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# Demystifying the Swiss online shopper

## PwC's perspective on multichannel retailing in Switzerland

*This publication is a Swiss summary of our global publication* ***Demystifying the online shopper – 10 myths of multichannel retailing****. It is designed to complement our global analysis, to highlight trends that we think are significant on the Swiss market and that will help companies to better understand Swiss consumers.*

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# Introduction

These days neither retailers nor brands own the consumer as would traditionally have been the case. Last year we entitled our multichannel report 'Customers take control'. Well, they certainly kept it!

You may be surprised that some of our findings actually go against conventional wisdom. This merely demonstrates that the market is much more complex than most people think.

Yes, social media is definitely a force to be reckoned with, but it will not morph into a new sales channel any time soon.

Yes, retailers have built a unique relationship with their customers over the years, but this relationship is now threatened by new connections between brands and consumers.

Yes, Swiss consumers are following the global trend of shopping across multiple channels, but in their own specific and practical way.

We have focused this Swiss publication on what we believe will be valuable insights for consumer goods companies and retailers in Switzerland. We hope that it will help them make more informed decisions on how to achieve profitability through their multichannel propositions, and how to build lasting and successful customer experiences.

## Methodology

Out of the 11,000 surveys conducted by member firms of the PwC network across 11 markets on three continents, 1,005 were commissioned by PwC Switzerland. They were conducted online in Switzerland in July and August 2012. Respondents were chosen to reflect the national profiles in terms of age, gender, employment status and region.

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# 1. Swiss shoppers: online savvy and practical

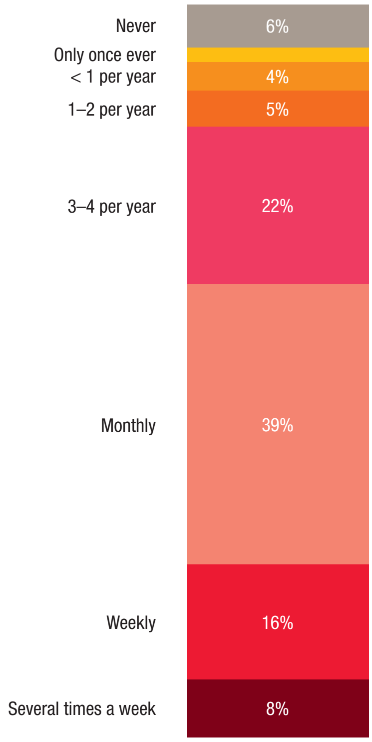
## Online savvy

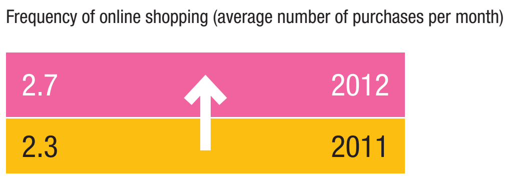
One of the reasons multichannel has gone mainstream is that shoppers now feel far more confident about buying online. Indeed, it seems that Swiss consumers are becoming increasingly adept at online shopping: 24% of our sample of online shoppers were buying online on a weekly basis in 2012, and their purchasing frequency has increased (see Figure 1). At the same time, though, the proportion of newcomers is relatively low: 14% of online shoppers made their first online purchases within the past year versus 32% in 2011 (see Figure 2).

***86% have been shopping for longer than one year online***

***Convenience is quickly becoming a driving force of online shopping in Switzerland***

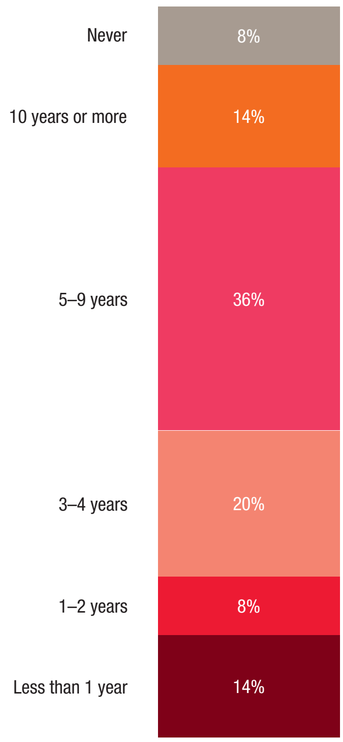
## Figure 1: How often do you shop online?




*Sample size: 1,129 Swiss online shoppers*

## Figure 2: How long since you made your first online purchase?

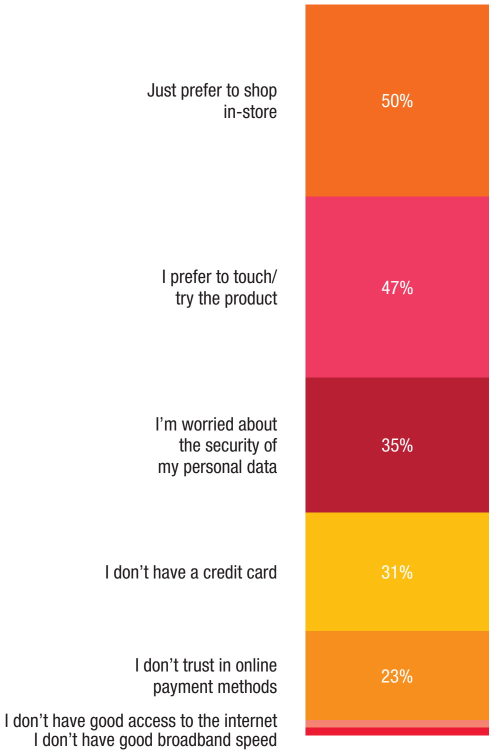




*Sample size: 1,004 Swiss online shoppers*

For the first time this year we asked online-adverse consumers why they weren't buying online (see Figure 3). Not surprisingly, they cited security concerns or a lack of trust in online payments, as well as the importance of an in-store sensory experience.

Figure 3: Why don't you shop online?




*Sample size: 124 Swiss shoppers*

## A practical shopper who values convenience

As outlined in our global report[1], online and in-store behaviours are actually quite specific to each country, with Swiss shoppers more practical than others (see Figure 4). What does that mean in reality?

