

Meet the Connected Consumer

How Tablets, Smartphones and Facebook are Changing the Way Consumers Shop Across Retail Categories

A Zmags-sponsored consumer survey

January 2012

Executive Summary

Consumers are connected like never before. With the first iPad introduced just two years ago, it is estimated that 90 million people will use a tablet in the next few years¹. Smartphone ownership is also still growing significantly — more than 60 percent of 25-34 year olds now own one². And more than 800 million people worldwide are connected via Facebook³. With so many outlets to browse for and purchase products and services, the question is: how can retailers best engage and do business with today's connected consumers? The research in this report reveals that:

- Smartphone and tablet apps are not consumers' preferred channel for browsing or shopping: just **4 percent** of connected consumers like to use branded apps, whereas **87 percent** prefer to use websites and mobile sites. **60 percent** choose to shop via digital or print catalogs.
- Connected consumers' tablet use and spending activity is on the rise: in the 2011 holiday season, **87 percent** of tablet owners did their holiday shopping using their tablets, spending on average \$325. In addition, **49 percent** expect to shop more on their tablet over the next year.
- More than three quarters of consumers are active Facebook users, signaling a large untapped opportunity.

To succeed in 2012, retailers must understand how their customers prefer to interact with them, figure out how to present a consistent merchandising and transactional experience across all of their customers' preferred touchpoints and optimize their content to maximize the revenue potential of their customers' preferred channels and devices.

The following report is based on a survey of 1,500 people in the United States commissioned by Zmags and executed by Equation Research. It profiles those shopping via PCs, laptops, tablets and smartphones, and provides insight into the preferences, attitudes and current habits of the connected consumer.

87% of connected consumers prefer to use websites and browser-based mobile sites for browsing and shopping, whereas only 4% prefer smartphone and tablet apps.

¹ Source: eMarketer: <http://www.broadbandexpert.com/blog/tablets/one-third-of-internet-customers-will-use-a-tablet-in-2014/>

² Source: Nielsen: <http://www.gottabemobile.com/2011/11/03/smartphone-ownership-over-60-among-25-34-year-olds/>

³ Source: Facebook: <https://www.facebook.com/press/info.php?statistics>

Summary of Findings

Device indifference

Generally, connected consumers are not yet showing significant device preferences when shopping, though some retail categories are beginning to see those preferences emerge.

- **87 percent** of consumers rely most heavily on their PCs and laptops for browsing, researching, and purchasing across categories.
- Perhaps as expected, electronics is most actively shopped via tablets (**53 percent**) and PCs/laptops (**55 percent**)
- Clothing, travel and toys, display relative parity across devices, though we are seeing a growing role for tablets in shopping each of these categories.

Zmags sees an opportunity for retailers to more actively target and guide connected consumers through a shopping experience that is designed to optimize the specific brand-building and revenue generating potential of each device, while still presenting a consistently engaging brand experience across all channels.

Apps are not always the answer

Despite all the attention branded apps received in 2011, the connected consumer does not like shopping via branded smartphone or tablet apps.

- Only **4 percent** choose smartphone or tablet apps as their preferred platform.
- Consumers much prefer shopping via retailers' and brands' mobile sites and websites.

As investments in apps rise, Zmags believes retailers need to think about the purpose of these apps and determine the role of the app in the customer lifecycle.

Tablet shopping is here to stay, and rising

Connected consumers are using their tablets for shopping much as they would their PCs. According to the research, tablets make browsing and product discovery easy and enjoyable.

- In the 2011 holiday season, **87 percent** of tablet owners said they would do their holiday shopping using their tablets
- **49 percent** expect to shop more on their tablet over the next year.

Tablet shoppers are enthusiastic and happy about shopping. With the number of tablet owners expected to skyrocket over the next few years, these shoppers are arguably among the most important market segment retailers need to factor into their mobile and merchandising strategy in 2012.

Retailers must face Facebook head on

Connected consumers are enthusiastic about browsing and buying on Facebook.

