European Consumer Behavior: How to Reduce eCommerce Abandonment and Improve Conversion Rates

EXECUTIVE SUMMARY

eCommerce sales continue to grow unabated across Europe. Web sites are becoming the chief source of shopping information for consumers, regardless of channel, with store sales influenced by online research being three to five times larger than total ecommerce sales. The customer touch points are multiplying and shifting more into the hands of consumers.

IDC Retail Insights believes that enterprises that deliver uninterrupted Web site availability, fast, rich, secure, and easy-to-use ecommerce platforms are heading in the right direction to improve conversion rates and reduce Web site abandonment.

This IDC White Paper presents research findings for the Western European online commerce market, based on primary research completed in April/May 2010 with 1,500 consumers.

● Saving on price, time, and shopping flexibility ("when/where I want") are the top drivers for online shopping. Consumers want ecommerce Web sites to be easy to use, secure, and fast — both in terms of checkout speed and Web page load time. The availability of accurate search functionalities, dynamic product descriptions, video, and user-generated reviews also rank high when it comes to ensuring shopper satisfaction.

● 90% of consumers abandon an online store whenever they are dissatisfied — and over 80% of dissatisfied consumers would be less likely to buy or even just visit that ecommerce Web site in the future. Web site unavailability and Web page load errors are the top issues that would most likely lead consumers to abandoning a Web site. This would result not only in immediate lost sales, but it would also be extremely hard for online sellers to regain customer trust and build brand reputation in the long run.

● If your Web site hasn't loaded after 4 seconds, consumers will start abandoning it in droves. Expectations are even tighter: the majority of European consumers expect a Web site to load in less than 4 seconds, and 40% in less than 2 seconds.

ECOMMERCE TRENDS IN EUROPE

eCommerce sales keep growing — despite the recession online sales grew by over 20% in 2009 — and the market is rapidly diversifying. Categories of goods that were previously thought to be for in-store shopping only — such as apparel and footwear — are making remarkable inroads online. Basket size is increasing, as is the level of services and support that customers are expecting from ecommerce Web sites. The age divide is shrinking — mature adults are already outspending young techies thanks to their higher income.

37% of the total population in Europe shopped online in 2009, up from 32% in 2008, with the U.K. and Germany leading the group (source: Eurostat, May 2010). A bright short-term outlook for ecommerce is confirmed by our survey, with 30% of consumers indicating an increase in online spending in 2010 (see Figure 1). The fastest-growing ecommerce market is Spain, with 44% of local consumers reporting a willingness to increase spending in the next year, more than 10 points above average.

FIGURE 1

eCommerce Sales Outlook in 2010, Enterprise and Consumer Survey, Western Europe

Q1.: How do you expect the percentage of online, ecommerce sales in your organization's total annual revenue to change in the next fiscal year?

Q2.: Compared with last year, are you most likely going to increase or decrease online shopping spending in 2010?
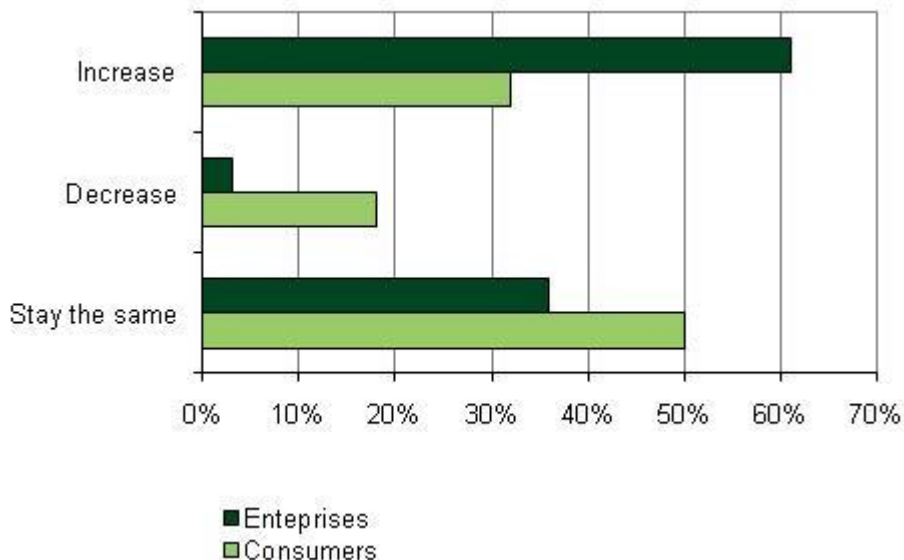
Base 1: All respondents

Number of respondents: 151

Base 2: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source 1: IDC Retail Insights Enterprise Survey, May 2010

Source 2: IDC Retail Insights Consumer Survey, May 2010

As competition becomes increasingly fierce in the ecommerce space, understanding online shoppers' requirements becomes critical to differentiate and position for business growth. Online enterprises should become more precise in targeting, influencing, and retaining the right consumer demographic and overcoming competitors with better service levels.

Online Purchasing Patterns Are Evolving

At the end of 2008 we anticipated that apparel goods would become the fastest-growing category for online sales; 18 months later, survey results show that online sales of clothes, accessories, and footwear have actually overtaken both media and travel/event tickets as the top goods category purchased online by Western European consumers (see Figure 2).

While this does not reflect the value hierarchy of goods sold — with travel, hospitality, media, and consumer electronics representing the largest share of total B2C ecommerce spending — it nonetheless signals the increasing maturity of online commerce. Clothes were generally considered hard to sell online because consumers want to try on what they are buying. That so many are now purchasing apparel online is a signal for still-skeptical retailers to jump into the fray. By designing flexible ecommerce Web sites, compelling user interfaces, and tailored policies, companies can now drive online sales of virtually any type of goods. For example, many enterprises that have offered their customers free returns of clothes and shoes purchased online have actually experienced higher than expected sales and lower than foreseen returns, resulting in their business case exceeding original plans.

Still, there are cultural differences across Europe, with a predominance of online food sales in the U.K. — 45% of interviewed consumers — while in Italy, Spain, and France this drops to less than 20% of consumers. In Spain and Italy consumers generally have a more traditional online shopping approach, with flight, train, and hotel bookings and consumer electronics purchases ranking at the top, behind apparel (see Table 1).

Types of Goods Purchased Online, Western European
Consumers, 2009

Q.: Which goods and services did you buy online in 2009?
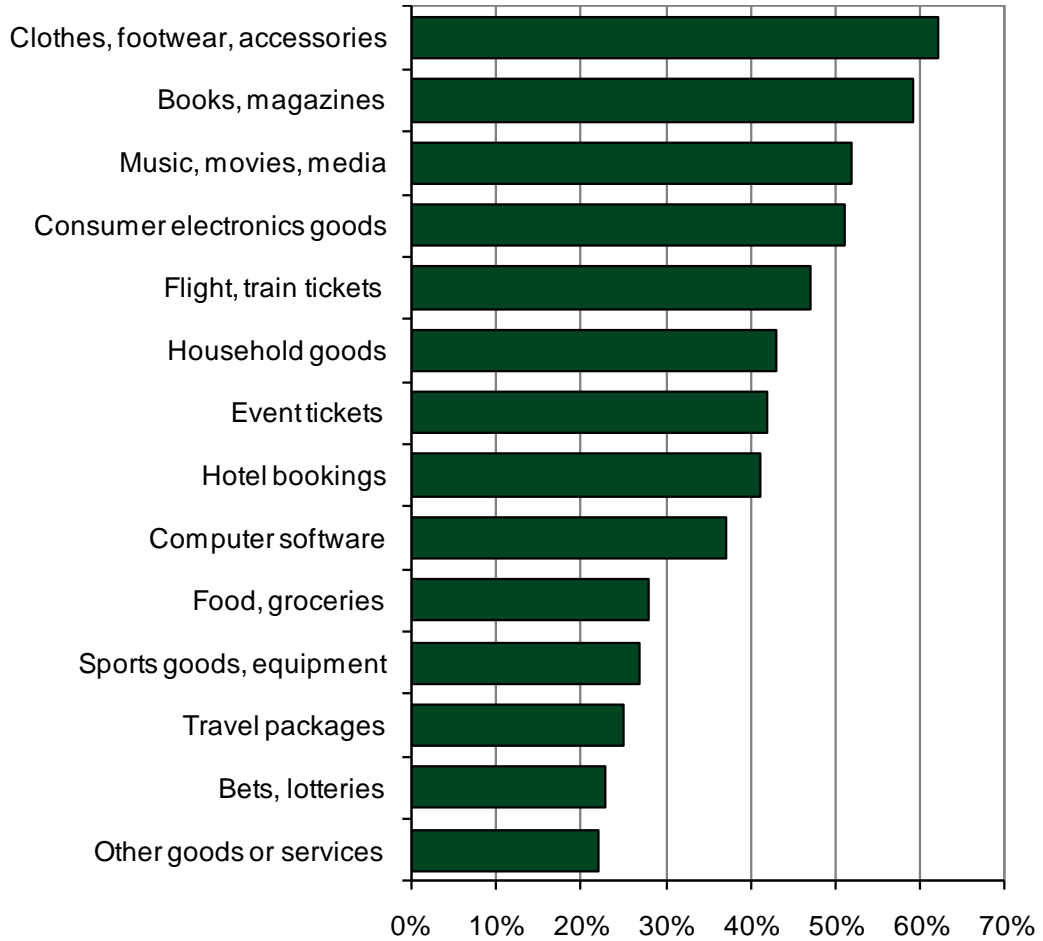
Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