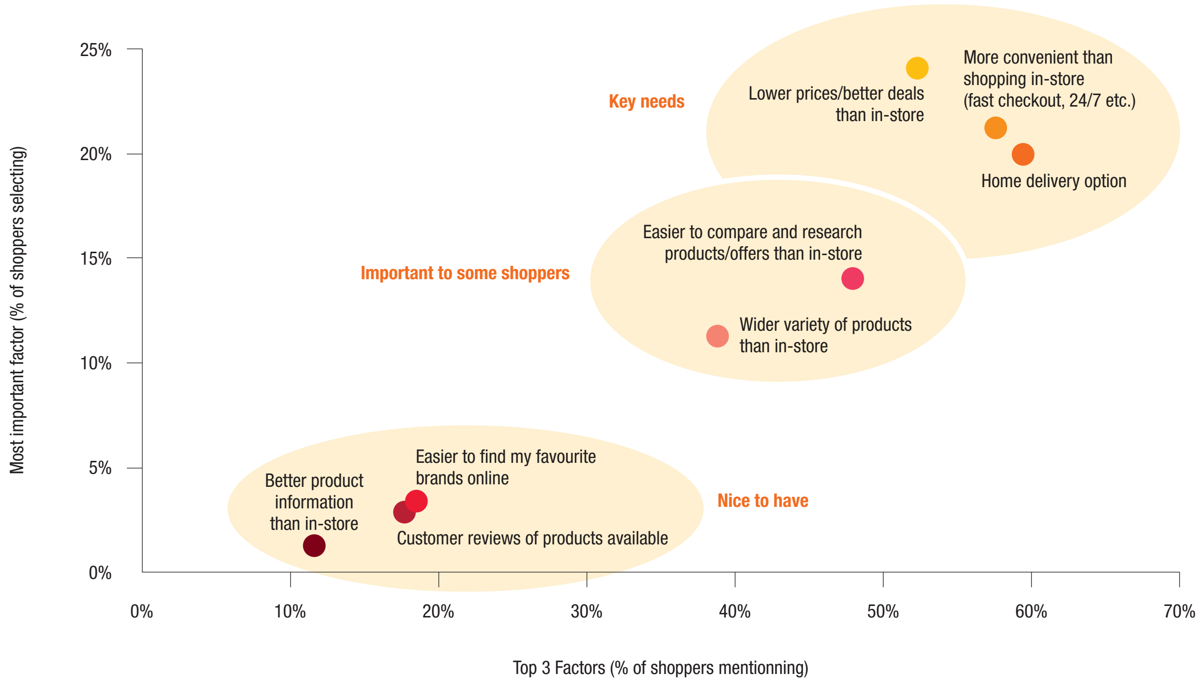
Figure 4: Consumer behaviour online and in-store (global)


*Full sample, 11,067 online shoppers*

[1] *Myth 4, Demystifying the online shopper: 10 myths of multichannel retailing, PwC, 2013*

In Section 2 we will discuss the reasons why Swiss shoppers are attracted to physical stores. As for the popularity of online shopping, it is rooted in many factors (see Figure 5). The conventional wisdom usually settles on price as the driving force, and indeed it does feature among the most important reasons quoted by Swiss consumers. But take a closer look, and it appears that they are more likely to shop online because it is more convenient than shopping in bricks and mortar stores, they can have products delivered to their home, and it is easier to compare products. By way of comparison, price ranks relatively high compared with other reasons in France, Turkey and Brazil; in China and Hong Kong, customer reviews are among the most important factors for shopping online.

Figure 5: What factors attract you to shopping online?



