

LONG & WINDING ROAD

The Route to the Cash Register

CONTENTS

As new paths emerge,
new opportunities
emerge with them.

4 INTRODUCTION

5 METHODOLOGY

6 THE PATHS

10 OPPORTUNITIES

12 TECHNOLOGY

16 INFLUENCES ON THE PURCHASE
PROCESS

24 IMPLICATIONS

26 MARKETING OPPORTUNITIES

KEY FINDINGS

FINDING	IMPACT
<p>THE INTERNET IS FAR MORE THAN JUST ANOTHER POINT OF PURCHASE. ITS BIGGEST IMPACT ON BUYING LIES WITHIN THE AWARENESS AND CONSIDERATION PROCESS.</p>	<p>CONSUMER SHOPPING BEHAVIOR HAS ADAPTED IN A NUMBER OF DIFFERENT WAYS TO TAKE ADVANTAGE OF THIS CRITICAL RESOURCE.</p>
<p>EMPOWERING TECHNOLOGIES LIKE CAMERA PHONES, TEXT MESSAGING AND ONLINE COMMUNICATION ARE IMPACTING PURCHASE PATTERNS.</p>	<p>THE BUYING PROCESS IS BECOMING MORE COMMUNAL AND COLLABORATIVE.</p>
<p>FOUR DIFFERENT TYPES OF PURCHASE PATHS HAVE EMERGED.</p>	<p>EACH CARRIES ITS OWN BEHAVIORS, VALUES AND MARKETING IMPLICATIONS.</p>

INTRODUCTION

In the early days of the Internet there was a belief that commerce would move from bricks to clicks. However, while the Internet has radically changed how consumers shop and gather information about what to buy, it is now apparent that bricks and clicks are interrelated. Consumers have embraced the new information sources and shopping channels brought about by advances in technology, but still turn to more traditional outlets for shopping and retail transactions. Today, the road to the cash register involves both online and offline purchase cues, and each has a critical part to play in the decision-making process.

While ecommerce has had a significant impact in some categories, the vast majority of sales are still occurring in the offline world. What has shifted radically is the way in which consumers become aware of new products, research, and narrow down their purchases. In other words, these empowering technologies are re-engineering the consideration process. Technology (and the Internet in particular) enhances the long and winding road to the cash register by providing a rich resource for price and product comparisons, reviews and shopping. In addition, these technologies enhance the communal nature of shopping decisions and allow for a myriad of additional touchpoints for marketing to consumers.

The implications of these shifts for marketers and retailers are significant with some interesting similarities and differences across product categories. Specifically, these shifts signify a number of challenges for understanding and influencing consumer behavior. However, they also bring the possibility of important opportunities for engaging shoppers throughout the purchase process, and offer new touchpoints for brand communications.

This project was a two-phased market research study that included qualitative in-depth interviews and in-home ethnographies, as well as a quantitative online survey, regarding purchases in five product categories. The qualitative phase consisted of semi-longitudinal research with 13 participants in Chicago, San Francisco and Boston from December 2005 - February 2006. Each respondent participated in in-home interviews, shop-alongs, completion of online shopping journals, self-documentation videos, and follow-up phone interviews. Participants were recruited to represent individuals with broadband Internet access at home who intended to make a purchase in one of the selected product categories.

The online survey was conducted with a total of 4,301 adults aged 18+. Surveys were collected from March 15-22, 2006, and the sample was drawn from Ipsos' US online panel. Respondents represent individuals with broadband Internet access at home who had recently made a purchase in one of the selected product categories. In order to have consistency within purchase categories, we focused on:

AUTOS New or used cars

FINANCE Loans, checking or savings accounts

TECH Electronics or technology products

RETAIL GOODS Clothing, shoes and accessories, books, music and video games, or home improvement products

CONSUMER PACKAGED GOODS Grocery, personal care products and home cleaning products

ABOUT IPSOS

Ipsos, founded in 1975, is the only independent, publicly listed survey research company that is managed by research professionals. The organization is headquartered in Paris and has operations in 35 nations. Ipsos Public Affairs, which operates from Washington, DC, has been conducting national polls in the United States since 2001.

ABOUT OMD

OMD (www.omb.com) is the largest and most innovative media communications specialist in the world, with more than 140 offices in 80 countries. Named 2005 Global Media Agency of the Year by Adweek and 2005 Media Agency of the Year in the U.S. by Advertising Age, OMD also had the distinction of winning the highest number of EFFIES in 2006 and more Media Lions than any other media agency at the 2005 Cannes International Advertising Festival. The agency network is a unit of Omnicom Group Inc.

ABOUT CONIFER

Conifer Research LLC is a full service ethnographic research consulting firm dedicated to delivering the highest quality results for the most challenging projects. Conifer blends the skills of social scientists and design professionals to identify the intersection between un-met user needs and business objectives.

There are four basic types of paths to the cash register that express consumers' attempts to fulfill their needs by combining their own tools with those provided by merchants.

QUICK PATHS Characterized by a short time frame, fast decision-making, little or no research prior to purchase, and immediate gratification. This type of purchase path is most common for routine and impulse purchases, and when people are distracted or under time pressure.

