

A First Data White Paper

# Universal Commerce and Consumer Engagement: Understanding What Consumers Really Want

Welcome to the age of Universal Commerce—commerce that is integrated, personalized, secure, open and smart.

The lines between in-store commerce, eCommerce and mobile commerce are blurring. Consumers expect a more integrated buying experience that is quick, consistent, secure and available wherever they happen to be, at any time and through any type of device.

In First Data's continuing series on Universal Commerce, this paper explores consumer attitudes and behaviors related to the convergence of online and offline experiences.

# Introduction: Consumer Expectations and The Great Transition

Without a doubt, mobile technology has profoundly transformed business practices and personal lifestyles in recent years. What is often less well understood is the magnitude of and pace at which the convergence of online and offline experiences is shaping consumers' lives and expectations. In their rapid assimilation of new technologies and modes of communication, consumers are imposing new demands on retailers and financial institutions.

This evolution is both exciting and unnerving. It is exciting because fresh methods are emerging to create closer relationships with customers. However, it is potentially unnerving that multiple technology shifts are occurring simultaneously, upending old relationships and ways of doing business—and in the process, unleashing capabilities that are transforming consumer engagement. This "great transition" is driven by three key forces:

- **Today's consumers can do things they never dreamed possible.** The pervasiveness of technology in our daily lives is fueling the desire to unite online and offline activities in smart devices small enough to hold in our palms. Consumers want to interact, review, compare, manage, transact and buy—whether in a store or bank branch, at home or on the go. And the more that consumer capabilities expand, the greater their desire to *connect* what they are doing, transforming fragmented transactions into a seamless whole.
- **Consumers are making a leap from conducting transactions to having experiences.** These experiences range from the mundane to the life-changing. But the important thing is that consumers want to interact in ways that are seamless, convenient, customized to their own preferences, and personally relevant. They want to do this anywhere, any time.
- **Consumers use mobile technology to share their experiences through social media and online reviews.** They talk to their friends and family, but they also talk back to the brands and companies they engage with. The sphere of influence that consumers can now use to share their experiences continues to grow. The great transition is changing how communication in the marketplace works. When it comes to influencing purchasing decisions, there is a shift from top-down to peer-to-peer, and even bottom up. This communication shift expands and democratizes the conversation.

## Survey Methodology

- Research conducted in March 2012 across 1,000 online banked consumers in the United States.
- Participants were 18 and older, with a checking account, debit and/or credit card
- Participants bank with a mix of National, Regional, and Local/ Credit Unions
- Research consisted of both and online survey and in-depth interviews.

Merchants and financial institutions are pursuing strategies to meet the challenges and opportunities of this new era of consumer engagement. This requires a nuanced understanding of how consumer demands are evolving in an increasingly interconnected, "always-on" marketplace. To attempt to ascertain consumer attitudes related to mobile technologies, shopping, and data security/privacy, First Data recently commissioned two research firms, Applied Research & Consulting and Egg Strategy, to conduct an in-depth quantitative and qualitative consumer study. This research revealed three prevailing trends that are shaping consumer desires and expectations:

1. Smartphones change everything.
2. Consumers want it all: convenience, relevance, and control.
3. Transparency, privacy, and security matter, especially when it involves their payment and financial information.

While these themes may not be surprising, the underlying data provides genuine insights into consumer thinking that may help merchants and financial institutions design their customer engagement strategies.