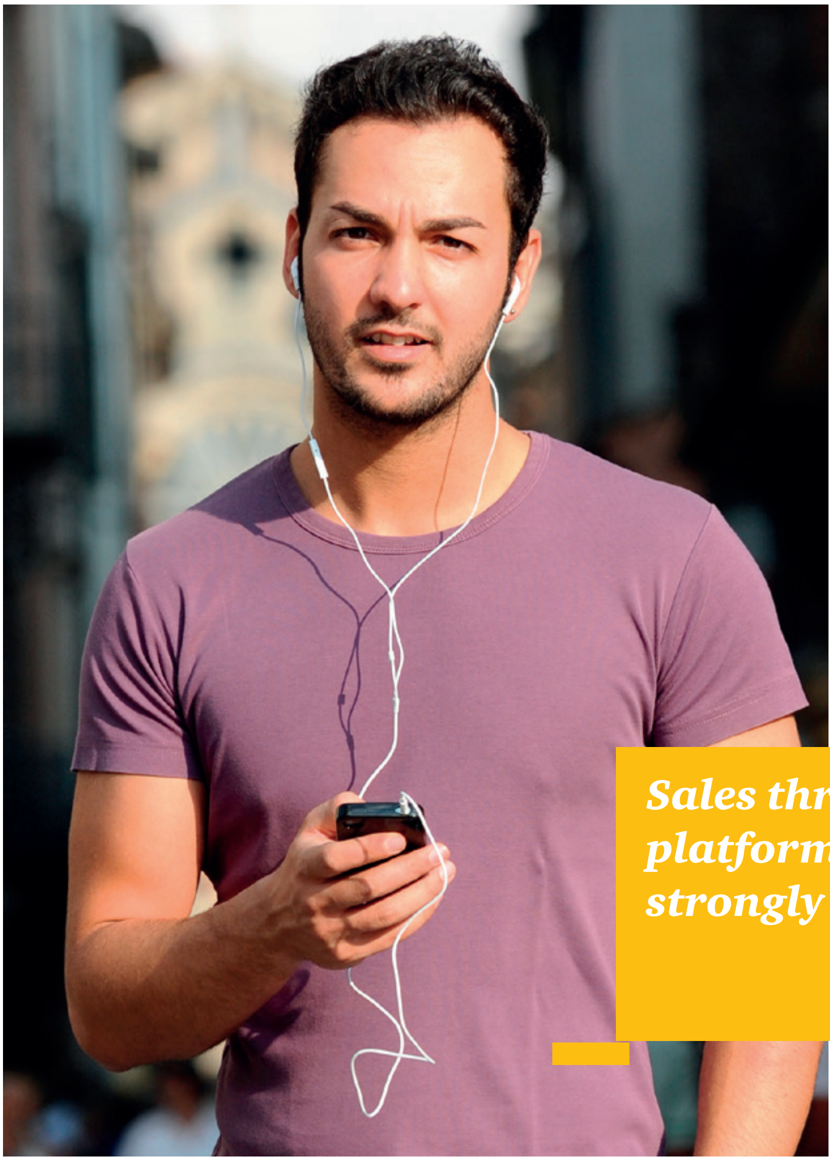

*Sample size: 1,005 Swiss online shoppers*

# 2. The Swiss purchase journey: the truth about social media, smartphones, tablets and stores

## The social media factor

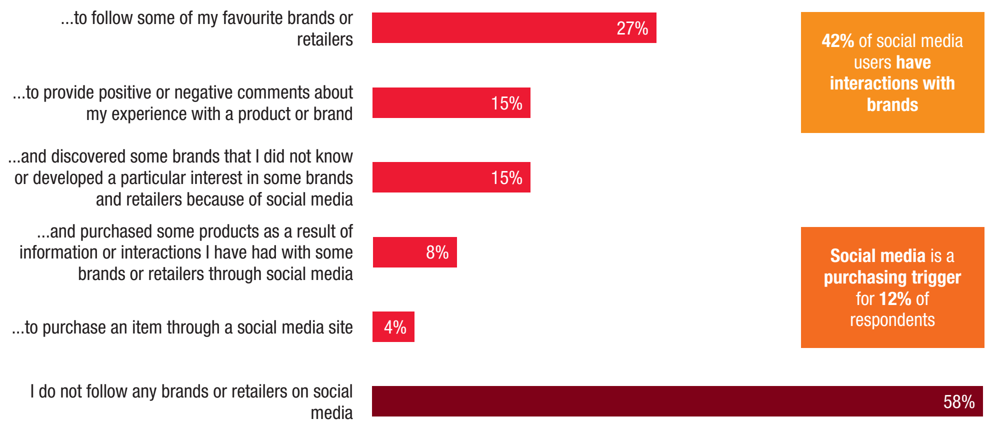
It is clear that social networks offer a tremendous platform allowing brands and retailers to interact with their customers. However, our survey shows that social media will not be morphing into a new sales channel in the near future. A mere 5% of Swiss respondents said they had shopped via a social media platform at least once a month, and 8% less than once a month. At the other end of the spectrum, 28% of Chinese and 22% of Hong Kong shoppers said they shopped on social media platforms at least once a month.

While they might not shop on social media, more than two out of five Swiss online shoppers still visit a social media website every day. The power of social media remains intact in this respect, especially when it comes to following a brand or retailer, looking at reviews or making new discoveries (see Figure 6).



*Sales through social media platforms will not develop strongly in the near future*

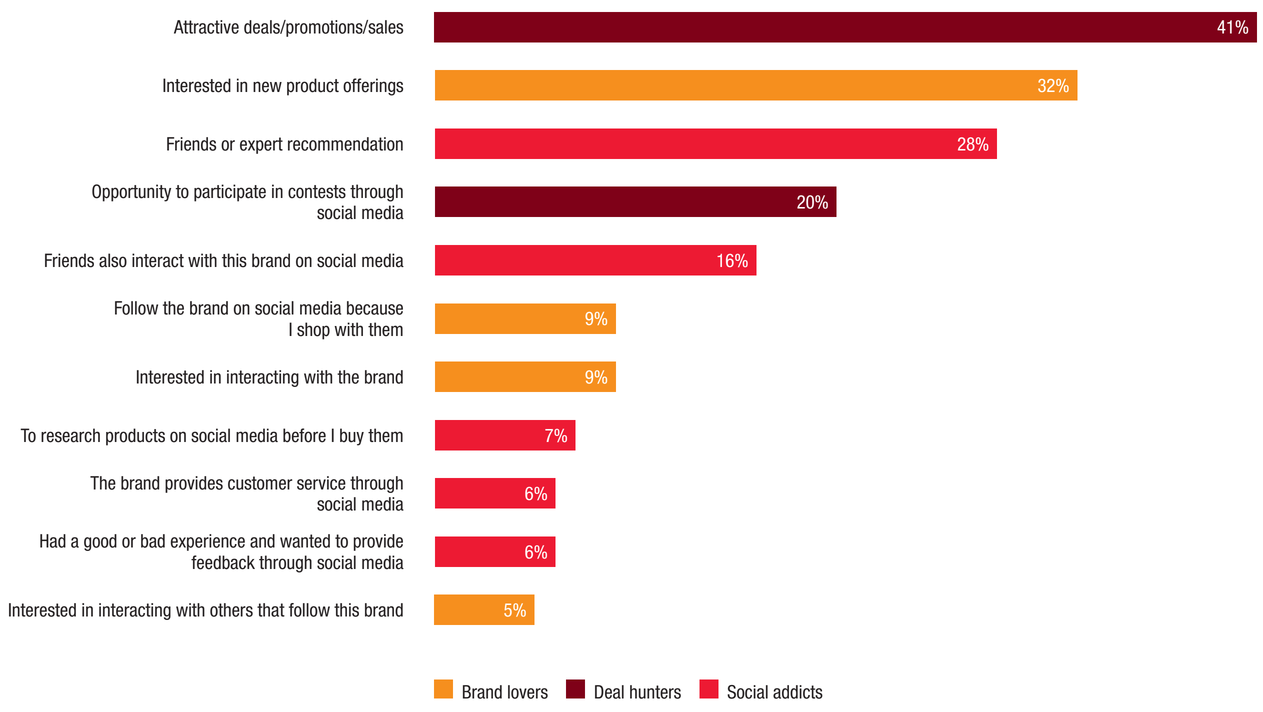
Figure 6: Frequency of online shopping (average number of purchases per month)




*Sample size: 743 Swiss online shoppers*

Using social platforms as a robust marketing and communications tool allows brands or retailers to address different categories of shoppers: brand lovers who demonstrate a close relationship with the brand, deal hunters focused on finding the best deal, or social addicts who will most likely further fuel the dialogue between brands and consumers (see Figure 7).

Figure 7: What attracts you to go to a particular brand's social media site?