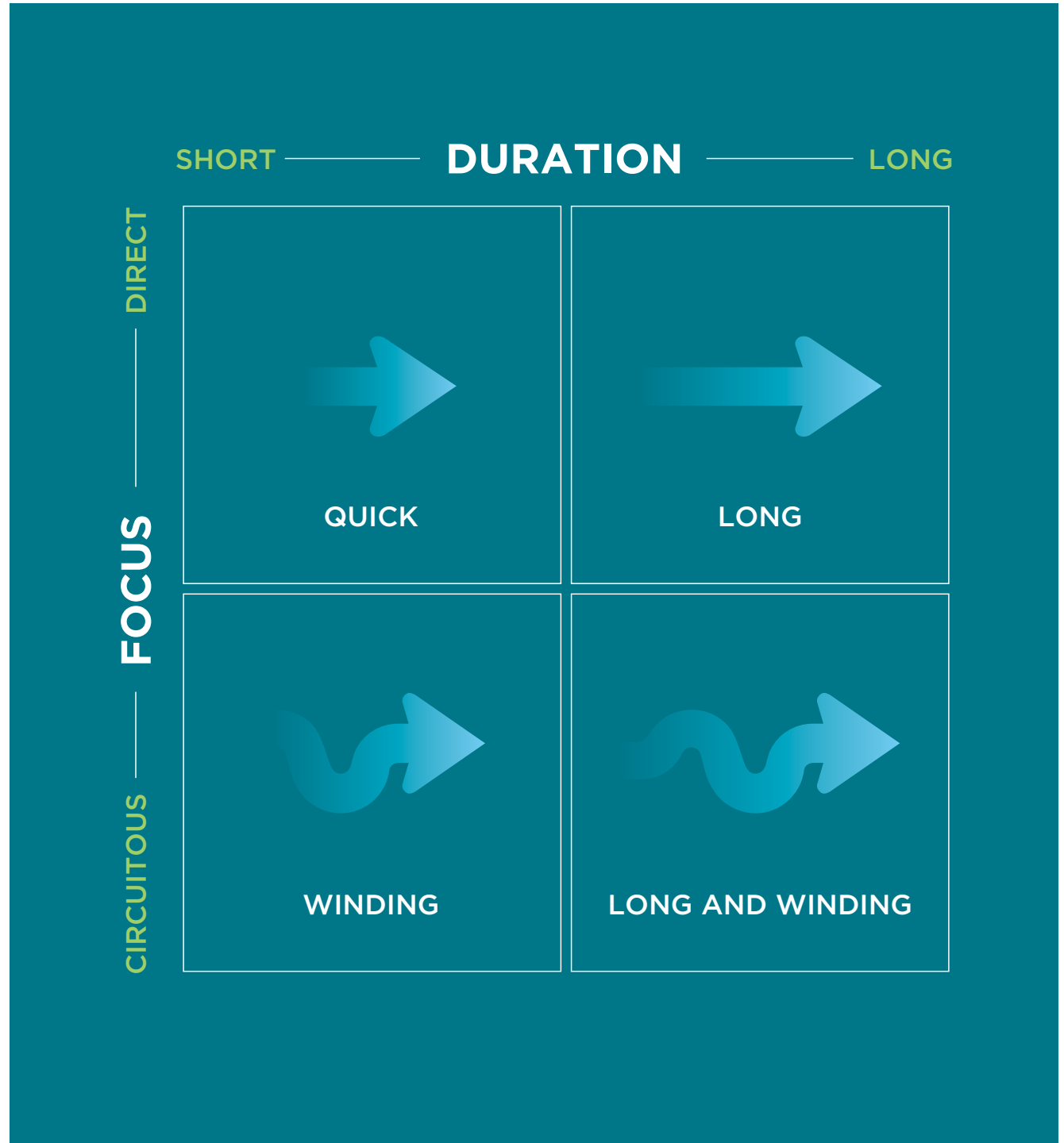
WINDING PATHS Involve movement between different shopping channels and information sources on the road to discovering the right item. Purchases made this way are facilitated by a strong comfort with technology, and take place within a relatively short time frame (a few hours to a week). Winding paths result from consumers trying to make the best purchase decision among many options, price comparison shopping, coupon use, and/or advice from friends or family.

LONG PATHS Are characterized by lengthier windows between the start of the product search and actually obtaining the item (weeks to sometimes months). This type of path emerges when consumers have a clear idea of the desired object and are determined to get it. Shopping typically takes place

through only one channel, and eventual purchase is very likely. Long paths often result from waiting for the price on a specific product to drop, waiting for something (such as a new style) to become available, and/or waiting for delivery of an item.