TABLE 1

Types of Goods Purchased Online, Western European Consumers, 2009

Q.: Which goods and services did you buy online in 2009?

	Sweden	Spain	Germany	Italy	France	U.K.	Total
Clothes, footwear, accessories	54%	39%	70%	44%	64%	65%	62%
Books, magazines	56%	30%	70%	59%	54%	63%	59%
Music, movies, media	52%	25%	55%	43%	45%	64%	52%
Consumer electronics goods	41%	39%	52%	60%	50%	53%	51%
Flight, train tickets	48%	49%	39%	56%	48%	50%	47%
Household goods	19%	24%	50%	44%	36%	55%	43%
Event tickets	40%	31%	49%	35%	40%	43%	42%
Hotel bookings	44%	47%	37%	52%	41%	42%	41%
Computer software	33%	29%	52%	33%	25%	39%	37%
Food, groceries	9%	21%	28%	17%	18%	45%	28%
Sports goods, equipment	11%	20%	23%	21%	39%	25%	27%
Travel packages	19%	24%	23%	34%	23%	29%	25%
Bets, lotteries	37%	27%	15%	30%	19%	28%	23%
Other goods or services	21%	20%	23%	24%	21%	22%	22%

Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

Who Are High Spenders?

Segmentation of online shoppers by annual spending shows the existence of a sizeable group of high spenders, with nearly 21% of consumers spending over €1,500 a year (see Figure 3). At a fifth of the total, this is the consumer demographic that every organization should strive to win to increase share of wallet. The bulk of the group — consumers spending from €500 to €1,499 a year — constitute an additional 38% of online shoppers in Europe.

So what is the profile of these valuable customer demographic segments? High spenders are not that young — over half of them are between 35 and 54 years old, and a further 25% are over 55. They are mostly male, and in a family with children. They live in big cities. They buy more of everything, and they are going to increase their spending more than any other group. And while spread pretty equally across the studied countries, they are slightly more prevalent in the U.K. (28%) and Italy (22%). At the same time, consumers spending from €500 to €1,499 a year are pretty evenly distributed among age categories, while the lower the annual spending the younger the customer demographic.

Average Basket Size of Online Purchases, Western European
Consumers, 2009

Q.: How much did you spend in 2009 on products and services purchased online?
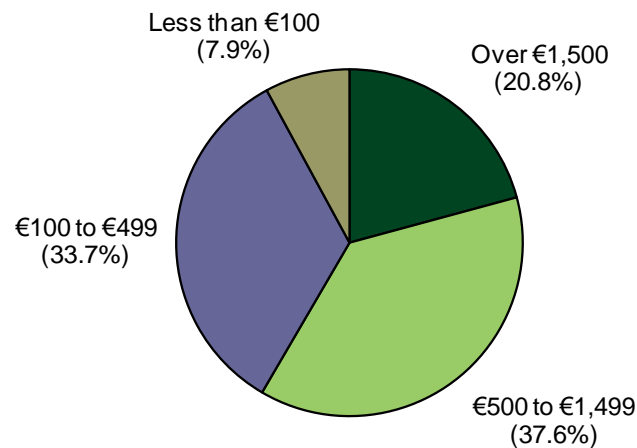
Less than €100
(7.9%)

Over €1,500
(20.8%)

€100 to €499
(33.7%)

€500 to €1,499
(37.6%)

Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

Online Consumer Expectations

Consumers indicate that price, time, and shopping flexibility are the
top drivers for online shopping (see Figure 4). Keep in mind that
"lower price" here doesn't necessarily mean that consumers always
expect to find the lowest priced goods online; it could mean that they
expect to be able to find the best deal for them, using advanced
functionalities such as price comparison Web sites. So it is worth
highlighting that enterprises should build their pricing strategy around
their target customers and with an understanding of competitive
offerings, while differentiating the customer experience in terms of
speed to checkout and Web site availability. The ability to deliver
targeted promotions and refined assortment strategies are additional
opportunities for competitive advantage.

On the other hand, consumers rated "entertaining and fulfilling
shopping experience" second to last, with less than a tenth of
consumers considering it an important driver for online shopping.
Again, this might have a less obvious and apparent explanation:
consumers expect ecommerce Web sites to be effective tools at the
point of their fingertips. But they still care about finding Web sites that

provide an entertaining shopping experience — for example, by using rich media to present products more dynamically. In fact, when consumers are asked specifically if they would like to see more dynamic product listings, with videos and rich media, they invariably answer yes.

FIGURE 4

Drivers of Online Shopping, Western European Consumers

Q.: What are the key reasons for you to shop online?
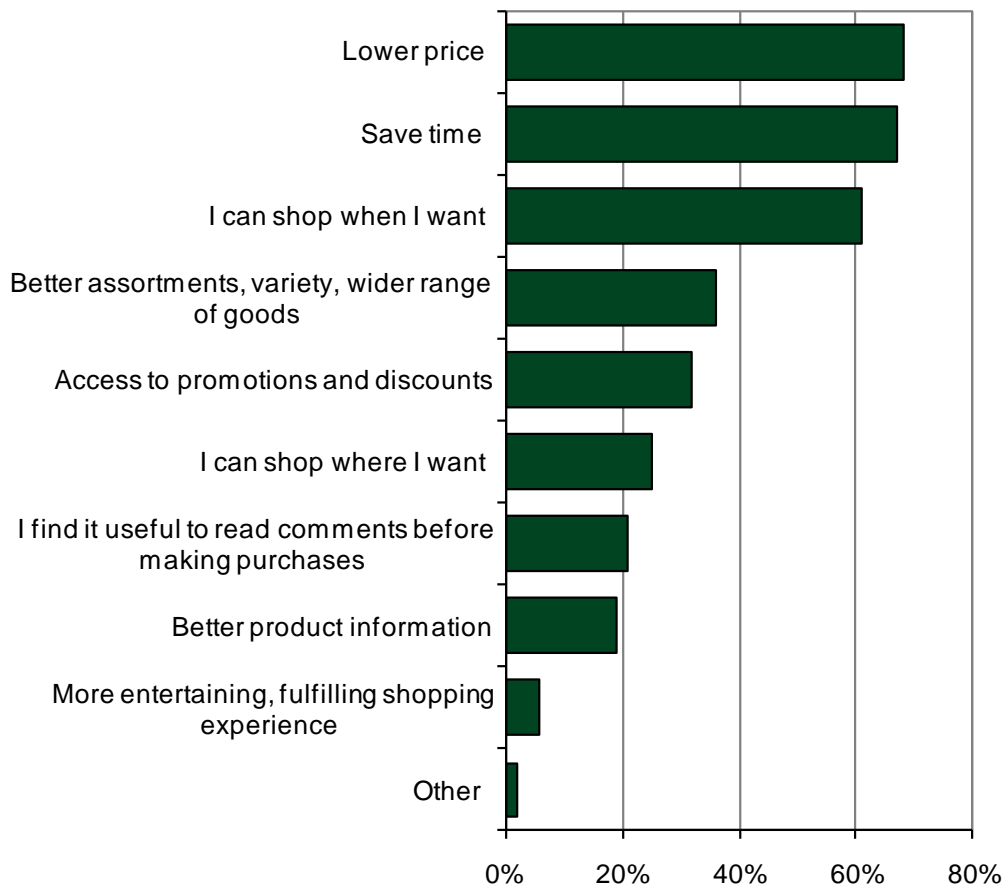
Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

Now the key question is: what are the characteristics that differentiate a Web site over another and influence consumers in making purchases? The large majority of consumers require ecommerce Web sites to be easy to use, secure, and fast — both in terms of checkout speed and Web page load time (see Figure 5). From a usability standpoint, the availability of robust and accurate search functionalities ranks as a high priority for online shoppers.