- **40 percent** are actively engaged with their favorite brands via Facebook and say they are actively shopping on the social network. This is likely in the form of daily deals and coupons for now, given the relatively few retailers are actively selling on Facebook.

Monetizing their social media presence is a potentially ripe and rich space for retailers in 2012.

Meet the Connected Consumer

She's a 40-something woman

Despite what many may assume, the average connected consumer is not a millennial. 52 percent of connected consumers are women with a mean age of 40; they have a mean household income of \$63,000.

She carries multiple Internet-connected devices

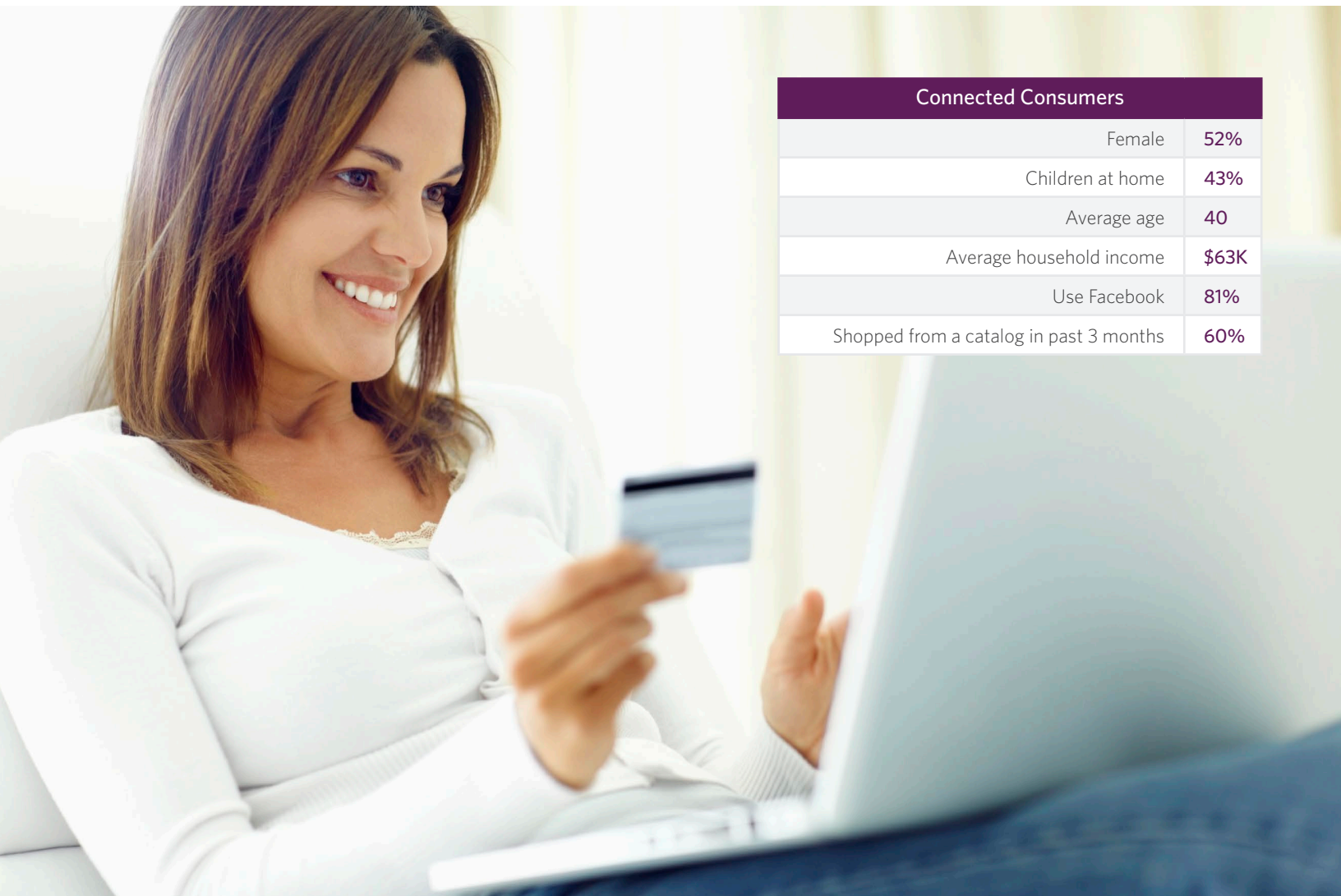
In addition to owning a PC or laptop, 43 percent of connected consumers also own smartphones, and 16 percent own a tablet.