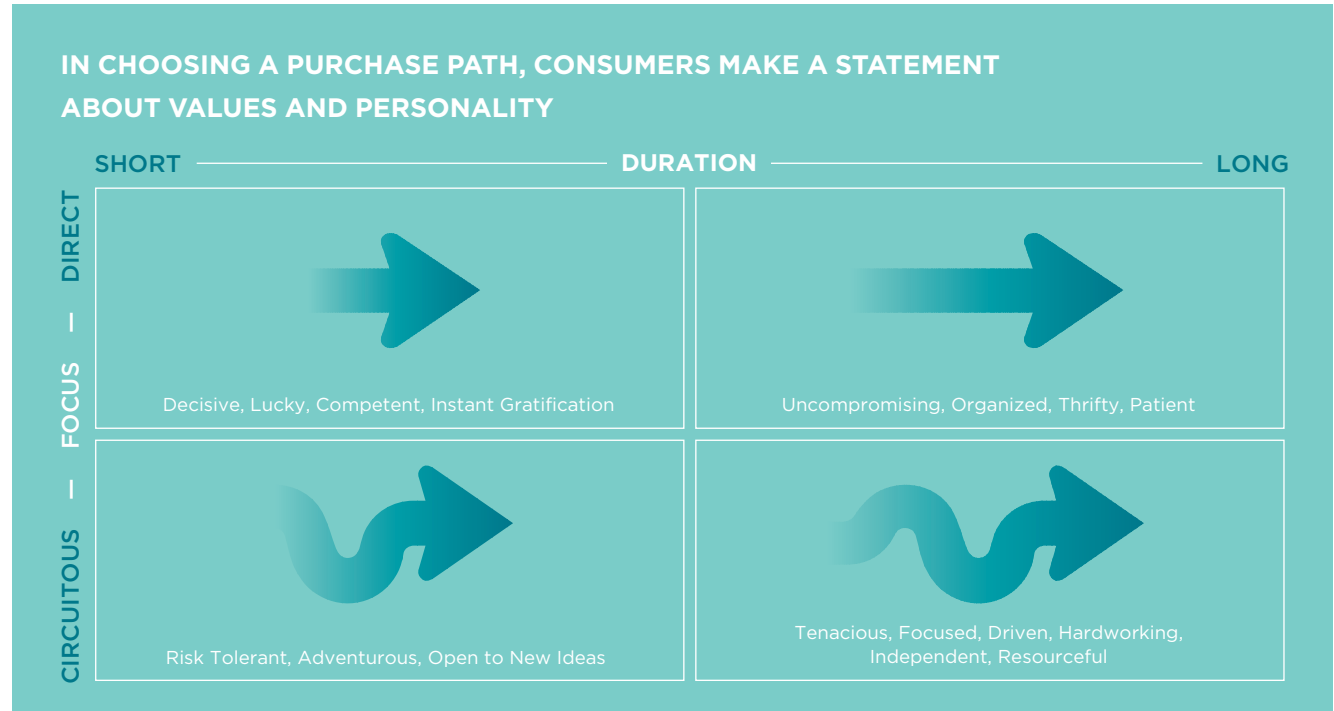
LONG AND WINDING PATHS Similar to long paths, long and winding paths take weeks or months to complete, and are often used for high-ticket and/or technology-related items. This type of shopping process involves product research, learning and comparison shopping, as well as professional and user reviews. On a long and winding path, eventual purchase is not definite, and could go either way. This path often results from having no fixed purchase deadline, unexpected complications in the shopping process, and/or uncertainty regarding the exact desired outcome.

Four distinct purchase paths emerge.



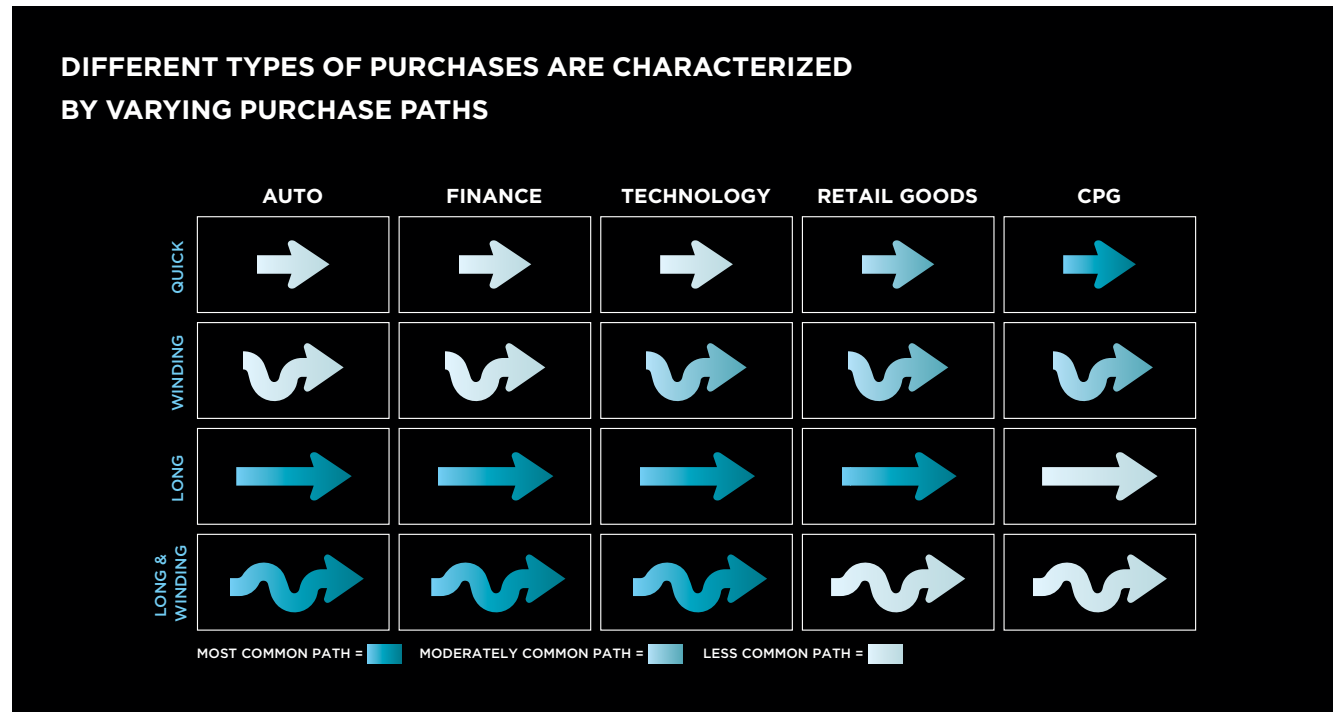
THE PATHS

Personal preferences...