Interestingly, second-tier items — those hovering around the 50% mark — revolve around dynamic product descriptions and a community feeling in the form of user-generated product reviews and comments.

On a country level, usability, especially ease of use, trends well above the average for Swedish and U.K. consumers, while Italians and Spaniards are less concerned about it. However, it is southern Europeans, especially French and Italians, who care more about user comments and reviews.

FIGURE 5

Influencing Factors on Online Shopping, Western European Consumers

Q.: Which of the following factors are most influential in your decision to shop with an online store?
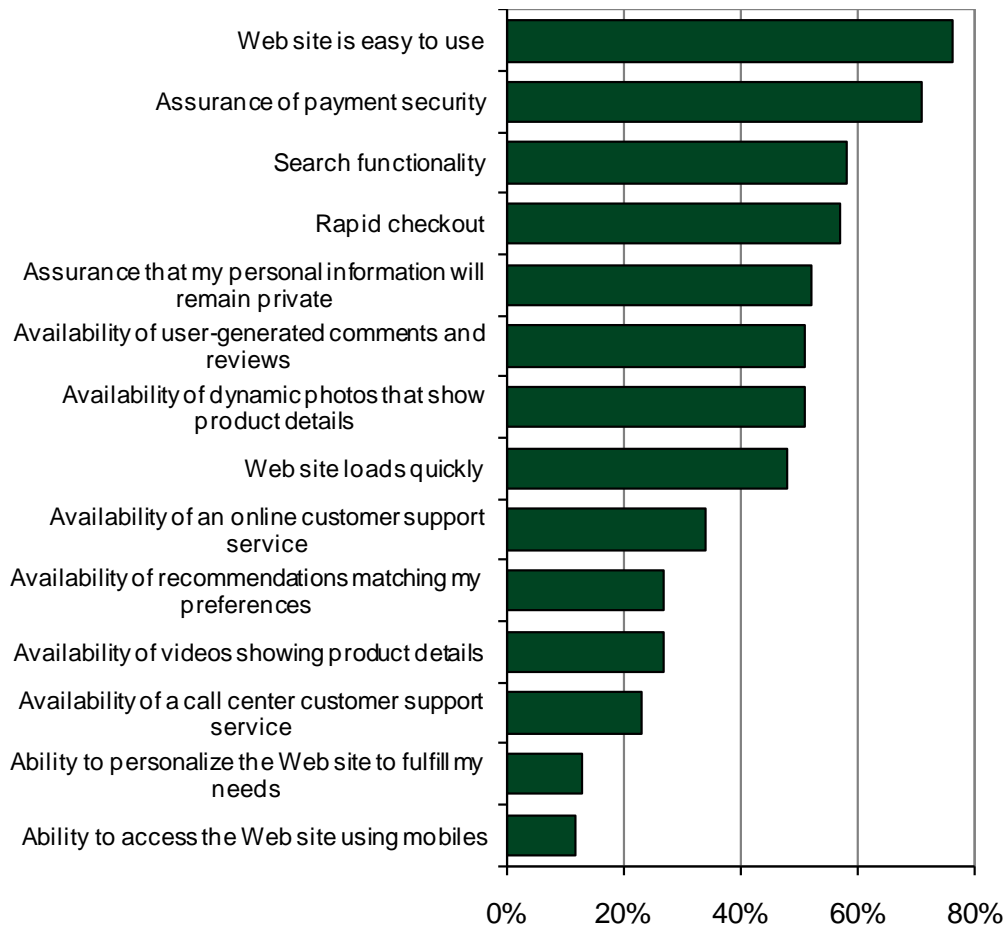
Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

T A B L E   2

Influencing Factors on Online Shopping, Western European Consumers

Q.: Which of the following factors are most influential in your decision to shop with an online store?

	Sweden	Spain	Germany	Italy	France	U.K.	Total
Web site is easy to use	87%	70%	69%	69%	73%	86%	76%
Assurance of payment security	67%	78%	66%	60%	72%	77%	71%
Search functionality	64%	56%	64%	60%	47%	63%	58%
Rapid checkout	36%	51%	59%	43%	64%	60%	57%
Assurance that my personal information will remain private	48%	50%	52%	44%	46%	61%	52%
Availability of user-generated comments and reviews	48%	43%	51%	63%	60%	42%	51%
Availability of dynamic photos that show product details	45%	54%	46%	46%	65%	44%	51%
Web site loads quickly	59%	34%	53%	43%	40%	55%	48%
Availability of an online customer support service	33%	34%	33%	45%	35%	30%	34%
Availability of recommendations matching my preferences	26%	34%	32%	22%	29%	21%	27%
Availability of videos showing product details	26%	32%	23%	36%	34%	20%	27%
Availability of a call center customer support service	21%	36%	25%	34%	19%	20%	23%
Ability to personalize the Web site to fulfill my needs	28%	14%	8%	23%	10%	15%	13%
Ability to access the Web site using mobiles	12%	14%	20%	12%	7%	8%	12%

Base: Those making purchases online, over the Web or Internet (qualified respondents)
Number of respondents: 1,500

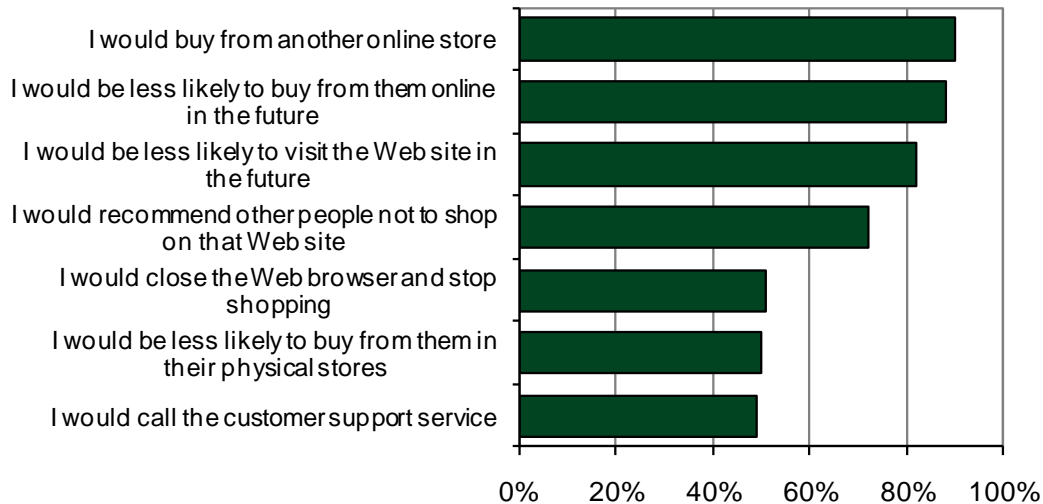Source: IDC Retail Insights Consumer Survey, May 2010

In Figure 6 we have a clear reminder of what's at stake for companies selling online. Unlike a physical store, a virtual store can be abandoned and replaced immediately, as noted by 90% of consumers whenever they are dissatisfied — they will just hit a search engine and look for another online store selling a similar product or service.

Additionally, over 80% of dissatisfied consumers would be less likely to buy or even just visit that ecommerce Web site in the future. This would not only result in lost sales immediately, but it would also be extremely hard for online sellers to rebuild customer trust and brand reputation in the longer run.