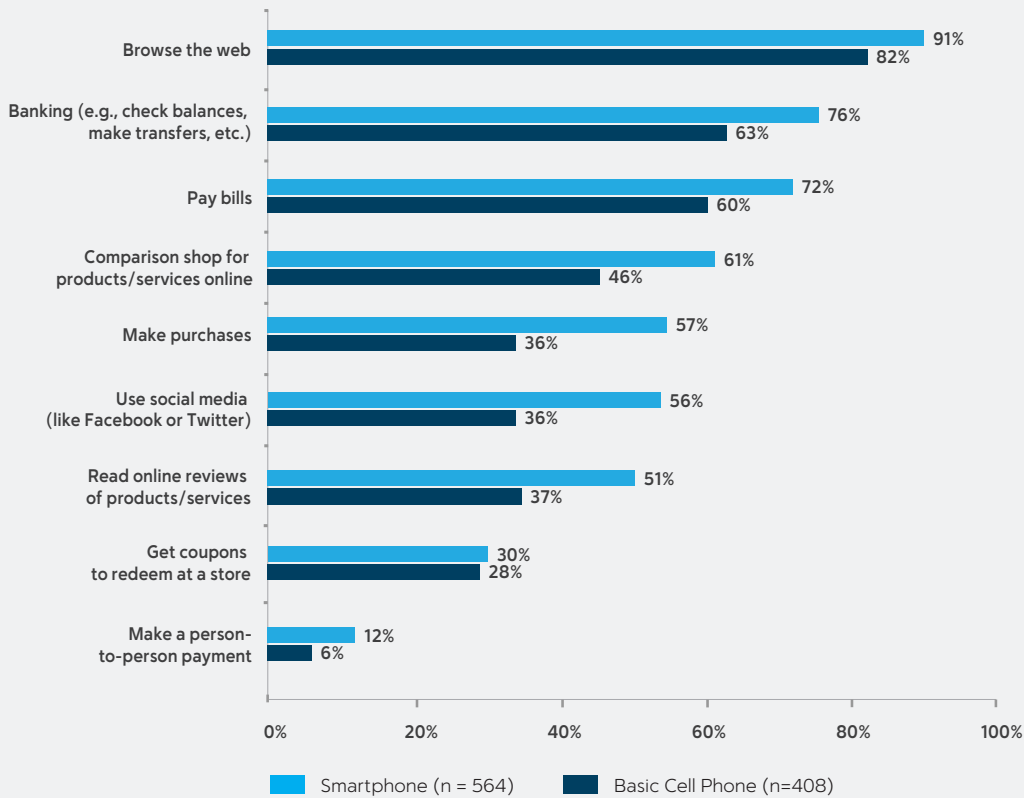
# Smartphones Change Everything

One of the most compelling findings of the study was just how strong the impact of smartphones has been on shaping consumer activity, and as a result, consumer expectations. (See sidebar *Smartphones Change How Consumers Shop and Bank* on page 5). More than any other variable—including age, gender, income, and geography—smartphone ownership is the greatest determinant of shopping, buying and banking behaviors. With nearly half of all U.S. mobile subscribers using smartphones today<sup>1</sup> and the number of U.S. smartphone users expected to reach 138 million by 2015,<sup>2</sup> the continuing importance of this technology in shaping consumer expectations of shopping, buying and banking experiences cannot be ignored.

There is no question that smartphone owners are using their devices to make more informed decisions, and that they are significantly more active online than basic cell phone users. They lead the way in web browsing, online banking, comparison shopping, and online payments, among other activities (See *Figure 1*). More than any other group, smartphone owners expect to blend what they do online, offline, and “on the go” into seamless experiences. Comments from study participants such as, “I like the convenience of not being tied to a physical location. When I have a spare moment I can fill it,” and “I like the convenience of seeing a coupon online and then using it in the store (on my phone) without printing it out,” highlight the value these consumers place on spontaneity, instant gratification, and real-time action, at any time, from any location.

**FIGURE 1: SMARTPHONE USERS DO MORE**

How often do you do the following online, using a desktop or laptop computer? % Frequently



Source: First Data Universal Commerce Consumer Tracker 03/12

They are checking store and product reviews across the social web, and are using browsers and comparison shopping mobile apps to find the best values. Respondents shared stories of using their phones while in a store to find better deals elsewhere:

*"I was in a store and the guy said he had the best price available so while he was holding the product I scanned the barcode, and I found it for \$600 as opposed to the \$759 he wanted for it. So I said, 'Okay, here's the price I'm going to buy it for within the next 5 minutes. If you'll match the price I'll buy it from you.' And he said, 'Well, we don't match online,' and I said, 'Well then WE don't get my money,' because I'm really going to hit one button and I'm going to purchase it right in front of you."*

*"There was a hair curler that I wanted and the guy was trying to sell it to me for \$150 and while he was standing there, my husband scanned the barcode and (found it) for \$29."*