Unique cultural values are expressed through these shopping paths, with the purchase process varying not only according to product category, but also according to individual preference. These emotions and beliefs come through very strongly in shopping behaviors. In short, they reflect pieces of a shopper's sense of identity. Many opportunities exist to influence consumer decision-making. The optimal ways to communicate may differ depending upon the shopping path taken.

...and category combine to help determine a path.

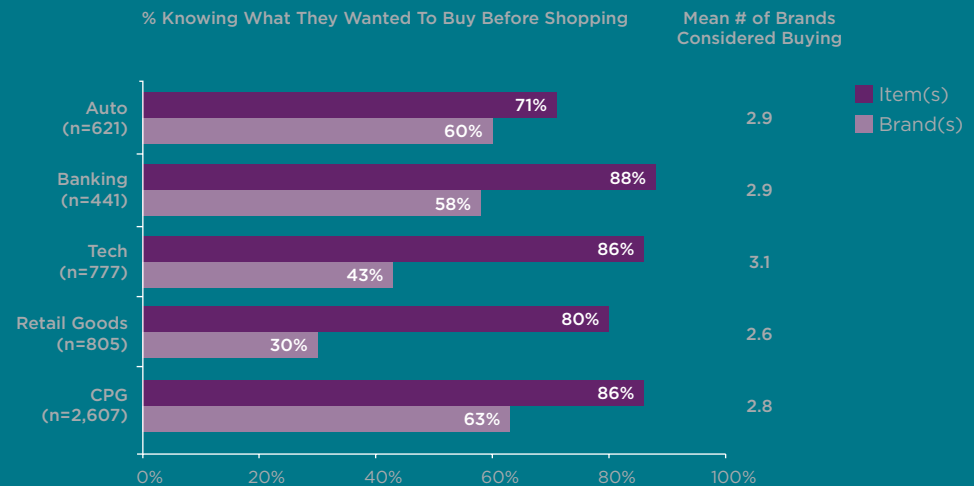


While individual preferences and habits impact usage of different shopping paths, certain paths are closely associated with specific product categories. In particular, when making CPG purchases, consumers tend to use quick shopping paths. When making retail goods purchases, consumers tend to use winding shopping paths, but can also use quick and long shopping paths. Automotive purchases are typically made through either long or long and winding shopping paths. Each specific shopping path is personally constructed to best meet the needs of the consumer's unique purchase situation and preferred purchase process.

OPPORTUNITIES

All the paths offer particular opportunities to influence decisions.

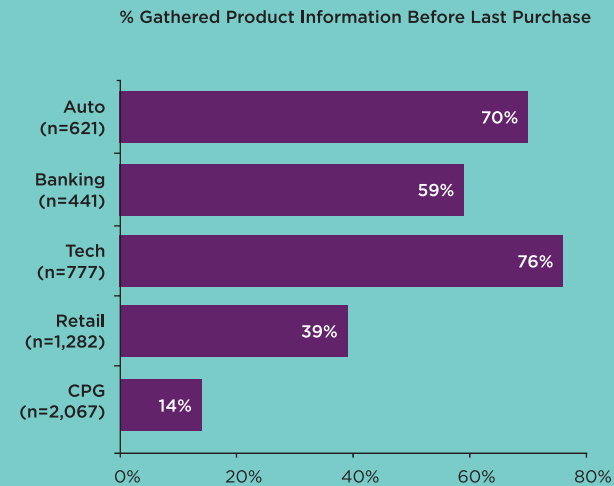
WHILE THE PATH OFTEN BEGINS WITH A SPECIFIC ITEM IN MIND, THERE IS STILL A LOT OF ROOM TO INFLUENCE BRAND SELECTION



Product and brand loyalty are impacted by the nature of the different shopping paths. For quick and long shopping paths, consumers are more loyal. For winding and long and winding shopping paths consumers are less loyal and more open to change. Whether it is toothpaste, a credit card or a laptop computer at least 4 in 10 shoppers are undecided on brand prior to shopping, and on average, they consider three brands before making their decision—the opportunities for marketers are immense to influence the decision with both media and in-store cues.

INFORMATION GATHERING BEHAVIOR IS CONSISTENT WITH THE TYPE OF PURCHASE PATH TYPICALLY TAKEN FOR EACH PRODUCT CATEGORY

For every purchase there is a period, even brief, for gathering information.



For considered purchases, information gathering is part of the purchase process—often leading to the elongated paths. Even for retail goods and CPG (which skew towards shorter paths), a segment of users gathers product information prior to purchase.

Technology facilitates the Long and Winding Road.

New tools have altered shoppers' ability to learn, compare, select, and source goods and services. Technology allows consumers to monitor and wait for the right price, pounce on limited availability, and draw others into the decision-making process. In fact, technology facilitates and enhances the purchase decision, with consumers building their own unique path to purchase.

