

Discovering "WOW" – A Study of Great Retail Shopping Experiences in North America

Executive Summary



Introduction

1,006 online panel interviews were conducted nationally with North American consumers between May 11 and May 13, 2009. The sample was weighted 60% : 40% US vs. Canadian shoppers.

All respondents were randomly selected and qualified if they had purchased products at a retail store in the past month. Respondents were asked to exclude liquor, beer, grocery, and prescription drug purchases or items valued at more than \$2,500.

The results were weighted to reflect the current US and Canadian population distribution based on census data for age, region and gender.

In the Spring of 2009 the Verde Group, The Jay Baker Retailing Initiative at the Wharton School of Business and the Retail Council of Canada conducted research to explore the “WOW” shopping experience.

This study, which is the sixth in Verde/Wharton's series of retail experience studies, surveyed 1,006 North American shoppers to explore what constitutes “WOW” shopping experiences – those retail interactions that are particularly great, that surprise and delight the customer, and that build long term loyalty to a retailer. Specifically, it explored:

- How do shoppers define great retail experiences?
- How frequently do they occur?
- Do they vary by gender, age, country or store type?
- Which great experiences matter most to loyalty and a store's bottom line?

A summary of findings follows.

Great Shopping Experiences Happen Frequently

Over 50% of shoppers have had a great shopping experience at some time.

A MAJORITY OF SHOPPERS HAVE ENJOYED GREAT SHOPPING

Over one-third of shoppers have had a great shopping experience within the last six months. Nearly another one-fifth have had a great shopping experience at some point in their shopping history.

GREAT IS A FUNCTION OF MULTIPLE ELEMENTS

It is rare for a single aspect of the shopping experience to create greatness. For those shoppers who have experienced great, less than 10% say it is due to a single element. Nearly 70% said their shopping experience was great due to six or more elements occurring during the shopping trip in question.

RETAILERS DELIVER ON COURTESY AND PRODUCT FAMILIARITY...

For the most part, retailers deliver the experiences shoppers seek. The top two most frequently occurring great shopping elements are:

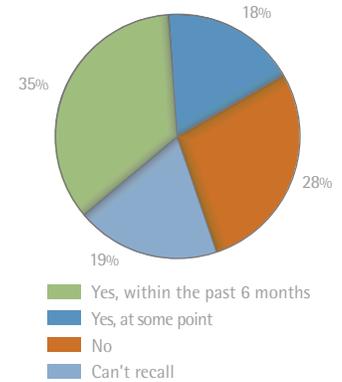
- Were very polite or courteous to you
- Were very familiar with the products the store carried

These two elements are also the top two most *important* great shopping elements – i.e. the shopping experiences shoppers value the most.

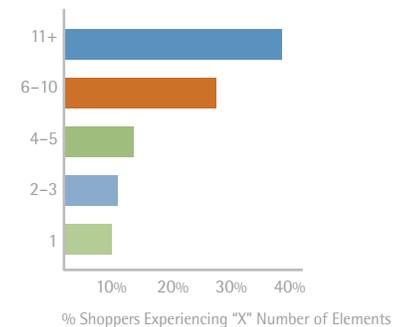
...BUT MISS ON PRODUCT QUALITY

Shoppers care about quality. "Quality of products at this store is consistently great" is the second most important great shopping element for shoppers. But it is *tenth* in frequency of occurrence. Only 43% of shoppers who had a great shopping trip report experiencing this element.

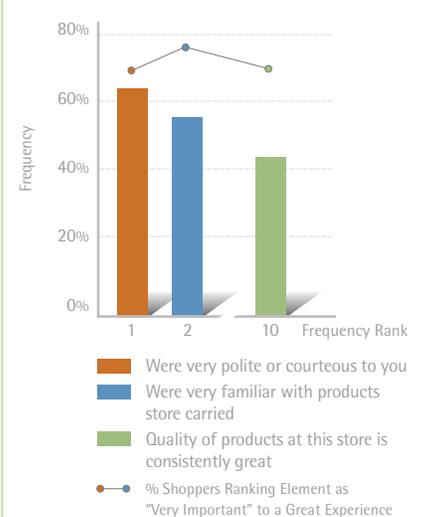
% Shoppers Having a Great Shopping Experience