She's super social

Connected consumers are a social crowd and enthusiastic about shopping. More than three quarters of them are active Facebook users, 60 percent shop via digital or print catalogs, and more than 40 percent say shopping makes them feel happy. "Excited," "thrifty" and "productive" also top the list of the connected consumer's shopping emotions.

Device ownership and use is remarkably consistent among connected consumers who shop different retail categories. Whether looking at electronics, jewelry, clothing, toys or travel, in each category:

- **62-65 percent** of connected consumers shop via digital or print catalogs
- **75-78 percent** own a laptop
- **41-45 percent** own smartphones
- **81-86 percent** use Facebook

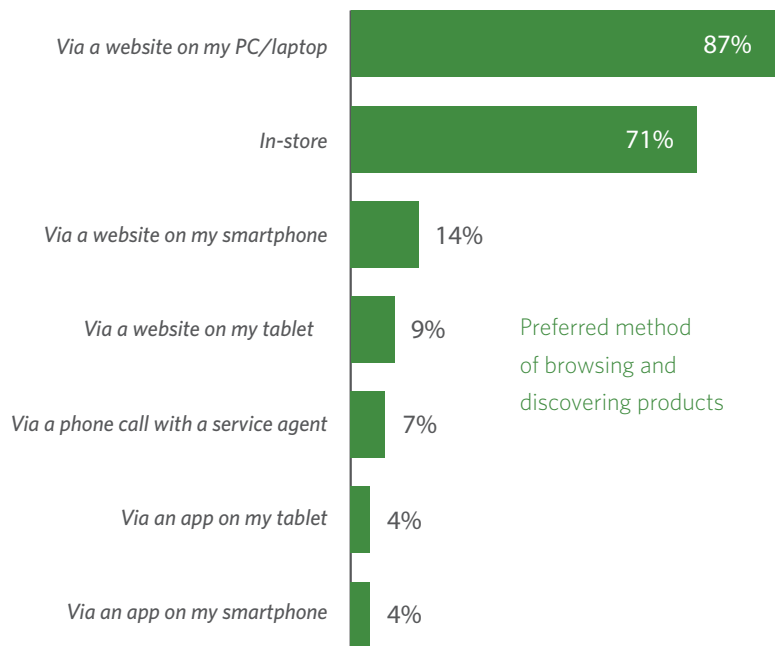


Connected Consumers	
Female	52%
Children at home	43%
Average age	40
Average household income	\$63K
Use Facebook	81%
Shopped from a catalog in past 3 months	60%

How Does the Connected Consumer Prefer to Shop?

In addition to having options about which device to shop with, connected consumers have choices about how to access and browse their favorite brands. With mobile apps under so much discussion in 2011, perhaps the most startling finding of the survey was consumers' overwhelming preference to use any other browsing or buying method *before* a branded app. Just four percent prefer using apps on their tablet or smartphone.