Communal Shopping The Internet gives consumers access to a vast community of fellow shoppers via reading and posting product reviews that help them bring even more expertise to the decision-making process. This sharing of knowledge and shopping tools further empowers consumers to make the right decisions for themselves. In addition, new technologies such as mobile phones, camera phones, email and other digital tools have contributed to the rising importance and influence of community in the shopping process. In our ethnographic research we heard about shoppers text messaging their spouses, sending photos from a retail goods store to their boyfriend, or talking on the cell phone to consult on a purchase. As mobile technologies become more prevalent and sophisticated, we expect these behaviors to increase. It is now possible to be in constant contact with friends during shopping excursions, and no purchase decision needs to be made alone.

Price Comparison and Monitoring Technology is changing the concept of fixed pricing as consumers are increasingly exposed to varying prices for products, as well as opportunities to set their own prices. Consumers are no longer tied to the notion of one concrete price for an item, and realize that they can almost always get the same item at a different price somewhere else or at a later date. Additionally, consumers use technology to monitor prices and price discounts for considered purchases, waiting for the price of a specific product to reach a threshold they are comfortable with before buying. Willingness to wait and invest a little time in a purchase means significant opportunities for cost savings; consumers are aware of this and beginning to take advantage of these opportunities.

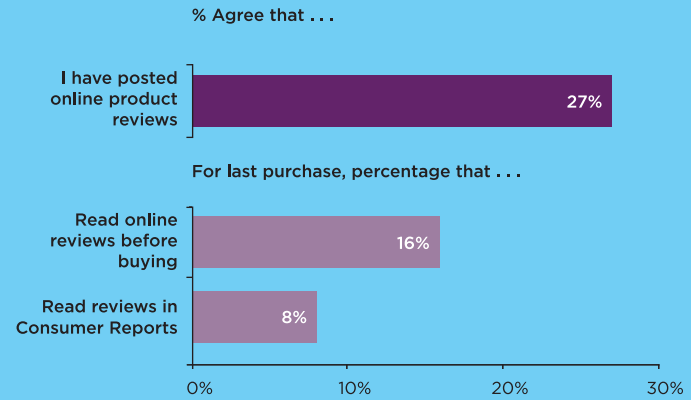
Coupons/Rebates Coupons often provide strong links between online and offline shopping experiences. Because of technology and the Internet, couponing is moving from a passive activity into a highly active activity. In addition to the myriad of websites which offer online coupons, groups and forums provide opportunities for a network of offline coupon clippers to find one another and form “coupon trains” whereby they physically send around boxes of clipped coupons which they won’t use to others in their virtual network. This research supports the notion that there is a segment of frequent coupon users.

Consumers are increasingly putting technology to work for themselves, creating personal shopping experiences, engaging whenever and wherever, and getting what they want, when they want it.

TECHNOLOGY

These resources aid consumers in their purchase decisions.