Average Number of Elements Creating Great Shopping

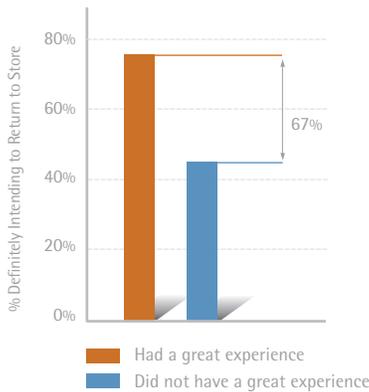


Elements Creating Great Shopping

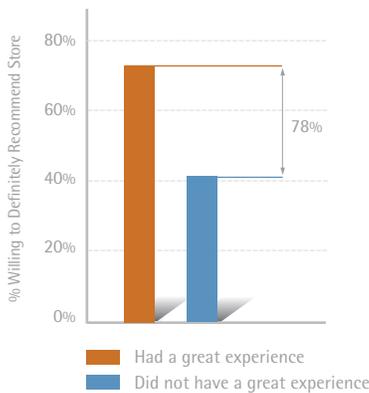


Great Shopping Creates Loyalty

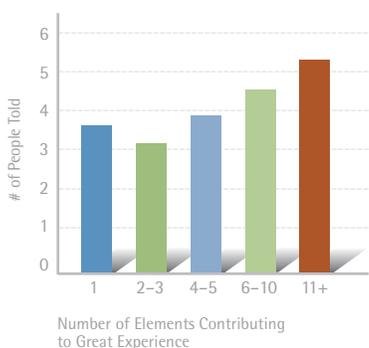
Intent to Return to Store



Willingness to Recommend Store



Number of People Told About Great Shopping Experience



When a shopper enjoys a great shopping experience, store loyalty increases dramatically.

GREAT SHOPPING EXPERIENCES BRING BACK SHOPPERS

75% of shoppers who have enjoyed a great experience with a specific retailer definitely intend to return to that retailer the next time they need a similar product or item. When shoppers encounter merely "standard" experiences at a store, their likelihood to return drops by over 65%.

GREAT SHOPPING EXPERIENCES DRIVE STORE ADVOCACY

When a shopper enjoys great shopping, they are almost 80% more likely to definitely recommend the store to their friends and associates than those shoppers who experience "standard shopping."

SHOPPERS TALK ABOUT THEIR GREAT EXPERIENCES

Nearly 80% of shoppers who enjoy a great shopping experience will talk about it with their friends and associates. When they talk, they talk widely: on average, they'll tell between four and five other people about their experience. And volume makes a difference. The higher the number of elements in a shopper's great shopping experience, the more people they tell about the experience.

Not All Great Shopping Experiences Are Equal

Which great experiences should a Retailer focus on in order to drive shopper loyalty?

THE FIVE CATEGORIES OF GREAT SHOPPING EXPERIENCES

- 1 **Engagement.** Being polite, genuinely caring and demonstrating sincere interest in helping, acknowledging and listening.
- 2 **Execuational Excellence.** Patient explanation and advice, checking stock, helping find products, having product knowledge and providing unexpected product quality.
- 3 **Brand Experience.** Exciting store design, consistently great product quality, making customers feel they're special and that they always "get a deal."
- 4 **Expediting.** Being sensitive to customers' time and long check-out lines, and being proactive in helping speed up the shopping process.
- 5 **Problem Recovery.** Helping resolve and compensate for problems, upgrading quality and ensuring complete shopper satisfaction.

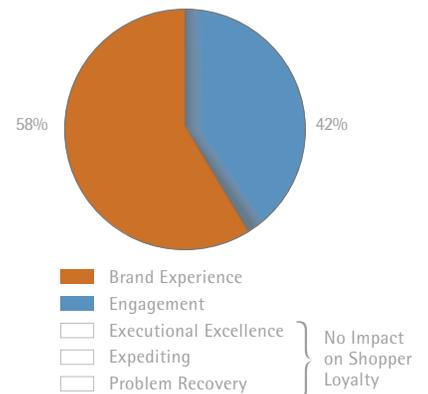
LOYALTY DEPENDS ON "BRAND EXPERIENCE" AND "ENGAGEMENT"

Only two of the five great shopping experience categories – "Brand Experience" and "Engagement" – have a meaningful impact on shopper loyalty. Of these two, "Brand Experience" is the more important factor by nearly 40%.

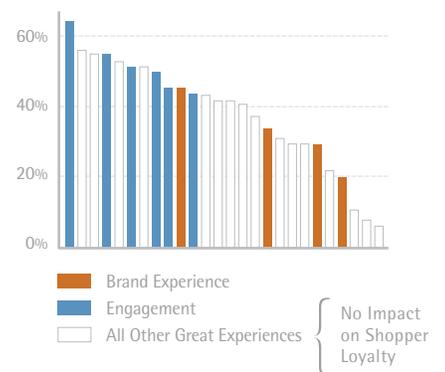
RETAILERS UNDER-DELIVER ON "BRAND EXPERIENCE"

Although "Brand Experience" elements are by far the most important for creating shopper loyalty, they are less frequently experienced by shoppers. Retailers do a much better job at delivering "Engagement" experiences.