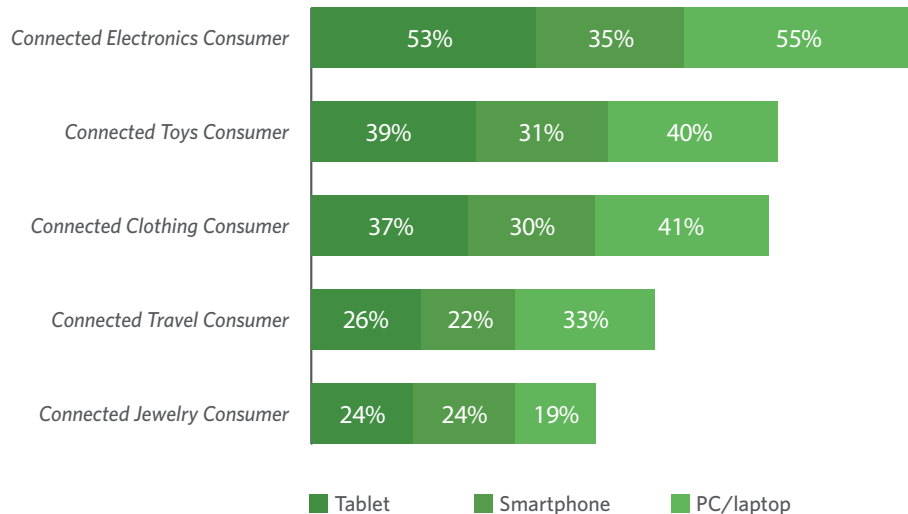
The connected consumer's device preference varies only slightly across key retail categories, though we expect more distinct preferences to emerge as the market matures.



Device Preferences by Retail Category

At this stage of the market, the connected consumer's device preference varies only slightly across key retail categories, though we expect more distinct preferences to emerge as the market matures. Electronics shoppers are most likely to shop via their tablet or PC/laptop. The jewelry shopper, however, uses a tablet and smartphone more than when shopping other categories. In the toys, travel and clothing categories, consumers don't yet show a clear device preference between tablets and smartphones. In all categories, the PC and laptop still reigns as the device of choice.

Electronics clearly leads the pack in terms of ecommerce and tablet commerce, with toys, clothing, travel and jewelry all making strides, and expected to rise significantly as tablet penetration continues to grow. Music, unsurprisingly, is the category most shopped via smartphone. There's a fair deal of parallel between the categories shopped via the tablet and PC/laptop, indicating the explosive rise of tablets as a trusted device for their owners in just two years on the market.



Men dominate the travel and electronics categories, while women use their devices to shop more for jewelry, clothing and toys. The connected travel and clothing consumer have higher household incomes compared to shoppers in other categories — \$74,000 and \$66,000 respectively.

Retailers and brands have a clear opportunity here to create more engaging mobile and tablet-specific commerce experiences to improve the value and loyalty of these already-engaged audiences.

Product Category	On Tablet	On Smartphone	On PC/Desktop
Electronics	53%	35%	55%
Books	41%	35%	43%
Toys	39%	31%	40%
Clothing	37%	30%	41%
Music	33%	42%	32%
Travel	26%	22%	33%
Jewelry	24%	24%	19%
Beauty products	19%	17%	20%
Groceries/household supplies	19%	18%	14%
Sporting gear	18%	12%	18%
Furniture	15%	11%	14%
Baby gear	15%	13%	14%
Medication	12%	9%	13%

When using your tablet / smartphone / PC or laptop, which are the top 5 categories you are most likely to purchase on your device?