Results of Dissatisfaction With Online Store, Western
European Consumers

Q.: What are you likely to do when you are dissatisfied with an ecommerce Web site?

Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

How to Reduce Abandonment Rates by Mitigating Shoppers' Frustrations?

Figure 7 provides a guide to enterprises by mapping consumers' level of frustration and propensity to abandon a Web site for a number of reasons. We identify three categories of factors that enterprises should consider:

● **Mission-critical factors** — These are the most important factors to address for any online retailer or service provider. Whenever price and shipping costs are higher than expected, the resulting dissatisfaction will lead most consumers to abandon a Web site outright. But consumers are indicating that Web site unavailability and Web page load errors are the top issue that would most likely led them to abandon a Web site. A slow Web site also translates into a high rate of abandonment while generating frustration for the majority of consumers. Inaccurate search functionalities, poor Web site ergonomics, and non-responsive customer support also lead to high abandonment rates.

● **Differentiating factors** — These are critical factors in reducing abandonment rates for specific customer segments and to differentiate your organization's ecommerce Web site against another. Among these are a slow or complicated checkout process

and static product descriptions. The latter especially is very close to the medium to high abandonment propensity threshold, so should be given particular consideration, by introducing video and rich media content to help differentiate the customer experience.

● **Influencing factors** — A lack of consumer reviews and comments — the "community" feeling — may not lead potential customers to abandon a Web site. The point is that the community is something that will make a consumer choose a Web site over another and as such ranks high among the factors that drive consumer influence. At the same time, relevant, targeted promotions and product recommendations provide an opportunity not only to drive influence over new potential customers, but also to build loyalty with recurring customers. Interestingly, being required to log in is perceived as something that causes lower levels of frustration than other issues. This is important, because personal log-in is one of the best ways for organizations to gather consumer data to analyze shopping patterns and drive targeted offers in real time; our research suggests that enterprises leverage customer identification as much as possible.

F I G U R E 7

Shopping Frustration Versus Abandonment Rate, Western European Consumers

Q1.: Considering your online shopping experience, could you please indicate your level of frustration on the following situations?

Q2.: Considering your online shopping experience, do you abandon a purchase in the following situations?
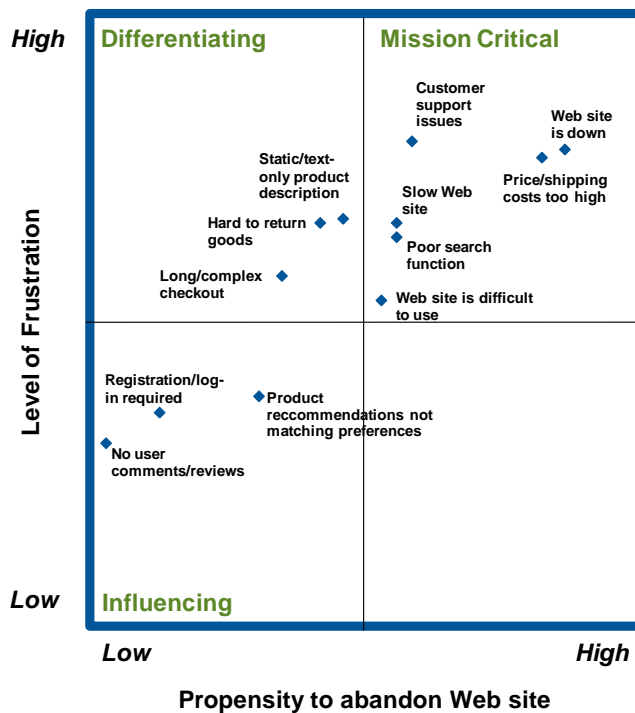
Source: IDC Retail Insights, 2010

There is also evidence of a direct correlation between the level of online spend or age and abandonment tolerance — for example, high spenders and older consumers tend to be less tolerant than low spenders and younger shoppers. 10%−15% more high spenders compared with low spenders indicate that they abandon a Web site when online customer support is poor, product descriptions are incomplete or static, the Web site is unavailable or slow, and the search function is inaccurate. From an age perspective, 10%−15% more older consumers compared with younger shoppers also indicate that they abandon a Web site when product recommendations are not relevant and the Web site is difficult to use.

Web Site Availability and Performance Are Critical Requirements — Key Metrics to Consider

Downtime is the biggest issue cited by consumers and the one most likely to lead shoppers to abandon a Web site. Consumers see a slow response time as just as big a problem as downtime, however. Figure 8 shows how low their tolerance threshold is. If your Web site hasn't loaded after a mere 4 seconds, consumers will start abandoning it in droves. After 6 seconds or more, you will have lost most or all of your visitors.

It doesn't stop there. Expectations are even tighter: while most consumers start to abandon Web sites after 4 seconds, most respondents expect a Web site to load in less than 4 seconds and 40% in less than 2 seconds. There is some country variance, with Italian and Spanish users willing to wait slightly longer, while northern Europeans are less patient. A lost customer is a gained customer for your competitors, with 70% of consumers saying they would visit another ecommerce Web site after abandoning one that is too slow or unavailable (see Figure 9).

F I G U R E 8

Web Site Performance Expectations, Western European
Consumers

Q1.: When shopping online, how quickly do you expect a Web page to load?

*Q2.: How long will you wait for a Web page to load before abandoning the ecommerce Web
site?*
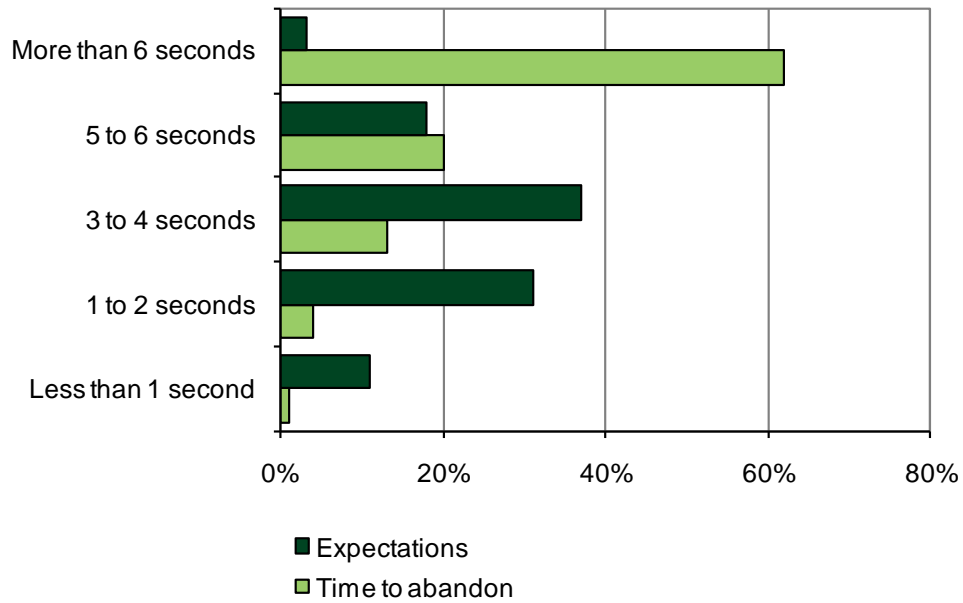
Base: Those making purchases online, over the Web or Internet (qualified respondents)
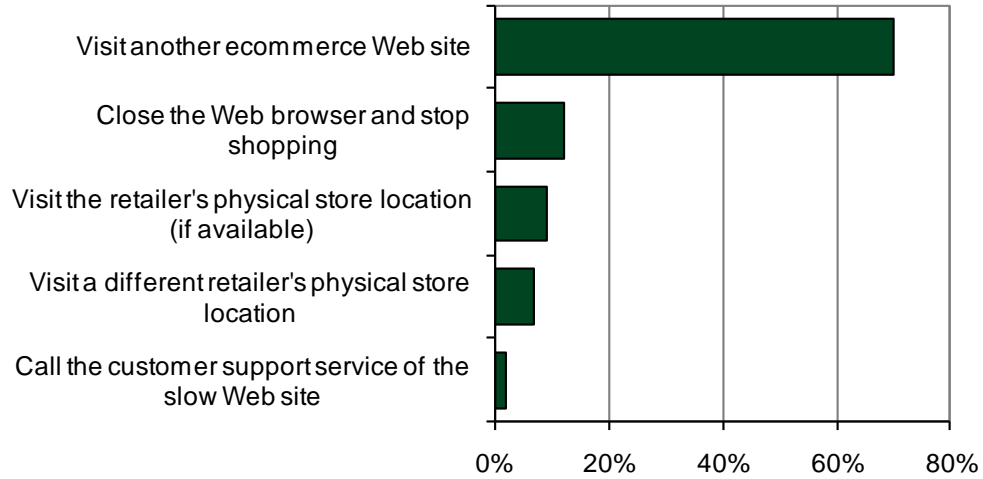
Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

FIGURE 9

Course of Action After Abandoning a Slow Web Site, Western
European Consumers

Q.: When you leave an ecommerce Web site because it is too slow or down, what do you do to
fulfill your shopping needs?