In fact, almost half of all smartphone users say they frequently or sometimes use their phones to comparison shop in a store (versus 30 percent of basic cell phone users), and 44 percent have purchased something using their phone. Thirty-five percent use social media to help them save money and make smarter, more informed buying decisions, while 30 percent have posted reviews themselves. As one respondent shared, *"Unless it's something routine like groceries, I won't buy without referencing certain websites, reviews, and price comparing—it goes hand-in-hand now with shopping."*

Smartphone users are also the most likely demographic to be interested in mobile wallet capabilities (i.e., managing accounts and making payments using a mobile device), with saving time at checkout the most compelling benefit cited. One consumer noted, *"Hopefully, retailers will have a solution where I can go to any store and swipe my phone and enter a PIN and be on my way."* A heightened interest in mobile wallets correlates with the appeal of other new technologies and behaviors, such as using a mobile phone while shopping to find a better deal, using a mobile phone for self-checkout, and receiving special offers from a retailer when near the store (See Figure 2).

Simplifying life and saving time are key motivators. As one respondent put it, *"If my virtual world starts taking up more time than my physical world, it's a huge issue. I use technology to enhance my life, not to create a second job."*

**FIGURE 2: CONSUMERS WITH HIGH INTEREST IN MOBILE WALLETS ARE MORE LIKELY TO ...**

Use Mobile While Shopping to Find a Better Deal	<b>56%</b> vs. <b>24%</b>
Appeal of Using Mobile Phone for Self-Checkout	<b>81%</b> vs. <b>37%</b>
Interest in Receiving Special Offers When Near a Store	<b>75%</b> vs. <b>35%</b>
Appeal of Universal Commerce	<b>77%</b> vs. <b>24%</b>
Willing to Let a Company Track Location Via Mobile to Receive Offers	<b>31%</b> vs. <b>5%</b>
	<b>Interest (8-10)</b> <b>Interest (1-7)</b>

Source: First Data Universal Commerce Consumer Tracker 03/12

## Smartphones Change How Consumers Shop and Bank

Survey participants were eager to share how they use their smartphones to shop and bank...and they acknowledge technology has given them more control, leading them to expect more.

### ...When shopping

*"I see my phone and the technology and the money all becoming intertwined. You have your phone with you to use coupons, to use your confirmation codes, to comparison shop."*

*"I have an app on my phone that scans the barcode and then it pulls up where (the item) is cheaper. We'll scan it and find it cheaper and then order it online, even if I am in the mall."*

*"I don't have to rely on a salesperson. I use my phone to look up advice or reviews or other information."*

*"With my phone I can just get the information I need at that time and it's very personalized to what I want because it's my search, with my terms."*

*"I take a picture and send it to my husband to make sure he is okay with whatever I'm going to buy."*

*"When we pass a business, I look (on my phone) to see what the reviews are. If I hear about a restaurant or clothing place I will see what other people are saying about it because even though I don't know those people I feel like maybe somebody's review will help me make a decision."*

### ...When banking

*"I do all my banking on my phone. I deposit all my checks by my phone so I rarely have to do any of the stuff that I used to have to do as far as money goes."*

*"I get all these checks in, and all I have to do is take a picture of them and it's automatically deposited. It's brilliant. You can do your bank account and you can also do your brokerage accounts. And you can transfer money. This is so cool I never have to go in a bank again!"*

*"We decided to switch banks and the mobile banking and the bill pay was the most important thing to me because all of the other features that banks have are pretty much the same. Especially when you have a business, it is the mobile part that is important. I check our bank account 100 times a day."*

*"The big milestone for me was when mobile banking became so helpful. Now I am able to look at my phone and look at my money. I can open up checks (from my phone) right in the bank if I have a dispute and show them."*

*"It's nice to have the app on my phone that can tell my balance so I'm not writing things down in my checkbook or trying to figure out if I'm overdrawn. I can just check on my phone really quick, and then swipe and be on my way."*

# Consumers Want It All: Convenience, Relevance, and Control

Highly correlated to the appeal of new technologies and behaviors is an interest in Universal Commerce as a concept—that is, the ability to seamlessly blend and coordinate activities across online, offline, and mobile channels. Consumers are especially interested in how this can help save them time and money—for instance, self-checkout using a mobile phone or receiving special offers when near a store (See Figure 3). They understand that merging experiences across channels is broader than simply using mobile wallets.