*Sample size: 738 Swiss online shoppers*

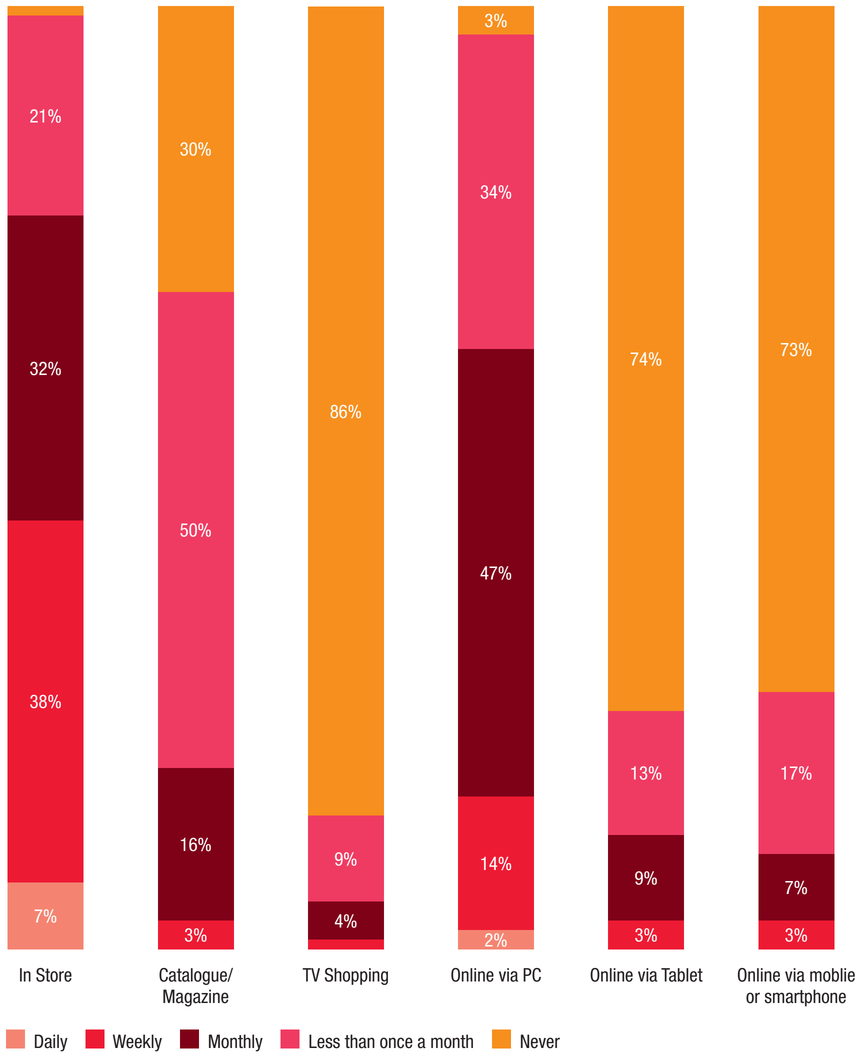
## PCs still way ahead of smartphones and tablets

There is no doubt that both smartphone and tablet usage is growing fast in Switzerland. Smartphone penetration has increased from 34% in 2011 to 43% in 2012, with 57% of Swiss people using their smartphones every day, and everywhere (home, work and in store)[2]. As for tablets, 62% of Swiss tablet users go online daily with their device, mostly at home. Indeed, a vast majority of them use their tablet to access content and information in a lean-back environment: to read news or magazines on screen, check emails, play games or browse social networks. Moreover, while 3G networks are still expensive and wi-fi service not always available on the go, home connections are usually more stable and much faster.

Despite this, neither smartphones nor tablets are ready to overtake PCs as the preferred online shopping device. The PC is still the dominant online device in Switzerland. Only 12% of Swiss respondents said that they shop with a tablet at least once a month (3% of these people did so every week). The use of smartphones to purchase is equally low, with only 11% of respondents buying at least once a month with their mobile (see Figure 8).

[2] *Our mobile planet: Switzerland, Google, 2012*

Figure 8: How often do you go shopping?



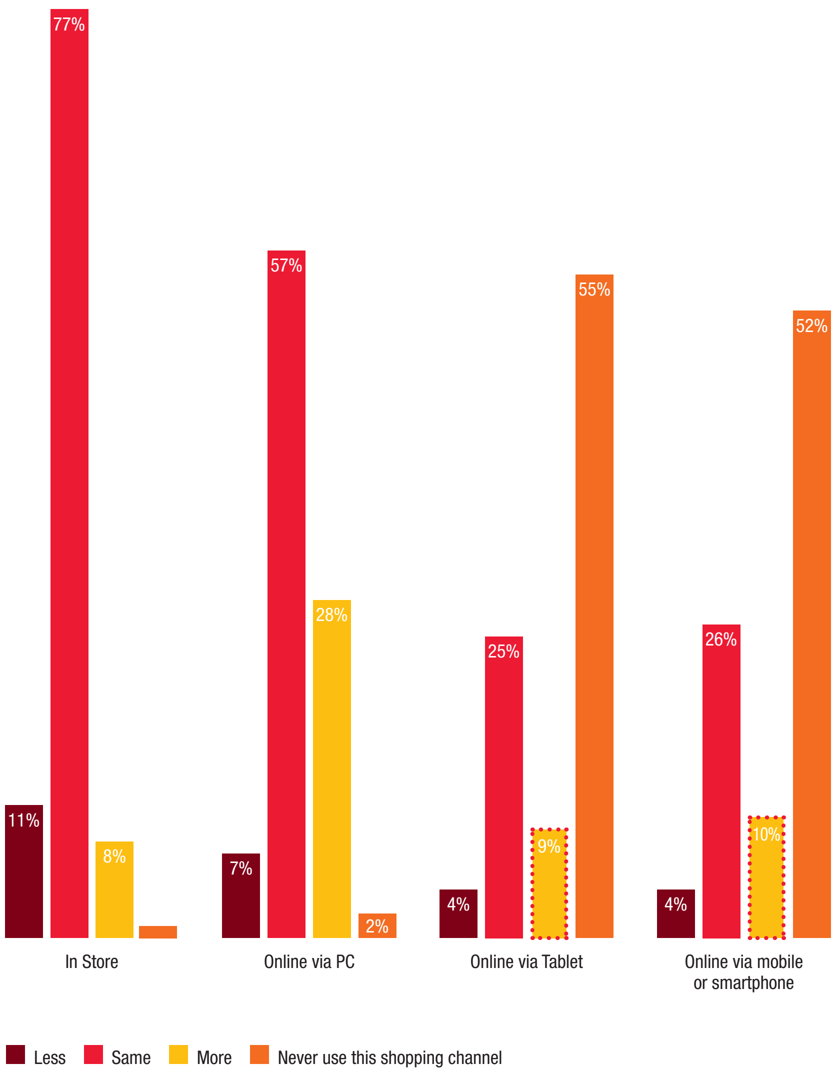

*Sample size: 1,005 Swiss online shoppers*

***Only 12% of Swiss online shoppers say that they shop with a tablet at least once a month***

As a matter of fact, Swiss shoppers seem more advanced than their European neighbours when it comes to using tablets. For example, in Germany only 10% of consumers shop with their tablets at least once a month, and only 7% in France. But there is still room for improvement in Switzerland when compared with shoppers in the US (19%) or China (38%).