Course of Action	Percentage
Visit another ecommerce Web site	~70%
Close the Web browser and stop shopping	~12%
Visit the retailer's physical store location (if available)	~9%
Visit a different retailer's physical store location	~7%
Call the customer support service of the slow Web site	~2%

Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

THE FUTURE EVOLUTION OF ONLINE AND MOBILE CHANNELS

The influence of the Internet is not limited to ecommerce. Web sites are becoming the chief source of shopping information for consumers, regardless of whether they are shopping online or in a store. Price comparison and product review Web sites are set to see the greatest growth as the key sources of shopping information for Western European consumers. Word-of-mouth will continue to play an important role, while product brand and retailer banner Web sites will become more predominant (see Figure 10).

At the same time, mass media and traditional printed advertisements are at the bottom of the ranking, while in-store kiosks appear to be less of an influencing factor for Western European consumers and will most likely be used for customer ordering and cross-channel value-added services — for example, recovering a Web shopping list, requesting home delivery while in the store, or having access to detailed product information.

Interestingly, consumer survey results show that social networks are fairly low in the ranking. Does this mean they have no influence on shopping decisions and should be ignored? We do not think so. Social networks are not a primary source of shopping information — people don't log in to Facebook to look for a new pair of shoes or to check the price of a new TV set. Social networks are the place where opinions over brands are formed, and where businesses can build a community of loyal customers, giving out prizes and organizing events while gathering direct feedback from customers. The latter is particularly important for marketers, as it provides a measure of consumer sentiment over a certain brand, product, or service. Therefore social networks provide a fact-based platform for companies to plan promotional actions, marketing campaigns, assortment plans, and new product or service introduction strategies — decisions that should not be based on guesswork.

Main Sources of Shopping Information, Western European
Consumers, 2010

Q.: Compared with 2009, do you plan to change the use of the following sources of information
to finalize your shopping decisions in 2010?
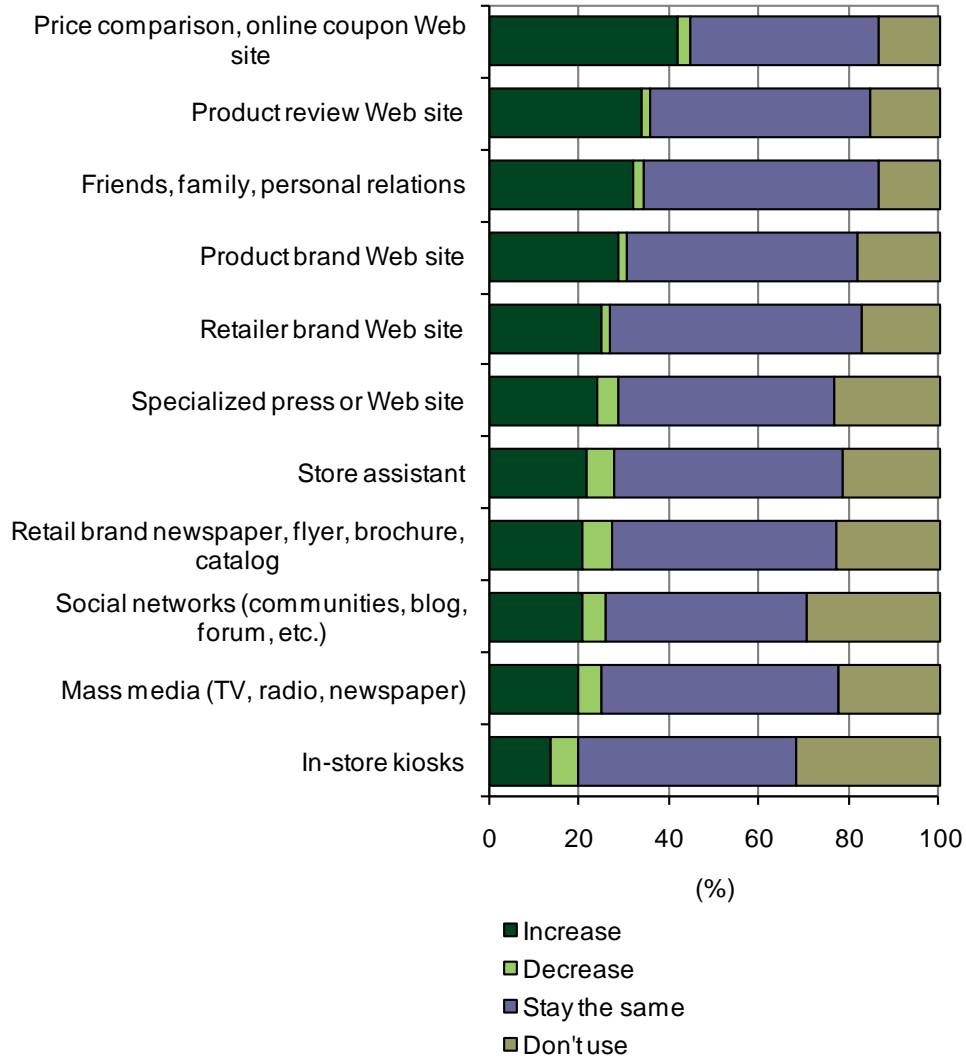
Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

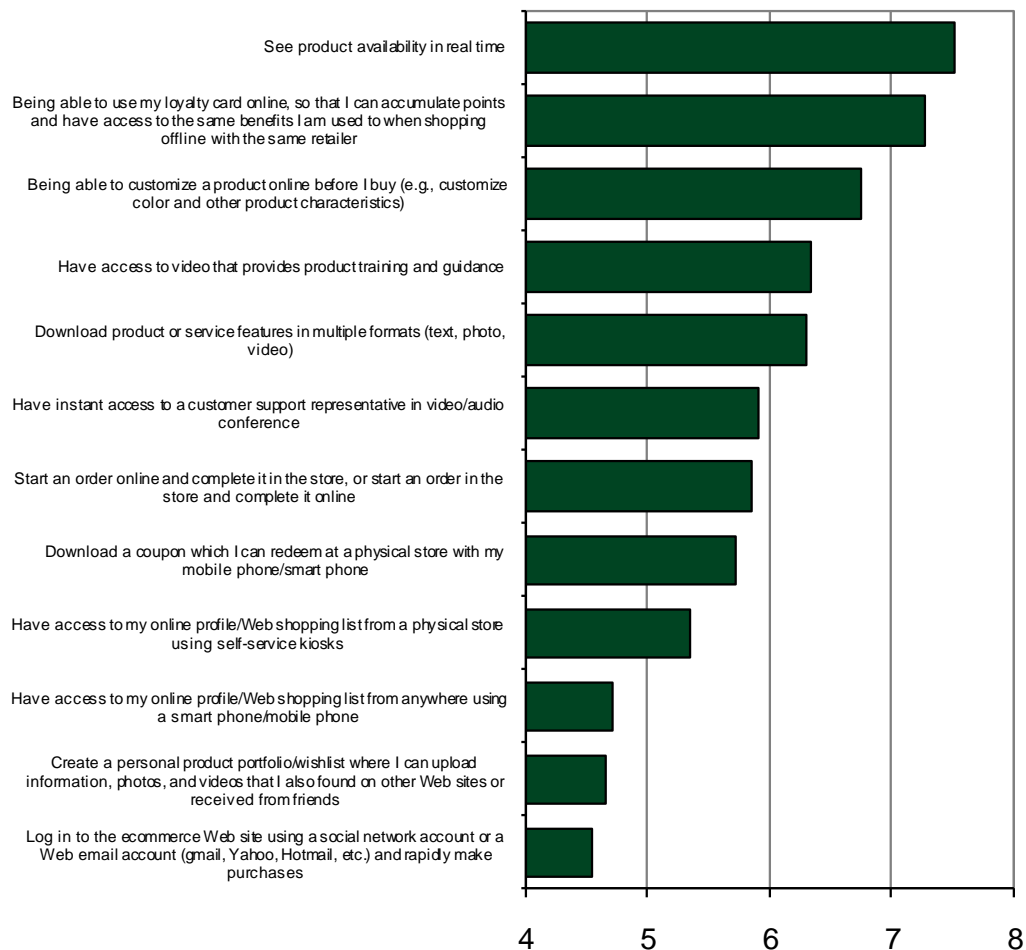Source: IDC Retail Insights Consumer Survey, May 2010