Drivers of Loyalty: Great Experience Categories

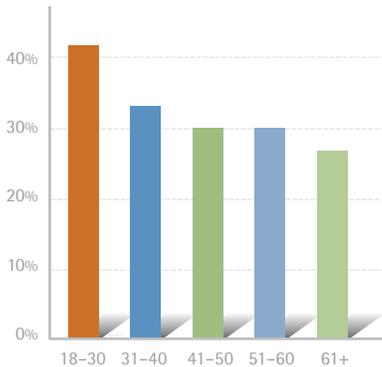


Frequency of Great Shopping Experiences

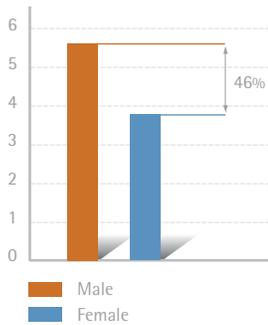


Great Shopping Depends on the Shopper

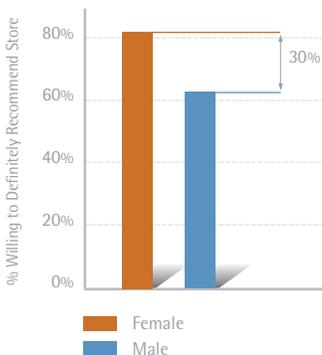
Great Experience Frequency by Age



Number of People Told About Great Shopping Experience



Impact of Great Shopping on Loyalty by Gender



Age, gender and country of shopper define a great shopping experience.

OLDER SHOPPERS ARE HARDER TO "WOW"

The older the shopper, the less likely they are to report having great shopping experiences. And it takes more to deliver great shopping to older shoppers. On average, shoppers over 60 years of age require more than 11 great shopping elements to create a single great shopping experience – nearly 30% more than their younger counterparts.

GREAT HAS LESS IMPACT ON YOUNG SHOPPER LOYALTY

Although it is easier to "WOW" younger shoppers – particularly those 18 to 30 – delighting these shoppers has a lower loyalty payoff. In general, delivering great shopping to this age segment has a 25% lower loyalty return than does delivering great shopping to older shoppers.

MEN TALK MORE ABOUT GREAT THAN WOMEN

When it comes to spreading the word about great shopping experiences, gender makes a difference. Although male and female shoppers are equally likely to tell someone when they've enjoyed great shopping, male shoppers talk more widely. On average, they will tell nearly 50% more people about their shopping experience.

WOMEN CARE MORE ABOUT GREAT THEN MEN

While great shopping experiences inspire men to speech, they inspire women to action and loyalty. Female shoppers who enjoy great shopping are 30% more loyal than their male counterparts, and are 25% more likely to return to the store where they enjoyed their great experience.

CANADIAN SHOPPERS SEEK DEALS AND EXCITEMENT

Canadian and US shoppers enjoy great shopping experiences at the same rate, but define great shopping differently. In particular, Canadian shoppers are 50% more likely than US shoppers to feel that they are "getting a deal" when they have a great shopping experience. They also crave more excitement in their shopping than do US shoppers: the shopping element "store design and atmosphere are exciting" is over 60% more important to Canadian shoppers than to their US counterparts.

About

ABOUT THE VERDE GROUP

The Verde Group specializes in helping North American organizations measure the cost of customer dissatisfaction, prioritize the issues based on ROI, and quickly fix them for improved retention, spend and profitability. With offices in Canada and the United States, The Verde Group has consulted internationally to clients including Wal-Mart, Toyota, Levi Strauss, Allstate Insurance, HSBC and Eli Lilly.

Visit www.verdegroupp.ca for more information.



ABOUT THE JAY H. BAKER RETAILING INITIATIVE

The Jay H. Baker Retailing Initiative at the Wharton School of the University of Pennsylvania is an education "industry center" created with a \$10 million gift from Patty and Jay H. Baker, Wharton Undergraduate 1956, and former president of Kohl's, with the sole focus of exposing students to the dynamic opportunities of a retail career. Visit bakerretail.wharton.upenn.edu for more information.



ABOUT THE RETAIL COUNCIL OF CANADA

The Retail Council of Canada (RCC) is a not-for-profit, industry-funded association representing more than 40,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants. RCC is a strong advocate for retailing in Canada, supporting employment growth and career opportunities in retail, promoting and sustaining retail investments in communities from coast-to-coast, and enhancing consumer choice and industry competitiveness. For more information visit www.retailcouncil.org.



ABOUT THE VERDE/WHARTON RETAIL EXPERIENCE RESEARCH SERIES

"Discovering WOW" is the sixth installment in an annual study of the state of shopper satisfaction in North American retail. For full study findings, or to view the findings of Verde/Wharton's previous four retail experience studies, please visit the Verde Group's website at www.verdegroupp.ca.