Shopping Styles of the Connected Consumer

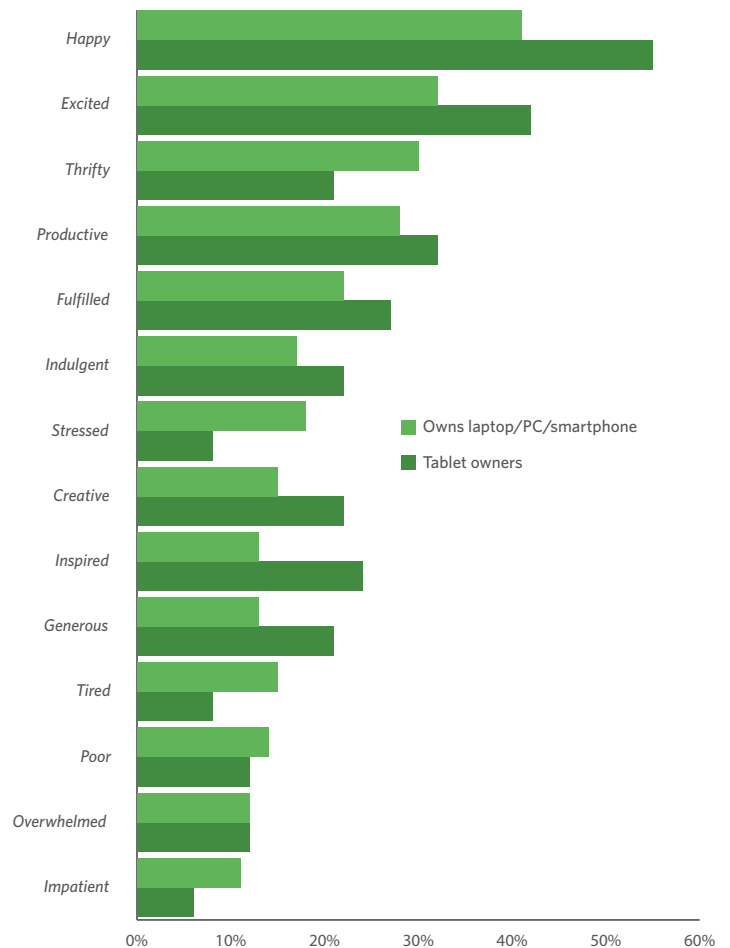
Connected consumers class themselves as savvy shoppers who actively seek out the best prices. Tablet shoppers are also more

like to make impulse purchases (14 percent) and shop for luxury items (nine percent), compared to non-tablet owners.

Style of Shopping	Owns Laptop/PC/Smartphone	Tablet Owners
Savvy Shopper - <i>I actively shop around to find the best price</i>	55%	43%
Frugal - <i>I rarely shop and when I do, I have a limited budget</i>	21%	8%
Spontaneous Splurger - <i>I'm inclined to make impulse purchases</i>	9%	14%
Brand-Faithful - <i>I rarely stray from my preferred brands</i>	7%	10%
Addicted - <i>I'm a shopaholic</i>	3%	9%
Reluctant - <i>I'd rather be in the dentist chair</i>	3%	4%
Luxury - <i>I only buy the finer things in life</i>	2%	9%
Hoarder - <i>when I see something I like, I always buy in multiples</i>	1%	2%

How Does the Connected Consumer Feel About Shopping?

When asked how shopping makes them feel, connected consumers reported their attitudes as largely positive. "Excited," "thrifty" and "productive" also top the list of emotions of the connected consumer. It's worth noting that tablet owners are the happiest of the crowd. They also feel more creative, inspired, generous, and less impatient when shopping than laptop, PC or smartphone owners.

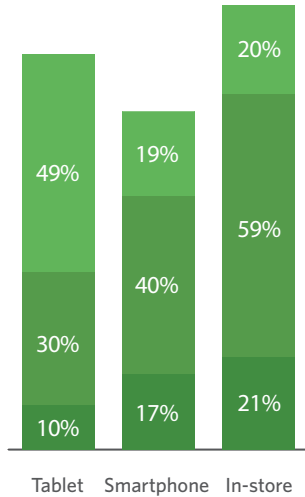


Rise of the Tablet Shopper

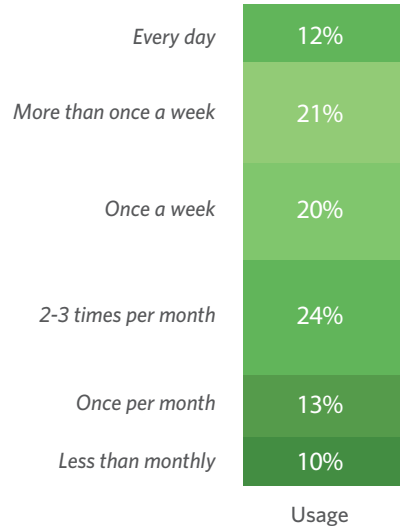
During the 2011 holiday season, tablet commerce flexed its muscle for the first time. Eighty seven percent of tablet owners did their holiday shopping using their tablets and spent an average of \$325. Half of tablet owners are using their device at least weekly to shop. And 49 percent expect to shop more on their tablet over the next year. In contrast, only 19 percent of smartphone owners expect to use their phone more to shop over the next year. Factoring in the prediction that 90 million people will be using tablets by 2014¹, the growing importance of the tablet in ecommerce is indisputable.