Looking at ecommerce Web site developments, consumers suggest enterprises should focus on the following advancements if not yet available (see Figure 11):

- **Real-time product availability** — This takes first place, as it extends not only to ecommerce but also to physical stores. Lots of people are now looking online first to see if something is available at a store, before setting off from home. Multichannel retailers and other businesses that fully integrate this in their ecommerce platforms will most likely also see their physical store sales grow.

- **Cross-channel loyalty integration** — This is a must: a requirement, not an option. Consumers say they would like offline loyalty programs to extend online, to collect points online and then maybe redeem some gift or discount in-store. This trend is even more important because of how consistent it is across countries. Cross-channel loyalty integration is second place everywhere except for the U.K., where it ranks first.

- **Consumers demand personalization** — The rise of online commerce has enabled consumers to be in control of their shopping. This has led many organizations to move from mass market strategies to targeted, individual client strategies. Personalization requires a more dynamic approach to ecommerce sites, but it also involves enterprises' capabilities around real-time customer behavior analysis and predictive demand intelligence to make it a profitable journey, especially by avoiding over-stock situations or product unavailability.

- **Dynamic, video-enabled product information** — Another important feature that is being overlooked by businesses is how product information is relayed. Consumers want dynamic, rich media product listings that are presented in multiple formats, as well as video guidance.

Favorite eCommerce Web Site Features, Western European
Consumers, 2010

*Q.: Considering ecommerce Web site characteristics, how desirable do you consider it for online
stores to develop the following features? (Scale of 1 to 10, where 1 is least desirable and
10 is most desirable)*

Feature	
See product availability in real time	
Being able to use my loyalty card online, so that I can accumulate points and have access to the same benefits I am used to when shopping offline with the same retailer	
Being able to customize a product online before I buy (e.g, customize color and other product characteristics)	
Have access to video that provides product training and guidance	
Download product or service features in multiple formats (text, photo, video)	
Have instant access to a customer support representative in video/audio conference	
Start an order online and complete it in the store, or start an order in the store and complete it online	
Download a coupon which I can redeem at a physical store with my mobile phone/smart phone	
Have access to my online profile/Web shopping list from a physical store using self-service kiosks	
Have access to my online profile/Web shopping list from anywhere using a smart phone/mobile phone	
Create a personal product portfolio/wishlist where I can upload information, photos, and videos that I also found on other Web sites or received from friends	
Log in to the ecommerce Web site using a social network account or a Web email account (gmail, Yahoo, Hotmail, etc.) and rapidly make purchases	

Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

Is it Time for Mobile, and Why?

One of the most common, traditional measures of a retailer's health is
same-store sales. The focus now shifts to "same shopper" sales —
using loyalty or payment identifiers to calculate how shoppers are
embracing the brand across stores and channels. For brick and mortar
retailers, much of their secondary channel (catalog, Web, mobile)
commerce is with consumers who are familiar with the brand and have
likely shopped in their physical stores. Expansion will come from

attracting customers not familiar with the brand or not in proximity to the stores to those secondary channels and by enabling converged multichannel shopping.

It is also important to note that on average, store sales influenced by online research are three to five times larger than total ecommerce sales. Add mobile to the picture and the multichannel sales influence on store sales is set to grow, in addition to incremental sales through each channel when done right.

Young, trendsetting consumers and high spenders will be the first groups to move en masse to the mobile channel. The most interesting fact that emerges from our consumer survey is that there isn't much difference about usage patterns of mobile phones, with a slightly higher preference given to checking the status of an order via mobile (see Figure 12). There is an early-adopter, 10% core group of consumers that are already using their mobile phone or smart phone for pretty much everything that is possible, from searching for stores to purchasing goods to redeeming coupons. In addition, a further 20% of consumers are planning to do so in the near future, so almost a third of consumers will soon be using mobile interaction in the short term.

Interestingly, searching for store locations, opening hours, and product availability is the second most cited reason for shoppers using their mobile phone, while receiving alerts about promotions offered by stores near a consumer location rank third. This shows that mobile phones will mainly represent a completion of the shopping experience and an opportunity for differentiation for both pure online players and multichannel enterprises.

We believe it will only be a matter of time before mobile sales are sizeable, perhaps within an even shorter timeframe compared with online sales. Consumers indicate a slight preference for purchasing services via mobile in the future, but differences are marginal.

Differences start to be seen at the age level. Among under-25s, more than 20% are already using their smart phones, and a further 20% are likely to do so in the future for shopping-related actions. There are also some peaks, with a quarter of young consumers already looking for store locations and opening hours and checking the status of their order on their mobile devices. Interestingly, another group that trends above the average is high spenders, with just under 20% of them saying they are using mobile now (see Figure 3).

Mobile Commerce Propensity, Western European Consumers, 2010

Q.: Thinking about your mobile phone/smart phone, do you use it for any of the following?
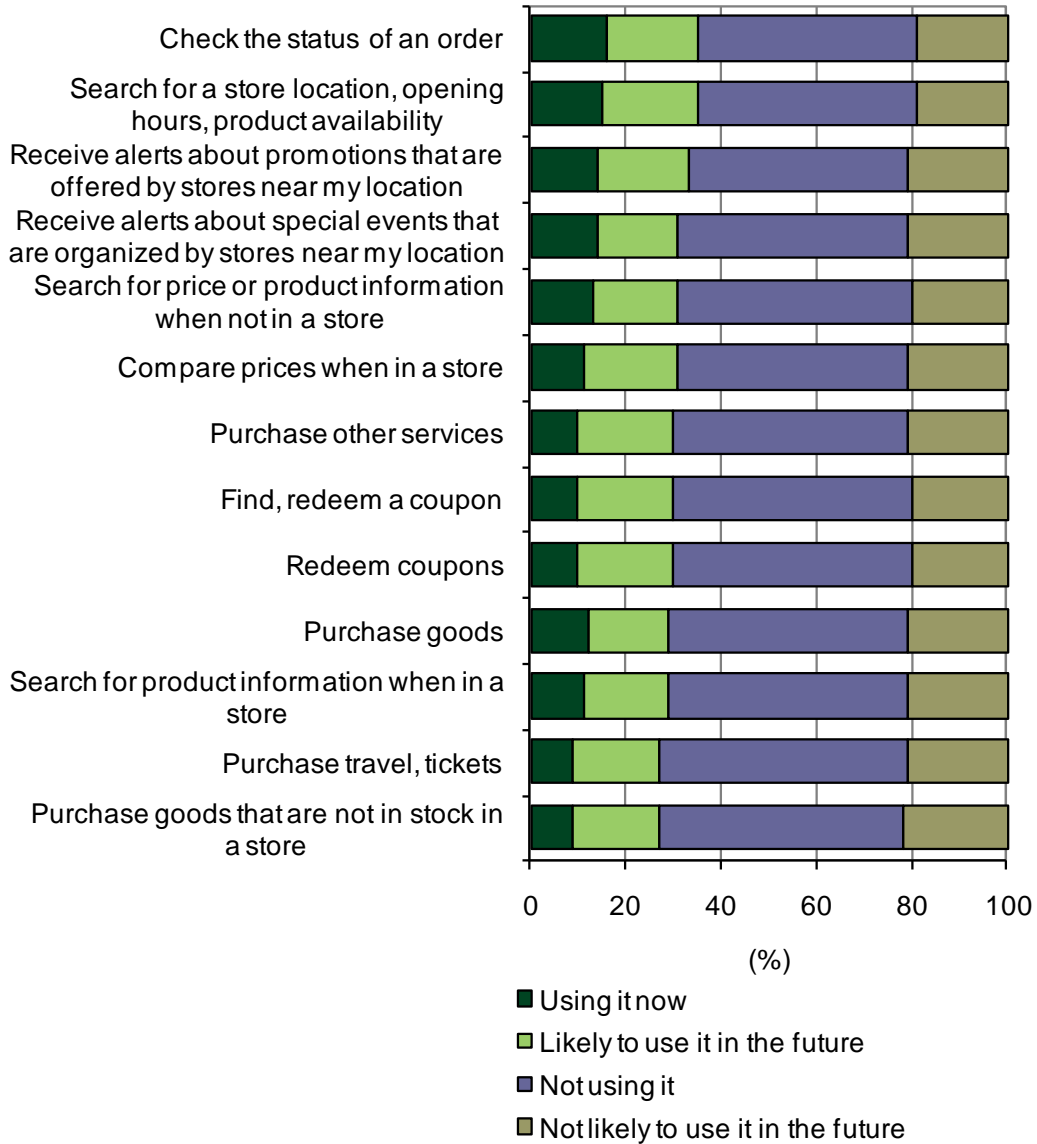
Base: Those making purchases online, over the Web or Internet (qualified respondents)