One-third of consumers expressed a desire for a seamless shopping experience, meaning any transaction, on any device, at any time. In fact, this capability is twice as desirable as a standalone mobile wallet. As one respondent put it, "I like the idea of my loyalty points, offers, coupons, shopping, and payment all rolled into one, and being able to access them with a single click," while another confirmed, "I hate it when they say 'This coupon is for online purchases only or in-store purchases only'. Just make it a purchase. I like

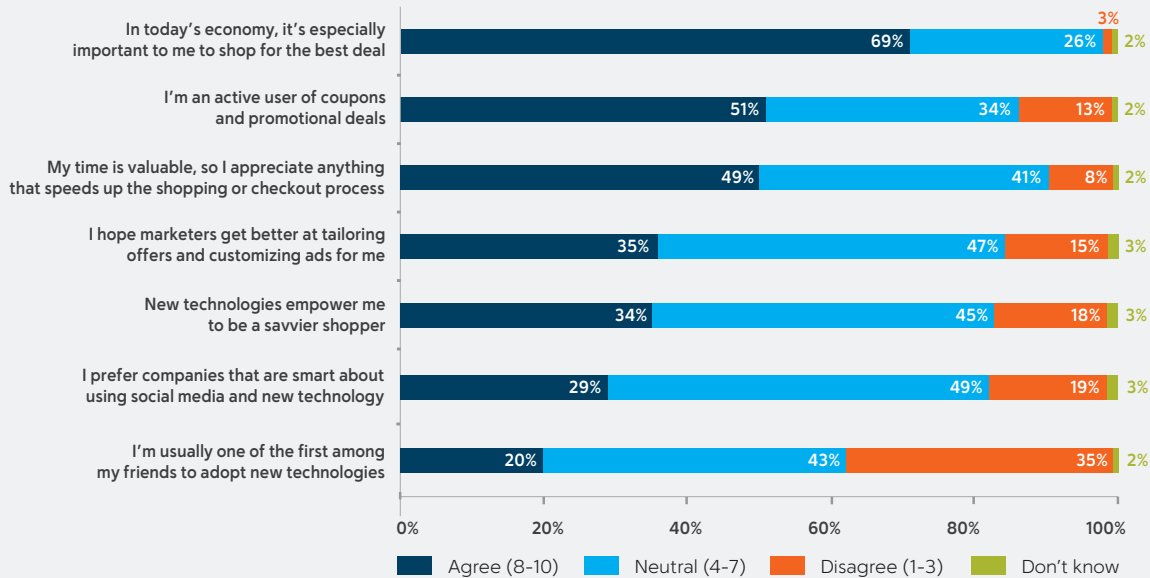
**FIGURE 3: CONSUMERS WITH HIGH INTEREST IN UCOMMERCE ARE MORE LIKELY TO ...**

Use Mobile While Shopping to Find a Better Deal	<b>46%</b> vs. <b>21%</b>
Interest in Mobile Phone for Self-Checkout	<b>78%</b> vs. <b>29%</b>
Interest in Receiving Special Offers When Near a Store	<b>75%</b> vs. <b>35%</b>
Interest in Mobile Wallet	<b>44%</b> vs. <b>7%</b>
Willing to Let a Company Track Location Via Mobile to Receive Offers	<b>23%</b> vs. <b>4%</b>
	<b>Interest (8-10)</b> <b>Interest (1-7)</b>

Source: First Data Universal Commerce Consumer Tracker 03/12

**FIGURE 4: SHOPPING FOR THE BEST DEAL**

Please indicate the extent to which you, personally, agree with one of the following statements:



Source: First Data Universal Commerce Consumer Tracker 03/12

that consistency.” An overwhelming majority of respondents (83 percent) agreed that companies need to do a better job of merging online and offline experiences.