Thinking ahead a year, how do you expect your digital purchasing behavior to change compared to this holiday season?

- I expect to purchase more
- I expect to purchase the same
- I expect to purchase less

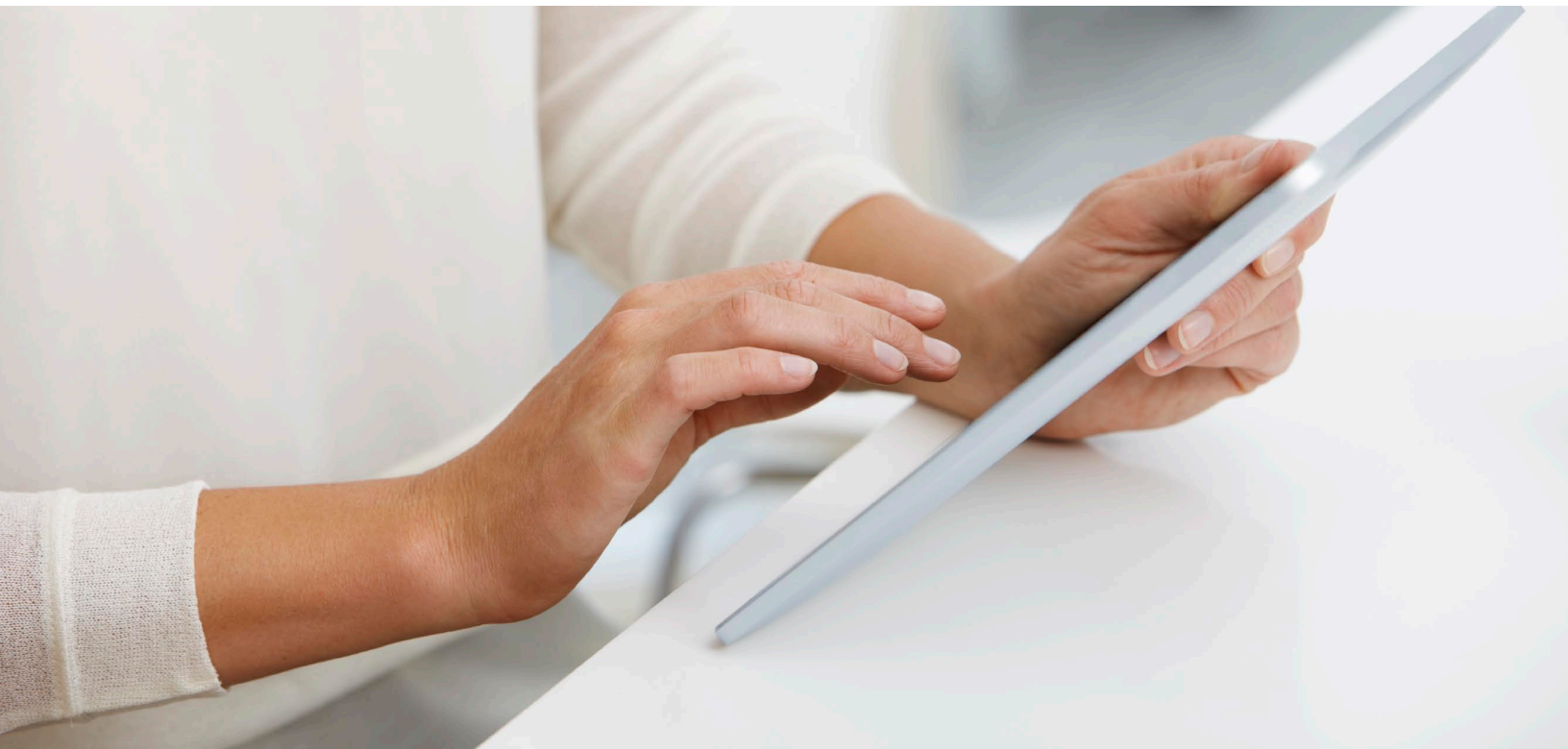
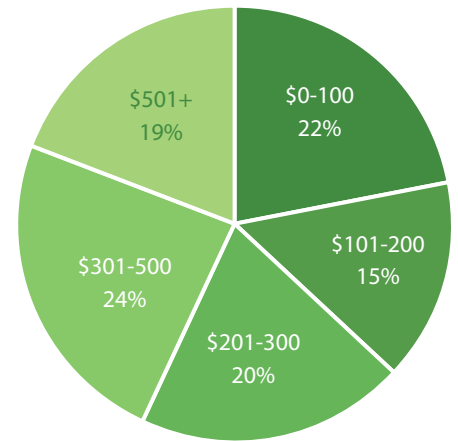


