observe others when making purchase decisions.

A more recently found heuristic is the quantity-matching heuristic that consumers use to choose between assortments (Chernev, 2008). The research undertaken argued that when customers were uncertain about their preferences, they were more likely to prefer an assortment with the number of available option that matched the quantity they required. This simplified the decision-making process by eliminating the need to trade off benefits and costs associated with having to make individual choices.

Essentially retailers will use their knowledge of human heuristics and cognitive biases and will capitalise on them when deciding on their advertising and merchandising strategies. No doubt shoppers will still buy branded goods and services, but hopefully due diligence and discernment will assist in their purchasing decisions. However, even armed with plethora of information and belief that they can choose the best option, a maximiser may need to become a satisficer as described by Simon (1957, quoted in Interaction Design Foundation, 2015), and accept choices that are good enough for the purpose, even if they could be optimised. And as further expanded by Schwartz (2004) a satisficer can be as discriminating as a maximiser, the difference lies in the fact that they are content once their standards have been met, and are happy with the excellent as opposed to the absolute best, which for the maximiser could spiral into choice anxiety.

Predictions of Retail Pricing: A Consumer Perspective

Bergman *et al* (2010) classification of prediction is based upon truth and explanatory claims, thus the authors of this paper claim explanation based upon data trend evidence supplied by the Future Foundation's omnibus nvision survey of households which is the basis on the empirical data evident in this paper. This is a future prediction of inductive validity based on the premise of strong evidence, which is probable, explained and truthful. Thus the future is presented as what will happen rather than what could happen. Here, there is a focus on accuracy and preciseness. Truth occurs because of the short time horizon articulated in the paper and explanation based upon the academic management literature. Based upon a combination of trends, four predictions are presented.

Prediction One: The Constants

Loyalty will be rewarded with schemes becoming ever more personalised and instantaneous as retailers are able to harness real-time, behavioural data in order to track and respond to shopper behaviour. The RRP will not die. Nor will we see an end to seasonal sales, special weekend deals, buy-

one-get-one-free offers etc. And, despite rapid technological advances and blossoming online commerce platforms, many consumers will still derive a real thrill from in-store bargain hunting. Some consumers will want to *beat the retailer* all the time, just as some will always be willing to pay full price. It will be the majority of shoppers in the middle ground - those wavering between these two mind sets - who will command the greatest attention.

Prediction Two: Temporary Permanence

Consumers are bound to become more hesitant about committing to expensive up-front purchases - especially in those categories where designs and capabilities move quickly, the depreciation of product value is at its most pronounced or where a move towards digital makes people reluctant to pay for content. Thus the development of a new type of ownership model: *Temporary Permanence*. Rather than buying a particular shopper goods item outright (for example, a HDTV, washing machine, tablet computer…) and then owning it for the duration of its lifecycle, shoppers pay an ongoing monthly fee to a retailer in order to have use of a product from that category. Once the item in question comes to the end of its working life (or after a pre-agreed period of time has elapsed), the retailer replaces it with a new model. Although the shopper never owns the product, they are safe in the knowledge that it can be repaired or replaced when needed. More, headline prices are superseded by monthly rental fees, giving the scheme real appeal for price-sensitive, value-chasing shoppers.

Prediction Three: Deals Delivered

In the years ahead, the principles of the "buy-one-get-one-free" offer will continue to incite considerable enthusiasm. However, as our natural aversion to waste in any form collides with shifting demographics, (which has seen a swell in numbers of single-person households), the appeal/feasibility of deals on perishable and bulky items will be weakened. In turn, anticipate the arrival of alternatives offering the same savings but in more efficient and yet still easy-to-access forms. One example of this will be the Deals Delivered proposition - a service that allows neighbours living within a certain distance of one another to share "buy-one-get-one-free" deals. When completing their weekly online shopping list, individuals can opt in to various promotions highlighted by the retailer which become valid only if someone nearby selects the same deal. Even heavier discounts are unlocked once a certain number of people in the same street/neighbourhood choose the deal. Shoppers can also elect to share deals with family members or have supplementary items delivered in later weeks - but these options are available only to those customers in the top tier of the loyalty scheme.

Prediction Four: The Value Calculator

Despite the inevitable appearance of more paywalls as well as other innovations designed to coerce the shopper into paying for items, we have to expect the freemium model to gain further traction in this decade - a phenomenon which will place the notion of price under further pressure. In turn, brands will devote still more attention to the extra benefits that come with a premium version of a product or service - attempting to make them so irresistible that significant numbers will be willing to upgrade to one of the various subscription options which are available. To provide a degree of reassurance over value, though, it is foreseen the development of independent, third-party tools able to calculate the monetary value of additional features within the premium version and thus demonstrate its tangible financial benefits. These tools will track a consumer's actual usage to check whether or not they are gaining value-for-money - with the promise that, should their usage not be

sufficient enough to reach the cost of that month's subscription, they receive an automatic refund for the difference.

Concluding Thoughts: The Offer

As a consequence of the GFC, consumer behaviour as changed and become embedded in the consumers psychic. Accelerated technological disruption has compounded this change and is represented in the ten patterns of consumer behaviour. Retailers need to respond, monitoring trends, keeping in touch with consumers, take advantage of this change, enhancing the value offering, and redefining access to products and services. The GFC has accelerated price sensitivity, and this is not reversible. Consumers cherry pick and have mercurial consumption values (Lord and Yeoman, 2012). Even the role of shopping in a shop is challenged with the presence of online retail for every product available. Whether you are selling vegetables or holidays, there is an online presence today. Smart phones and mobile living have brought price comparison and price promotions to the forefront of the consumers mind. Social networks and mobile technologies allow instead display and real time pricing. Big data and personalised concierge allows retailers bespoke an offer. Different offers to different customers but the same product and service. Variable offers, like variable pricing will become the norm. Loyalty programmes (in the broadest sense) have become sophisticated databases. All this means new business models for retailers, whether it is all online, shop or a combination of both. The present economic environment of deflation in Europe and slow growth in China means change. Consumers are striving for the best offer and best value using technology. The relationship of price promotion, quality, and expectations has changed. The ten trends identified in this paper are the trends to follow and respond too.

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