While the dominance of PCs doesn't seem likely to change any time soon (see Figure 9), tablets and smartphones are forces to be reckoned with. Two main uses of smartphones are emerging: during the preparation or research stages of the purchase journey (planning and lists), and as a payment or loyalty device. More and more retailers are using their applications to push e-coupons or last-minute savings opportunities that you can use when checking out, for example. The use of smartphones in stores is also growing rapidly as a means of quickly comparing prices between locations or browsing through a digital shopping list.

Figure 9: How do you think the frequency of your shopping behaviour will change over the next 12 months using the following shopping channels?




*Sample size: 1,005 Swiss online shoppers*

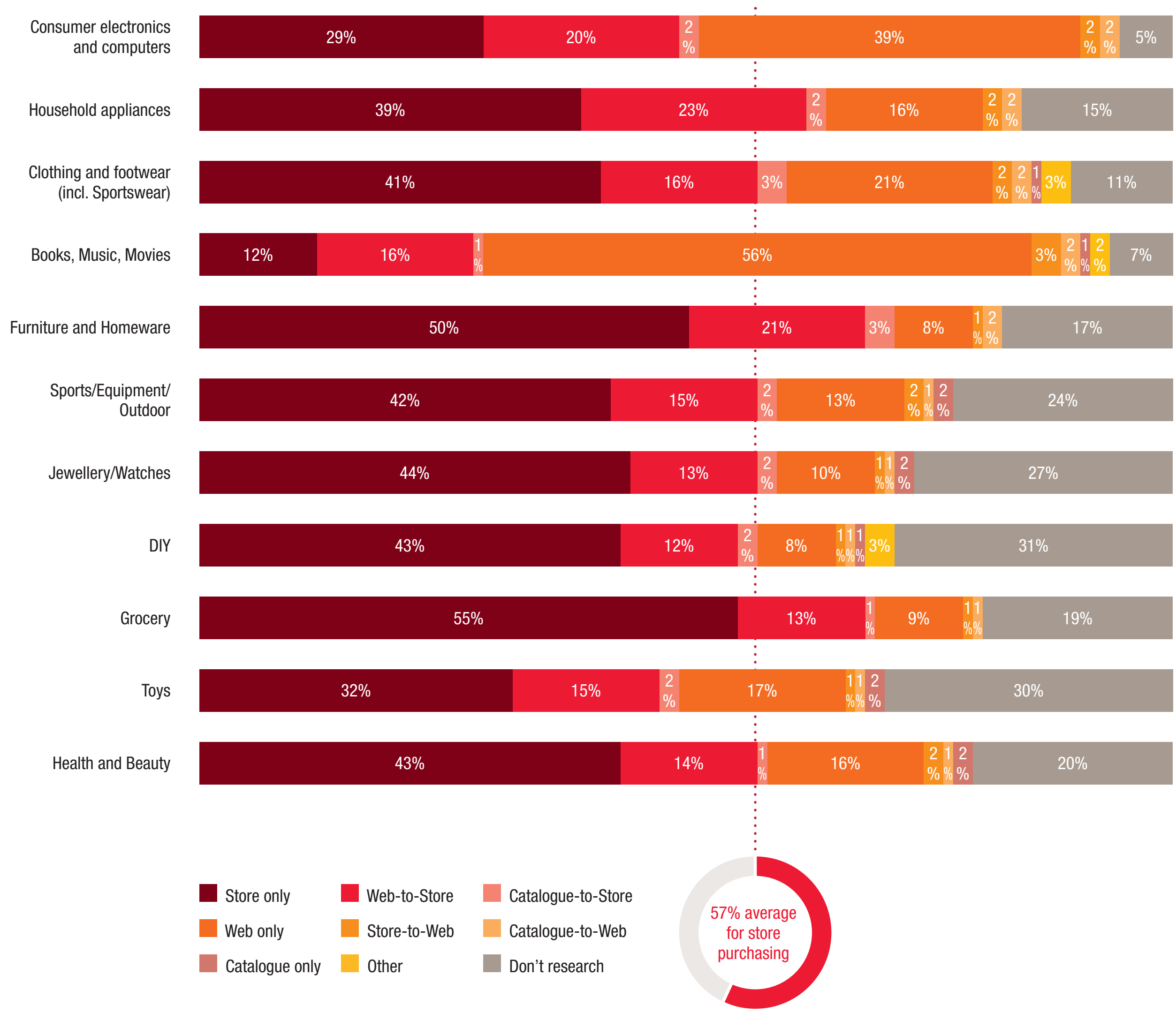
***Swiss shoppers are more advanced than other European shoppers when it comes to tablet shopping***

# Stores still the centrepiece of customer journeys

It is clear that physical stores will experience fundamental changes in the near future. But those who had predicted their quick death may have to wait a while longer. Many Swiss respondents say that they indeed research more and more online, but across most product categories a vast majority want to continue making their purchases in store.

Grocery, furniture, DIY and jewellery are traditional store categories where most of the purchase journey (from research to delivery) involves a store visit. For other categories such as consumer electronics or clothing, to some extent, the online channel is gaining ground – not just for research, but for actually purchasing articles. At the top end of the scale, as in 2011, books, music and movies remains the typical online category, with 56% usually researching and buying these products online (see Figure 10).

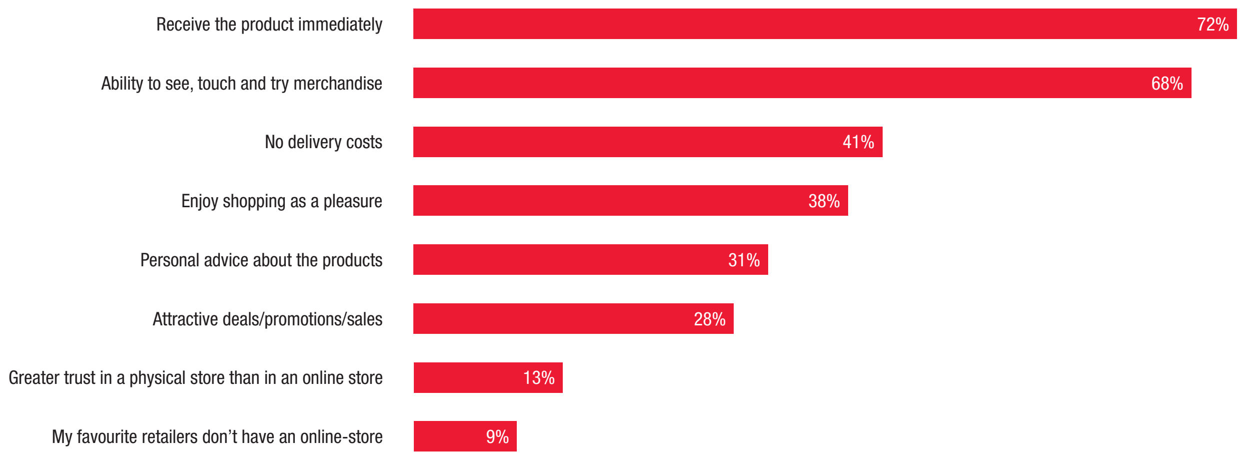
Figure 10: Which method would you most prefer for researching and buying?