ONLINE GIVES NEW ACCESS AND IMPORTANCE TO PRODUCT REVIEWS AND COMMUNAL SHOPPING

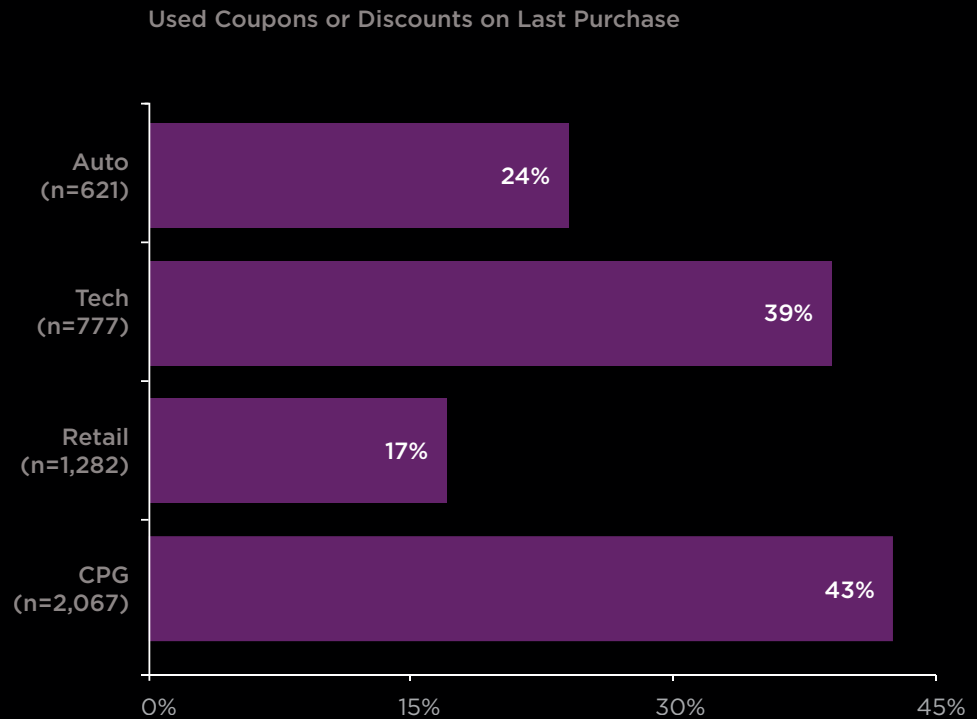


OPT-IN EMAIL HAS CREATED A NEW CHANNEL FOR PRICING AND AVAILABILITY OF INFORMATION



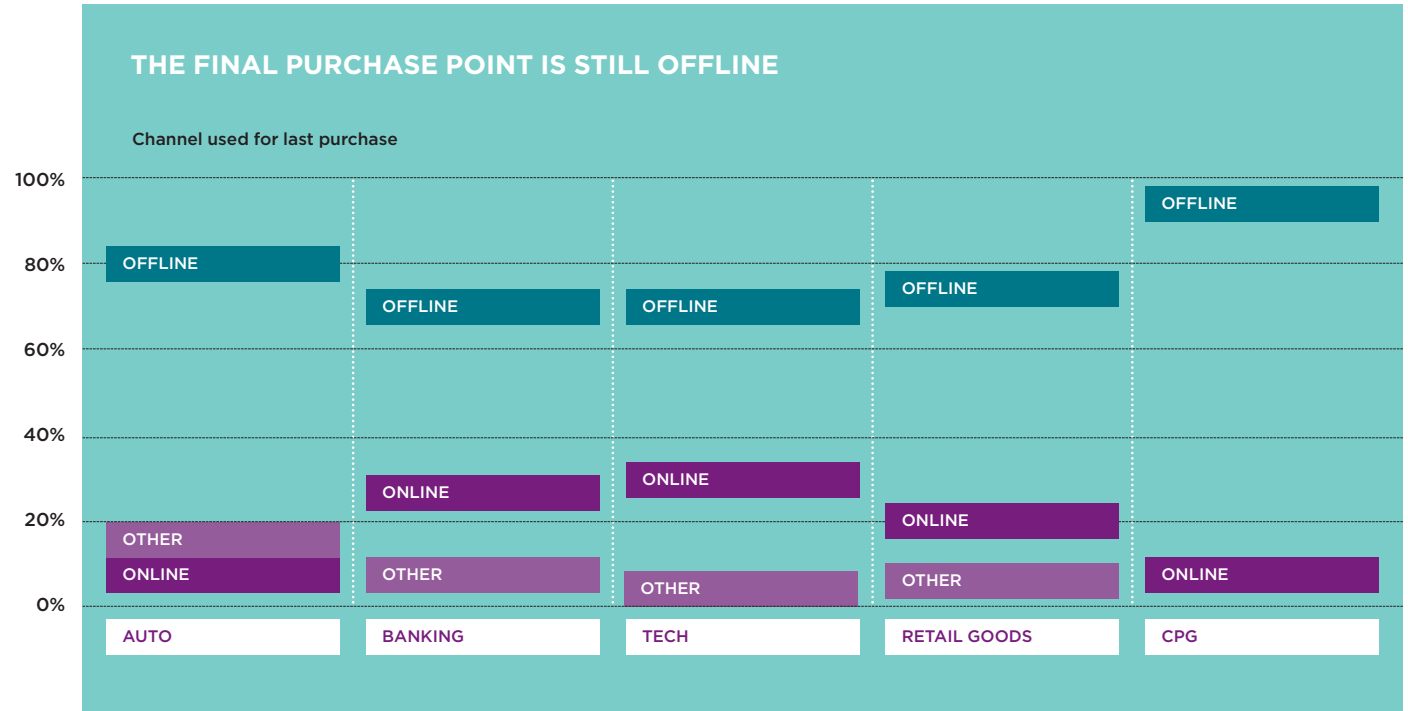
WITHIN CPG AND TECHNOLOGY PURCHASES, COUPONS AND DISCOUNTING ARE IMPORTANT. FOR AUTO PURCHASES, REBATES ARE A FACTOR.

And these incentives are significant influences.



INFLUENCES ON THE PURCHASE PROCESS

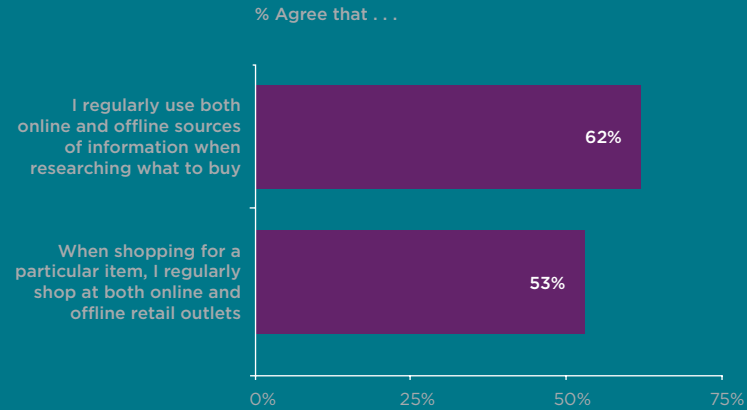
Researching happens online. Most purchases, offline.



While online shopping has taken a significant toll on some retail categories, the vast majority of purchasing still happens offline in the supermarket, retail store, car dealership or bank. Clicks have not replaced bricks. This reality underscores the ongoing importance of retail goods environments and in-store cues in the shopping process. Specifically, these cues serve critical functions in validating and triggering purchase decisions. While consumers do much of their product research and narrow their consideration set online, many of these behaviors are driving them to actual retail goods outlets where final decisions and action takes place.

...BUT ONLINE AND OFFLINE EXPERIENCES ARE INTERWOVEN IN THE CONSIDERATION PHASE

However, it's a combination
of both online and offline
research that they rely on.