Number of respondents: 1,500

Source: IDC Retail Insights Consumer Survey, May 2010

Beyond growing opportunities for mobile sales, interaction channels to the consumer are also converging — it is no longer a multichannel retailing approach that enterprises should pursue, but rather all sales channels that run in parallel should effectively converge seamlessly and consistently. Therefore we identify omnichannel retailing as the

next wave of customer-facing retailing strategies, where the term "omni" suggests a fully integrated, "all at once" sales channels approach. Why is this relevant for enterprises? Because multichannel shoppers spend, on average, 15%–30% more than someone who uses only one channel. IDC Retail Insights estimates that omnichannel shoppers will spend over 20% more than multichannel consumers, will show strong loyalty, and will influence others to embrace the brand.

Consumer shopping convergence — from a channel, device, and application perspective — also suggests that the consumer experience is going from a set of sequential actions across channels (think click-and-collect or Web shopping lists available at a kiosk or on mobile devices) to a simultaneous experience, for example accessing an online site while in the store for price comparisons, product reviews, or remote customer support. Mobile makes the shopping experience really ubiquitous, while creating more intriguing and engaging brand experiences, and offering opportunities for marketers, online enterprises, and multichannel retailers. The key to success will be creating valuable interaction among mobile owned consumer devices, online commerce sites, digital signage, and other in-store technologies. Examples include:

- **Interactive shopping lists and targeted promotions** — Customers with a loyalty card log in to a retailer's Web site, create a shopping list, and then download it on their mobile, or on a self-scanning device or kiosk once they are in the store. While in store and walking through the aisles, the consumer will have access to relevant promotions and other tailored marketing messages at the point of purchase. Coupons can be retrieved from a mobile phone via 1D and 2D barcodes or can simply be attached to the loyalty program membership.

- **Rich product information** — Consumers can access product information, reviews, and other useful sources of online information while in a store or on the move. An emerging application is the use of QR (Quick Response) codes attached to product labels, packaging, or printed material to obtain further information on products via a mobile phone. A QR code is a barcode that can be read with a mobile phone camera, and causes the phone's browser to automatically redirect to a predefined Web page or mobile commerce site; in other words, it is a physical world link, or hardlink. Retailers in the apparel segment — including H&M, Ralph Lauren, and Gucci — have started using QR codes in some of their stores and campaigns, but application scenarios are growing across industries. The QR is also used to a large degree in the Japanese food segment, for quality certification.

- **Mobile loyalty** — Mobile barcode integration and contactless technologies will be increasingly used as a digital customer identifier. Mobile loyalty applications promise greater convenience for the customer, because multiple loyalty memberships can be loaded into a single mobile phone, while providing a wealth of data to retailers to act on, for example with targeted promotions. In

profit margin improvement terms for enterprises, we find that cross-channel loyalty integration can drive 10% increases in loyal-customer profitability — a significant achievement if you consider that loyal clients are typically a high share of total customers in selected segments, in food, for example, with typically over 75% of customers holding a loyalty card, and consumer electronics, where typically a core group of loyal clients generate up to 70% of total online sales. Retailers are also looking at new ways of combining online loyalty with store visits, for example by offering online coupons that can be redeemed at the store. Mobile again represents the best way to create the required continuum between online and store.

- **Geo-based applications and social networks** — An interesting example comes from Google, which launched its mobile goggles app for Android, with which a user can simply frame a shop or location and receive contextual messages about the store, offers, user reviews, and the like. Similar applications are available on iPhone and Windows mobile devices. Social network use on mobile devices is another important trend that enterprises can turn into an opportunity beyond advertisement to include customer interaction, customer service and support, and location-based marketing messages.

For the majority of consumers who aren't yet using or are not considering taking advantage of mobile shopping interaction, the main barrier is speed (see Figure 13). With 3G mobile connectivity becoming the norm in Europe, most of the emphasis should be on mobile ergonomics and mobile content delivery performance, to make mobile shopping adoption easier. This means developing content that is relevant to consumers, easy to find and navigate, lightweight, and optimized for mobile consumption. In second place is the fear of being pestered with ads — a concern that businesses should address carefully if they intend to exploit the mobile channel, given the fine line that exists between consumer influence and intrusion. Therefore beyond fine-tuning the frequency of communications, messages should be truly relevant for consumer groups and individuals, rather than repeatedly sending promotions that are not relevant to the customer.

Reasons for Not Using Mobile eCommerce, Western European
Consumers, 2010

Q.: Why don't you use or plan to use your mobile phone/smart phone to make purchases?
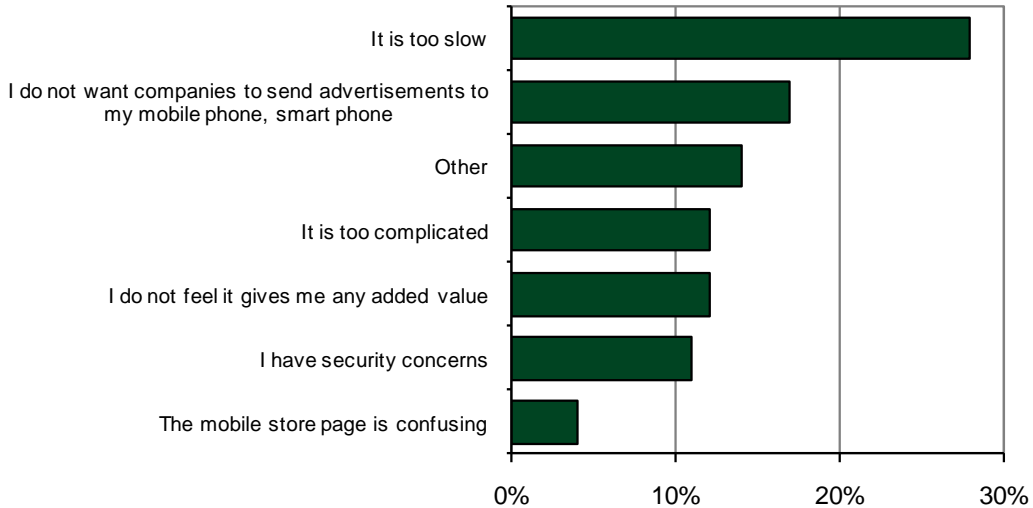
Base: Those neither making online purchases nor planning to do so, specifically for goods,
travel tickets, or other services or goods that are not available in-store

Number of respondents: 1,259

Source: IDC Retail Insights Consumer Survey, May 2010

Given the encouraging results shown in Figure 12, enterprises should follow suit and launch a mobile ecommerce channel sooner rather than later to build greater intimacy with their current and potential customers. Enterprises are required by their current and potential customers to support full technology and process integration between all of their selling channels — meaning a single, logical view of the shopper, the order, and the inventory regardless of the channel. eCommerce technology capable of supporting this will need to blend the unique business-to-consumer (B2C) usability functions with tight integration to advanced retail transactional systems and all the appropriate consumer, promotion, and inventory optimization technologies.