*Sample size: sample size varies by product category (lowest, for sports: 957 Swiss online shoppers)*

The role of stores within consumers' purchase journeys will remain important, as they still enjoy the traditional in-store shopping experience (see Figure 11), especially in terms of the specific sensations that a physical store provides, such as the immediacy and intimacy of being able to feel and touch products.

Figure 11: What are the most important factors that attract you to shopping in a physical store in general? Please select the 3 most important factors.




*Sample size: 1,005 Swiss online shoppers*

At the same time, we will see the emergence of new retail spaces as retailers develop and implement new store propositions. In line with what customers value most today when visiting stores, we believe that the smart adoption of technology and empowered store associates could be key levers in shaping new and successful customer experiences. J.C. Penney is transforming physical stores by including new customer-facing interaction options. This new concept is based on three key elements: shops, street and square. Aisles are larger and more interactive, and individual shopping spaces or shops are integrated in the overall store space, with an emphasis on customer convenience through comfortable seating and relaxing coffee areas.

***Online buyers still want to shop in stores, and new retail spaces are emerging***

# 3. The Swiss multichannel landscape

## A glocal[3] market

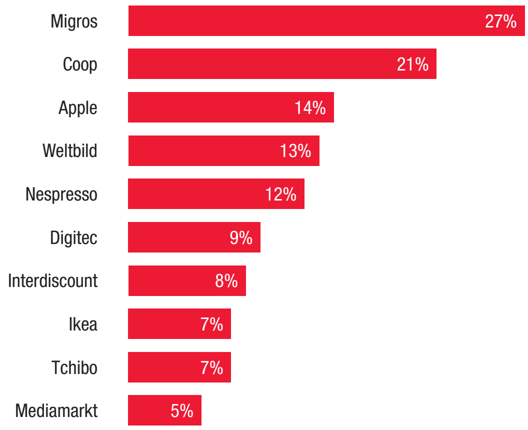
Looking at the top ten multichannel retailers in Switzerland (see Figure 12), local Swiss retailers Migros and Coop are the 'favourite multichannel retailers' most frequently cited by respondents. It is quite interesting to note that only three major international brands managed to win over Swiss consumers: Apple, Ikea and Nespresso. Weltbild, Tchibo and Mediamarkt are German regional players with quite a strong foothold in German-speaking Switzerland.

When it comes to online-only retailers, we have found that domestic or regional players are equally able to hold their own against global players. Online giants (Amazon, iTunes and Ebay) might lead the way (see Figure 13), but the very good position of the Swiss e-commerce platform Ricardo demonstrates that local players are not always at a disadvantage. Founded in 1999 as an auction platform, Ricardo has since successfully developed into new markets (cars, dedicated online shops for Swiss companies and free listings) and new touchpoints (mini-shops on social networks and applications). Two million people subscribe to the various platforms, which sell 20,000 products per day and 10,000 cars each month. There is also a whole group of local or regional players (La Redoute, Dein-Deal, Eboutic and Ifolor) within this list who have been able to build a large customer base.

[3] *Global-local*

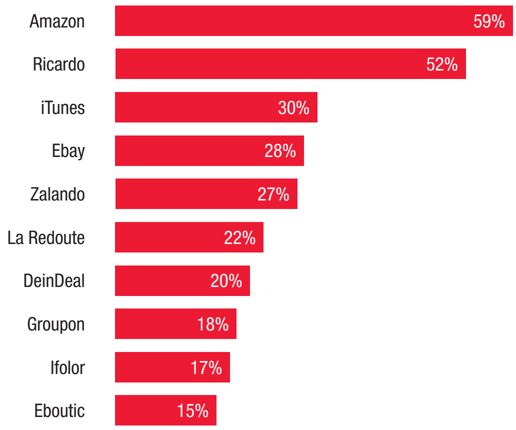
**_Do not underestimate the power of local retailers: they are holding their ground_**

Figure 12: What are your favourite multichannel retailers/ brands? Top 10, % of shoppers who stated at least one favourite




*Sample size: 795 Swiss online shoppers*

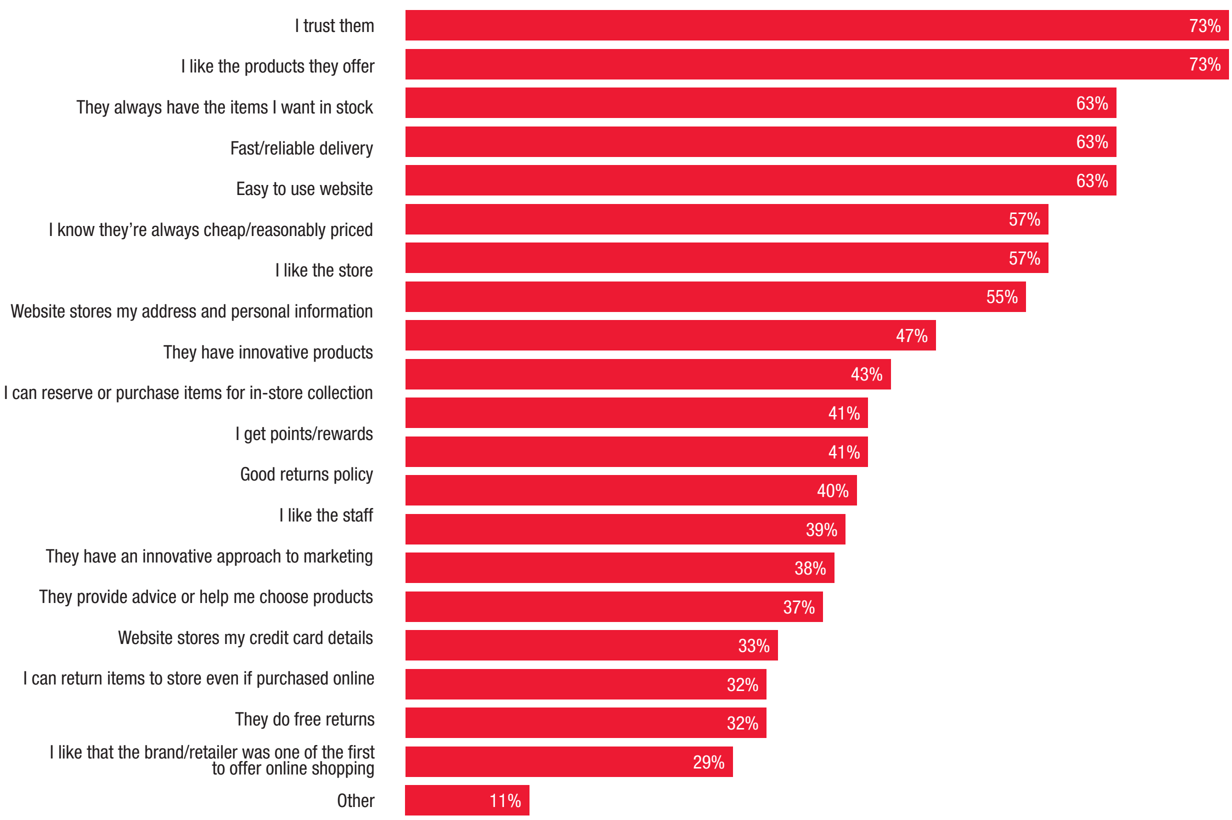
Figure 13: Top 10 online retailers shopped with over the last 12 months – online via PC