“I went to Crate & Barrel, Pottery Barn, Room & Board...all the main furniture stores. I just kept procrastinating. I did look online, but I didn't find the exact one. I looked through these magazines, too...I looked for maybe three years. I found it at a local store here in San Francisco. We were with other family members, my sister in law and brother in law. We all voted.”

INFLUENCES ON THE PURCHASE PROCESS

Effectively using the online/offline mix.

The Internet is the source used most for becoming aware of new products/services as well as for researching purchases. Search plays a role in building awareness, and is as influential as in-store cues in helping consumers research their purchases.

Traditional/mass media advertising is particularly important for generating awareness of products and services, but is not particularly strong for research. In-store cues not only generate awareness, but are also used for researching purchases. Word of mouth remains the most important factor in purchase decision making (particularly in building awareness of specific products or brands). When used, coupons exert a strong influence on decision making.

A variety of different media outlets, but particularly the Internet, serve as triggers that propel consumers down their disparate paths. Specifically, media outlets create potential shopping energy by offering ideas, cues to action, and invitations to shop, search and learn. The importance of word of mouth as a shopping information source points to the strong involvement of community in purchase decisions, and underscores that shopping is often a communal experience.

The Internet, word of mouth and coupons persuade.

WEBSITES, ADVERTISING AND WORD OF MOUTH ARE KEY RESOURCES FOR BUILDING AWARENESS. INTERNET DOMINATES FOR RESEARCH.



* Please rate the importance of each of the following information sources in helping you decide what to buy when you made your most recent purchase

INFLUENCES ON THE PURCHASE PROCESS

The Internet is the dominant resource, but complemented by offline media.

In looking at the purchase funnel, information gathering occurs by the majority of consumers throughout the entire process. Consumers use between 2-3 sources at each stage of the process. The Internet is the most often used resource, the first source which they turn to, and is used multiple times for each purchase. Word of mouth, in-store cues (displays, retail goods staff etc.) and traditional advertising are also critical sources with varying degrees of importance based on where consumers are in the purchase funnel.

MULTIPLE SOURCES ARE USED THROUGHOUT THE PURCHASE PROCESS, WITH THE INTERNET LEADING THE WAY.

DISCOVERY → PURCHASE

	FIRST BEGAN RESEARCHING	NARROWING DOWN OPTIONS	DECIDING WHERE TO BUY	MAKING FINAL DECISION
% GATHERED INFORMATION	63%	57%	42%	51%
SOURCES USED (AMONG THOSE WHO GATHERED INFORMATION)	INTERNET (74%) WORD OF MOUTH (30%) IN-STORE CUES (27%) TRADITIONAL AD (26%)	INTERNET (76%) WORD OF MOUTH (30%) IN-STORE CUES (29%) TRADITIONAL AD (21%)	INTERNET (73%) WORD OF MOUTH (30%) IN-STORE CUES (27%) TRADITIONAL AD (27%)	INTERNET (69%) WORD OF MOUTH (30%) IN-STORE CUES (27%) TRADITIONAL AD (20%)
MEAN # SOURCES USED	2.8	2.7	2.8	2.5

INFLUENCES ON THE PURCHASE PROCESS

“I purchased 80% of my stuff online for Christmas. If you know you’re going to buy something anyway, if you can find it online, that’s the way to go.”

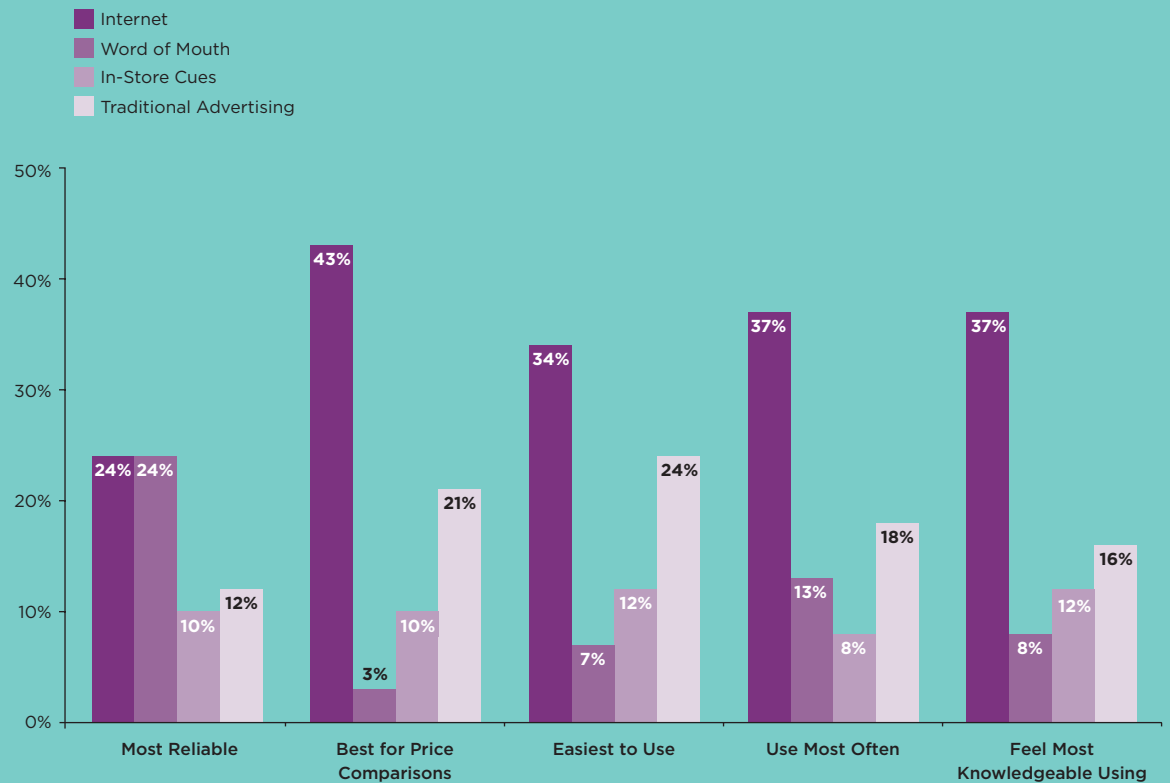
The Internet enjoys the most positive consumer perceptions of all information sources across a variety of measures. In addition to being used most often, the Internet is thought of as reliable, easy to use, and empowering. The perceptions of the Internet being equal in reliability to word of mouth underscores consumers trust in technology and online information sources. Consumers have confidence in the information they receive online, and are embracing it wholeheartedly as an extension of their friends and family network for shopping and purchasing advice.