How often do you shop or browse from your tablet?



How much do you plan to spend using your tablet this holiday season?

Average Spend: \$325



Motivations for Shopping on a Tablet

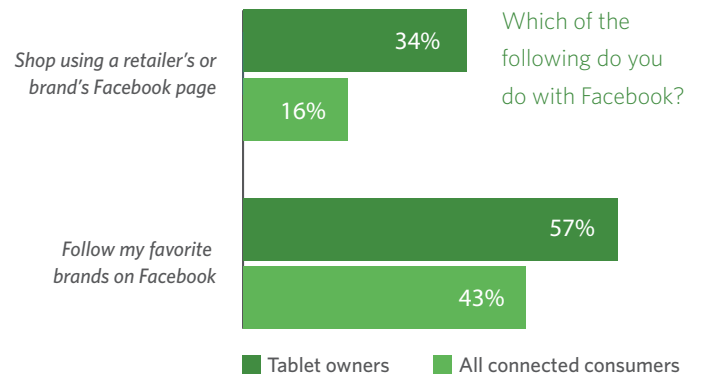
Nearly a third of tablet owners like to shop on their tablets because it is convenient. Twenty-four percent of tablet owners also like how the tablet experience facilitates easy browsing and helps them discover products.

Facebook represents an enormous opportunity for retailers looking to capture revenue from social shoppers precisely where they spend so much time.



The Connected Facebook Consumer

More than 80 percent of connected consumers are active Facebook users. More than 40 percent follow their favorite brands on Facebook. Tablet owners, in particular, say they are already shopping via their top brand's Facebook pages. Retailers such as Express, Kenneth Cole and Celebrating Home have already leveraged their branded Facebook pages as a way to sell, but they are light years ahead of the pack. With so much inclination to engage with brands socially, Facebook represents an enormous opportunity for retailers looking to capture revenue from social shoppers precisely where they spend so much time. This should be a focus area in 2012, much more so than apps, which this research shows to be the least preferred shopping channel among connected consumers.



When you use a retailer's or brand's Facebook page to shop, what is your primary motivation?



Methodology

Zmags partnered with Equation Research to conduct this study. Interviews of 1,500 respondents — who owned a computer, smartphone and/or tablet — were conducted from November 10-14, 2011. The margin of error on this sample is +/- 3 percent.

About Zmags

Zmags helps thousands of the world's most progressive global retailers and brands design brilliant and consistent marketing and merchandising campaigns across social, mobile, tablet, and e-commerce platforms, driving product discovery and inspiring impulse purchases. Using the Zmags on-demand rich media merchandising platform, leading brands have measurably and dramatically increased customer

engagement, conversion rates, order size and brand loyalty without the burden of IT constraints. Zmags is among the fastest growing technology companies in North America, ranking #70 on the Deloitte 2011 Technology Fast 500. Zmags is headquartered in Boston, MA, with European offices in London and Copenhagen. For more information about Zmags, please visit www.zmags.com.

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321 Summer St, Boston MA, 02210 • 1-617-963-8000
London: +44 208 334 8158 • Copenhagen: +45 70 20 80 06

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