*Sample size: 886 Swiss online shoppers*

The key differentiating factors as to why Swiss respondents choose to shop with their top three favourite multichannel retailers are trust, product range, stock availability, fast and reliable delivery, and an easy-to-use website (see Figure 14). Interestingly, Swiss respondents seem to display lower price sensitivity, as reasonable pricing ranks only sixth after factors that relate mostly to convenience.

Figure 14: Why do you shop at your top 3 favourite multichannel retailers/brands?



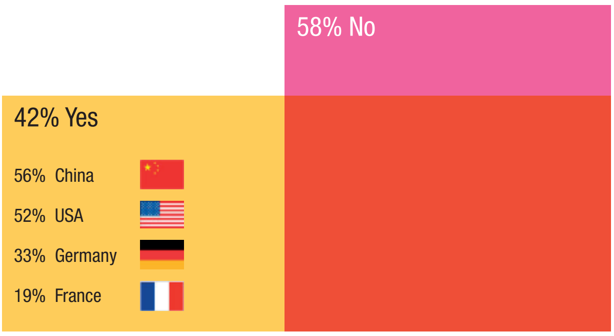

*Sample size: 787 Swiss online shoppers*

## Who owns the Swiss consumer? The shift from retailers to manufacturers and the rise of direct-to-consumer models

While retailers have for a long time been at the centre of the shopping universe, slowly but surely a shift towards manufacturers is occurring. And Switzerland may well be at the forefront of this trend. Indeed, close to one in two Swiss consumers already shops directly at a brand's website – placing Switzerland right behind the US and China (see Figure 15).

Swiss consumers seem quite sensitive to the unique connection that certain brands have managed to build over the years, either through prices (targeting deal hunters) or a solid offering combining product range and availability, thus appealing to our very own practical Swiss shoppers (see Figure 16).

Figure 15: Have you ever bought from a website that sells only products from one brand?




*Sample size: 1,005 Swiss online shoppers*

Figure 16: What made you choose to buy directly from the brand website, rather than from a website selling lots of different brands?


*Sample size: 421 Swiss online shoppers*

The disruption is clear for retailers. Brands now tailor their offerings to their most loyal customers, developing exclusive products or information services. Through their social media or e-commerce platforms they can now support customer interactions more closely, using feedback to capture the voice of the customer in real time; something which they were not able to do until recently.

But it is clear that retailers won't stagnate, and are already looking at ways to innovate, whether through product and space innovation, designing a new customer experience (leveraging the best of the new digital technologies) or developing and enhancing private and local brands in an effort to provide strong value propositions. Retailers are also benefiting from real-time, direct access to consumer insights through sales and loyalty programmes and feedback from sales associates. Backed up with the proper tools and decisionmaking techniques to make sense of this ever growing amount of data, this should allow retailers to improve the speed and accuracy of store execution and further improve the customer experience (in terms of product range, pricing or even floor plan).

***Retailers are no longer better positioned than brands. Brands are getting closer to the consumer by the second***

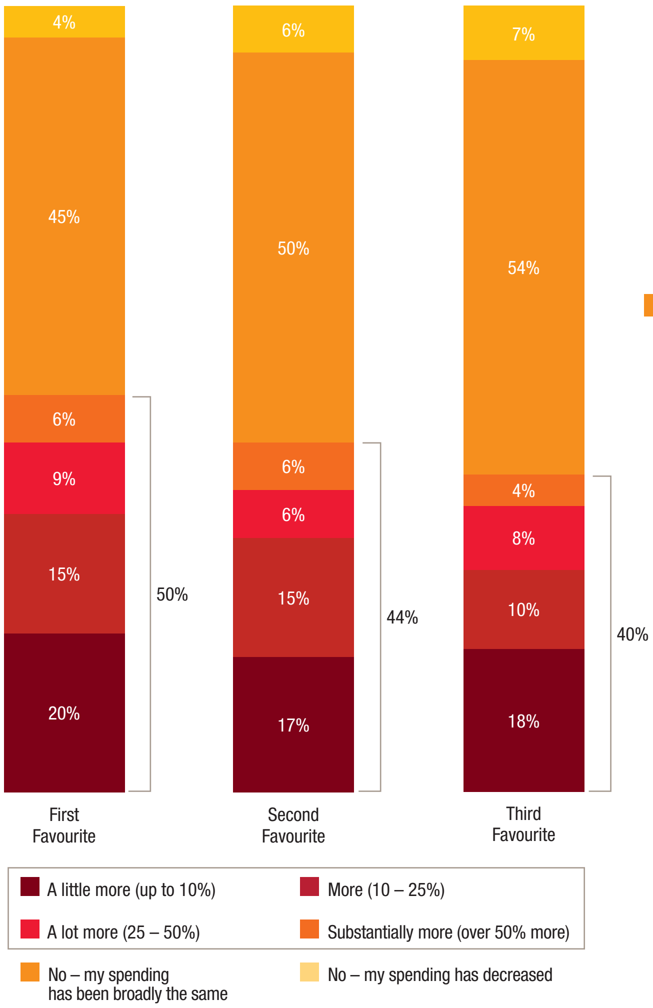
## Online retail is not cannibalising sales

Not long ago retailers were still doubting the efficiency of multichannel and worrying about its negative impact on physical sales. Our research clearly shows that they were wrong, and that online retail does not cannibalise sales. Indeed, efficient multichannel strategies even improve customer engagement and make it difficult for competitors to capture these multichannel consumers.