Clearly traditional advertising plays a role in building brand equity and preference (which may not be considered information sources), and in-store also plays a role for price comparisons and building product knowledge.

INFORMATION SOURCE ASSOCIATIONS

TOP 2 BOX: AGREE/SOMEWHAT AGREE

Consumers look most favorably on Internet information sources.



Because of the Internet and enabling digital media technologies, marketers and retailers now operate in an environment of unprecedented **consumer empowerment** and control.

The changes in discovery, consideration and purchase highlighted in this document have significant implications not only for consumer marketing but also for the retail goods environment and entire customer contact experience.





The changing nature of shopping and information gathering points to the need for a varied media mix. Media investments could be better aligned with the media used in the purchase consideration process. In order to maximize contact with consumers at critical points in the shopping process, it will become increasingly important to invest more in online brand communication opportunities in diverse environments that may include blogs, shopping sites, photo sharing sites, email and instant messenger. Ensuring positive in-store experiences is also critical, and numerous opportunities exist for brick and mortar retail goods outlets to highlight the unique advantages of personal interactions, proactive customer service, and interactive and appealing environments. Additionally, managing online (and offline) word of mouth is more important than ever as consumers continue to have more chances and motivation to seek out varied expert and peer opinions to help in their purchase decisions.

Technology is enabling a dynamic pattern of communication that's never been seen before. From email updates to online discounts and promotions, the Internet is creating new and unique opportunities for bolstering brand loyalty and exposing consumers to purchase triggers.

Marketers should recognize the opportunities and threats that exist depending upon which shopping path a consumer takes. The nature of the shopping path has implications for brand loyalty in that quick paths and long paths are taken by consumers who are already loyal to products, while winding paths and long and winding paths are characterized by far less loyalty and, hence, are more open to influence and reconsideration. These patterns point to varying acquisition and/or retention possibilities depending upon the product category, purchase situation, and individual shopper profile.

Every attempt should be made to seamlessly blend online and offline shopping experiences and media exposure, and capitalize on the wide variety of touchpoints available to communicate with consumers. As the online and offline worlds increasingly mesh for consumers, it becomes ever more critical that marketers and retailers are able to effectively mesh these two worlds as well. This integration leads to unique opportunities to reach consumers and build loyalty through multiple channels. Brand touchpoints are much more powerful and memorable when presenting an integrated image and message. Additionally, companies that can make the most of the connection between their online and offline retail goods channels will be seen as being in sync with consumers' needs and shopping behaviors, indeed a highly relevant position on the long and winding road.

UNDERSTAND AND SERVE CONSUMERS AS THEY CHOOSE VARYING PURCHASE PATHS

	PATHS	CULTURAL VALUES	OPPORTUNITY
QUICK		Decisive Competent Lucky Instant Gratification	<ul style="list-style-type: none"> • Alternate delivery of couponing and offers • Strong presence at both online and offline “point of sale”
WINDING		Risk Tolerant Adventurous Open to New Ideas	<ul style="list-style-type: none"> • Build consumer awareness of brand values and benefits early and often during the purchase cycle
LONG		Uncompromising Organized Thrifty Patient	<ul style="list-style-type: none"> • Frequency and continuity are critical • Stay with the consumer across the weeks or months of the purchase process
LONG AND WINDING		Tenacious Focused Driven Hardworking Independent Resourceful	<ul style="list-style-type: none"> • Not about selling, but rather equipping the buyer with tools, experiences and options to help them buy

Research Commissioned by
Yahoo! and OMD

Project Directors:

Mike Hess
Director of Global Research & Communication Insights, OMD

Michele Madansky, Ph.D
Vice President, Corporate and Sales Research, Yahoo! Inc.

ROAD WINDING & LONG

The Route to the Cash Register

Research inquiries may be directed to:

Theresa LaMontagne
Research Director
Yahoo! Inc.
theresa@yahoo-inc.com

Mike Hess
Director of Global Research and Communication Insights
OMD
Mike.Hess@OMD.com