SUMMARY OF RESEARCH FINDINGS BY COUNTRY

This section provides an executive overview of the key differences in consumer behavior in the major European countries.

United Kingdom

66% of the total population of the U.K. shopped online in 2009, the highest percentage in Europe, and up from 57% in 2008 (source: Eurostat, May 2010). A well-developed online food market is also evident in the U.K., with 45% of interviewed consumers having purchased food online in the last year. High spenders tend to be more prevalent in the U.K. (28%) compared with other European economies.

Usability, information privacy, and Web site speed trend well above the EU average among the most influential factors for selecting online stores by U.K. consumers. Higher emphasis is also given to cross-channel loyalty integration.

A slow Web site results in one out of four U.K. consumers leaving the purchase with an additional 60% sometimes abandoning slow Web sites. Looking at mobile, one out of four consumers in the U.K. is likely to use it to redeem coupons (the highest percentage in Europe).

France

45% the total population in France shopped online in 2009, up from 40% a year before. Rapid checkout is key for French consumers (as indicated by 64% of respondents), as well as availability of dynamic photos and product information, user comments, and reviews.

Access to promotions and discounts rank significantly above the EU average for French consumers (49%) as a key reason for shopping online. Difficult-to-use Web sites are always abandoned by nearly a third of French consumers.

Survey results show the lowest use of mobile for shopping, with only 3% of respondents already doing it.

Germany

Germany is also characterized by a higher than European average ecommerce penetration (56% of individuals). Looking at the key reasons for shopping online, German consumers give higher value to saving time and shopping when they want rather than having access to lower prices. Search functionality trends well above the EU average among the most influential factors for selecting online stores.

51% of Germans said they always abandon a Web site when it is down and 89% abandon it before starting to check out. In turn, 24% of

shoppers in Germany abandon a Web site when page load time is between 1 to 4 seconds. Looking at information source dynamics, product brand and review/comparison Web sites will grow in adoption for over half of consumers this year.

Italy

Italy ranks lowest in terms of ecommerce penetration (12% of the total population), with online food sales having minimal uptake in the country. At the same time, survey results show a higher than European average percentage of high spenders in Italy (22%). Half of Italian respondents indicated that they like to touch and feel what they are buying as the key reason for not shopping online, while a third of the sample indicate payment security concerns. At the same time, a higher percentage of Italians are already purchasing goods or services with mobile devices (11%); going forward, in addition to making purchases, mobile is expected to be used for searching product and price information when in store or on the move (as indicated by nearly a third of respondents).

Flights, trains, hotel bookings, and consumer electronics purchases rank at the top for Italian online shoppers, ahead of apparel. Italians care more about user comments and reviews, as with French consumers, while 45% indicated availability of a call center support service as a key influencing factor when deciding to shop at an online store (the highest percentage in Europe). Italians, as well as Spaniards, are also willing to wait slightly more for Web pages to load compared with consumers in other countries.

Sweden

In 2009 the percentage of individuals making online purchases grew to 63% in Sweden, with the highest annual growth rate (19%) compared with other countries covered in this study.

Access to promotions and discounts rank significantly below the EU average for Swedish consumers (10%) as a key reason for shopping online. Among the most influential factors for selecting online stores, ease of use and Web site speed rank well above the EU average, with one out of four consumers expecting Web sites to load in 1 to 2 seconds. Static product descriptions are a key reason for abandoning a Web site for 21% of Swedish consumers. Interestingly, and unlike other countries, 38% of consumers in Sweden abandon an online purchase after starting to check out.

Spain

The fastest-growing ecommerce market is Spain, with 44% of local consumers reporting a willingness to increase spending in the next year, more than 10 points above the EU average. In 2009, 23% of the Spanish population shopped online.

In Spain consumers generally have a more traditional online shopping approach, with flights, trains, hotel bookings, and consumer electronics purchases ranking at the top, ahead of apparel.

Payment security and availability of a call center customer support service rank well above the EU average among the influencing factors for selecting online stores. Looking at mobile, the highest percentage of consumers in Spain indicate a willingness to purchase goods (28%), purchasing goods that are not in stock in a store (27%), travel tickets (24%), and other services (26%).

ESSENTIAL GUIDANCE

The Web has empowered consumers. They are now making the rules, changing online stores whenever anything doesn't suit them, comparing prices before making any purchase, and influencing with reviews on community Web sites, forums, and across social networks. The vast majority of consumers turn to your competitors whenever your ecommerce site is unavailable or slow. Shoppers' expectations are high: while most consumers start to abandon Web sites whenever Web pages load in more than 4 seconds, most consumers in Europe expect a Web site to respond in less than 4 or even less than 2 seconds. Inaccurate search functionalities, poor Web site ergonomics, and non-responsive customer support also lead to high abandonment rates.

IDC Retail Insights advises enterprises to consider the following actions to drive ecommerce platform efficiencies and effectiveness:

- **Reduce abandonment rates** — 70% of consumers said they would visit another ecommerce Web site after abandoning one that is too slow or unavailable. So enterprises should focus on improving Web site availability and performance as these are mission-critical requirements.

- **Enable actionable analytics** — Gather all the data you can — structured and unstructured — and feed it into your demand intelligence engines, aiming to analyze customer profiles, attitudes, and brand sentiment, while also deploying predictive capabilities to react quickly and anticipate shopping patterns. This means fine tuning the online strategy — assortment, promo, price, customer service — according to customer demand.

- **Drive differentiation for loyalty** — Consumers demand personalization, so enterprises should invest in targeted promotions, assortment mix, product and service personalization, and cross-channel loyalty program differentiation. Personalization requires a richer and more dynamic approach to ecommerce sites, but it also involves enterprises' capabilities aimed at avoiding over-stock situations or product unavailability. The availability of accurate search functionalities, video, and rich media content will help differentiate the customer experience.

- **Explore all customer touch points to drive consumer influence** — Social networks would be the most obvious answer to where an organization might go to fish for new customers and strengthen brand image, but that will require more than just advertising. Companies will have to build interactive communities, which means organizing events, giving out promotions and gifts, and being online 24 x 7 to provide feedback and customer support.

- **Define and execute a mobile strategy** — Interestingly, searching for store locations, opening hours, and product availability is the second most cited reason for shoppers to use their mobile phone, while receiving alerts about promotions offered by stores near a consumer location ranks third. This shows that mobile phones will mainly represent a completion of the shopping experience and an opportunity for differentiation for both pure online players and multichannel enterprises. Speed and readability are the major barriers to mobile commerce adoption. Therefore enterprises should focus on content that is relevant to consumers when developing a mobile site to help readability. Overcoming mobile site speed issues will also help reduce abandonment while driving consumer usage.

Research Methodology

This report presents the key findings of IDC Retail Insights' European survey, carried out in April/May 2010 in six Western European countries among 1,500 consumers.

These countries were the United Kingdom, France, Germany, Italy, Spain, and Sweden.

The Consumer Survey covered 1,500 respondents making online purchases of goods and/or services (2,374 including screenouts). The survey was conducted over the Internet, with questionnaires translated into the native language of the respondent. The respondents were profiled as follows:

- France, Germany, the United Kingdom: n = 400 each

- Italy, Spain, Sweden: n = 100 each

- Aggregations included results by country, age, gender, family type, size of residence, and level of online spending

Survey results were positively statistically tested for the Chi-square test (level below 0.05). This means that these results are statistically significant. Chi-square analysis is used to test if there is an association between two or more variables (questions). The hypothesis that we test is whether there is a (statistically proven) difference in the proportion of two variables. Scale variables have been positively tested for pairwise "t-test" comparison, meaning that highlighted combinations of mean value/segment show significantly higher results (average value) than value(s) in another column or columns.