Retailers will see from our research that Swiss consumers are tending to shop more with their favourite multichannel retailers rather than just shifting their purchases to a different channel. In Switzerland, close to 50% of consumers said that they have been spending more with their preferred multichannel retailers since they started shopping across channels (see Figure 17).

But there is one small catch: actually making it on to the list of preferred multichannel retailers. This may not prove so easy, as Swiss consumers tend to shop at a small number of retailers across multiple channels (see Figure 18). Further-

Figure 17: Do you think you have spent more with your favourite retailer since you started shopping across multiple channels?



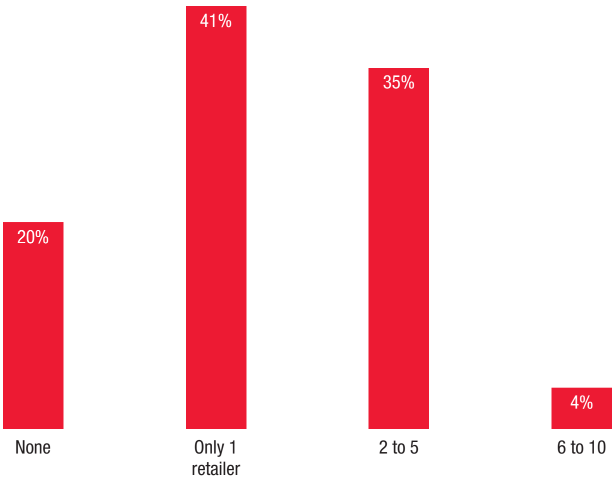

*Sample size: Swiss respondents who specified their three favourite retailers (790, 369, 196)*

***Swiss multichannel retailers face high customer conversion costs***

more, this has a tremendous impact on customer conversion costs: the cost of gaining new customers (i.e. getting them to swap retailers) will involve large marketing investments and a strong value proposition.

Achieving this 'favourite multichannel retailer' status will be a key success factor. In a way, the same basic factors that make retailers successful in stores will make them successful across channels. A deep understanding of what Swiss customers value and how to deliver an effective customer experience across the whole value chain and across all channels will prove to be key. Multichannel integration is critical, and does not stop at online versus physical. It involves a consistent shopping experience and branding across websites, drive options leveraging store networks, and synergies between platforms and product ranges.

Figure 18: How many retailers and online retailers have you shopped with over the past 12 months?




*Sample size: 1,005 Swiss online shoppers*

# 4. The way forward

In 2013, consumers have access to multiple channels throughout their shopping experience, with many resources available to them before they make their final purchase decision. At the same time, while digital technology continues to reshape the way companies and consumers interact, social media is not replacing the in-store shopping experience. Companies are faced with a true multichannel challenge, where every channel counts and contributes to the customer's experience. This is compounded by the fact that consumers are also becoming more demanding and volatile.

For decades, retailers and brand manufacturers have shaped an industry where customers have grown accustomed to immediacy and having a broad selection of products to purchase. The digital age has accelerated their expectations and their appetite for more (rather than less!), and for a customised and engaging experience.

This means that deep structural and strategic changes to traditional business models are needed. While leading retail organisations are already on this path in Europe, Swiss retailers may seem to be only at the beginning of their multichannel development. French retailers, for example, have invested heavily in their drive networks in the past two years, and are building synergies between their different platforms by offering grocery, non-food or electronics products via complementary websites and delivery options. We have already touched on some key multichannel levers in our survey, many of which involve the smart and fit-for-purpose use of digital technologies.

## Multichannel supply chains: get customers what they want, when and where they want it

Customers have already taken over the supply chain, as digital commerce makes any location a potential point of sale. Faced with increasingly complex demand patterns and customer requirements, most retailers are struggling to find a way to carefully plan and respond to the implications for their logistics and inventory. Key areas that leading multichannel retailers are now focusing on are visibility and flexibility: planning where inventory should sit in the network to optimise service and costs, calculating or simulating cost for every delivery and fulfilment option, and determining what information to present to the customer. The 'dark store' concept developed by a major retailer in the UK is one example of a successful new operating model that combines flexible operations with improvements in profitability. Started as a 'pick from store' initiative, the model now includes dark stores in large populated areas. Products are stocked in the same way as a regular supermarket, except that customers are replaced by order picking staff. Orders are then routed through an automated storage and retrieval system and held until ready for delivery when the delivery van signals itself to the system.

## Digital intelligence: making sense of multichannel consumers

Today's customers have grown used to having unprecedented levels of influence and control. If they don't like what companies are doing, they will voice their opinions and share them with their peers, potentially undermining a brand. A young but fast-growing trend in the industry, digital dashboards, enables retailers or brand companies to understand customer behaviour across multiple touchpoints. New analytic frameworks now recognise where customers have been and what their wants and needs are at each step of their digital purchase journey.

## Store innovation: engaging and connected

In the past few months, we have seen leading brands and retailers unveiling new store concepts in Europe. New selling spaces are leveraging both sales associates and digital technologies to enhance the in-store customer experience in a true multichannel environment. While the mix between traditional layout and digital will most likely vary depending on the product category or brand image, we believe retailers won't have a choice but to refresh the store experience to better serve, engage, transact and inform their customers.

# Contacts

There are many more insights and data we could have included in this survey: how do Swiss consumers perceive their favourite national retailers? How do consumers interact with luxury brands? What are the preferred purchase journeys by product category? We would be thrilled to share our analysis and points of view with you and tell you more about our findings. Please don't hesitate to contact one of our experts.

**Mike Foley**
Swiss Retail & Consumer
Industry Leader

Tel: +41 58 792 82 44
mike.foley@ch.pwc.com

**Oz Ozturk**
Leader Digital Transformation
Retail and Consumer

Tel: +41 58 792 90 37
oz.ozturk@ch.pwc.com

**Alexandre Cherix**
Strategy & Operations
Supply Chain Excellence

Tel: +41 58 792 91 02
alexandre.cherix@ch.pwc.com

**Olivier Colomb**
Multichannel, Mobile and Social Media

Tel: +41 58 792 95 59
olivier.colomb@ch.pwc.com

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