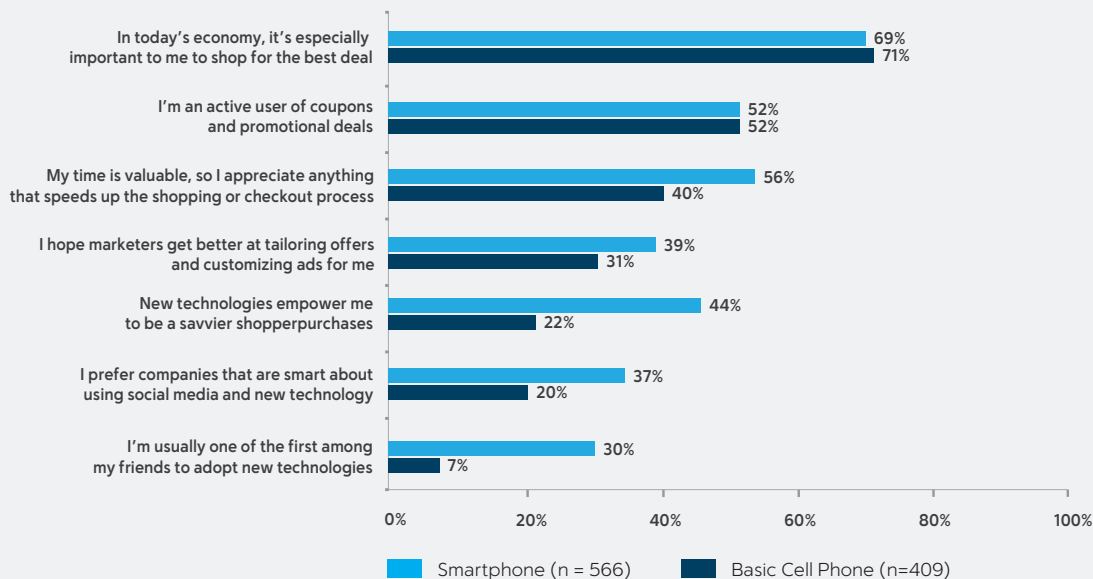
Another unifying consumer sentiment is the expectation that technology allow them to do things they couldn’t do, or do easily, previously. Consumers expect technology to help them be better shoppers, make more efficient use of their time, and speed up activities perceived as time-consuming, such as checkout. (See Figure 4). These requirements are even stronger among smartphone users (See Figure 5), who shared comments such as “I want mobile shopping apps to be easy, secure and very transparent. I want the user interface to be really simple. I want one click to confirm purchase, and I want an electronic receipt in my text or inbox, instantaneously.”

In addition, the idea that technology should add value is pervasive. Respondents noted, “If I am going to download an app and use it, it’s got to be able to do something that I couldn’t do without it,” and “An account should not require me to manage how many people are going to access my information and market to me.” Others echoed, “I like seamless. Technology should be easy, it shouldn’t be 10 different steps to get to it, it should be ‘boom,’ it’s right there,” and “Ultimately, I am looking for ‘How do I get that thing easily, conveniently, safely, and for the best value?’”

Another way technology can add value is in delivering customized, relevant offers from merchants and brands the consumer cares about. Thirty-five percent of respondents strongly agreed—and nearly 80 percent agreed overall—that this would be desirable. As a respondent explained, “You can store my information to give me a better experience or serve me with better offers or apps. If you send me offers on things I am looking for at the time, I’m more willing to receive them.”

### FIGURE 5: SMARTPHONE USERS DEMAND MORE FROM SHOPPING

Smartphone users are more likely than basic cell phone users to agree with all of the technology-related statements.



Source: First Data Universal Commerce Consumer Tracker 03/12

# Transparency, Privacy and Security Matter

Many retailers and financial institutions face a perplexing dilemma when determining how to reconcile consumers’ desire to “have it all” with their apprehensiveness about sharing the personal information that makes seamless multi-channel experiences and personalized offers possible.

For example, 43 percent said they would be interested in receiving a store’s special offers or coupons on their mobile phones when they are nearby, but only 10 percent are willing to let a company track their location through their mobile phone in order to receive those offers. One respondent observed, *“One of the programs said, ‘Would you be okay if we started tracking your location and all of your purchases?’ And I said, ‘Absolutely not. I don’t want you tracking anything.’”*

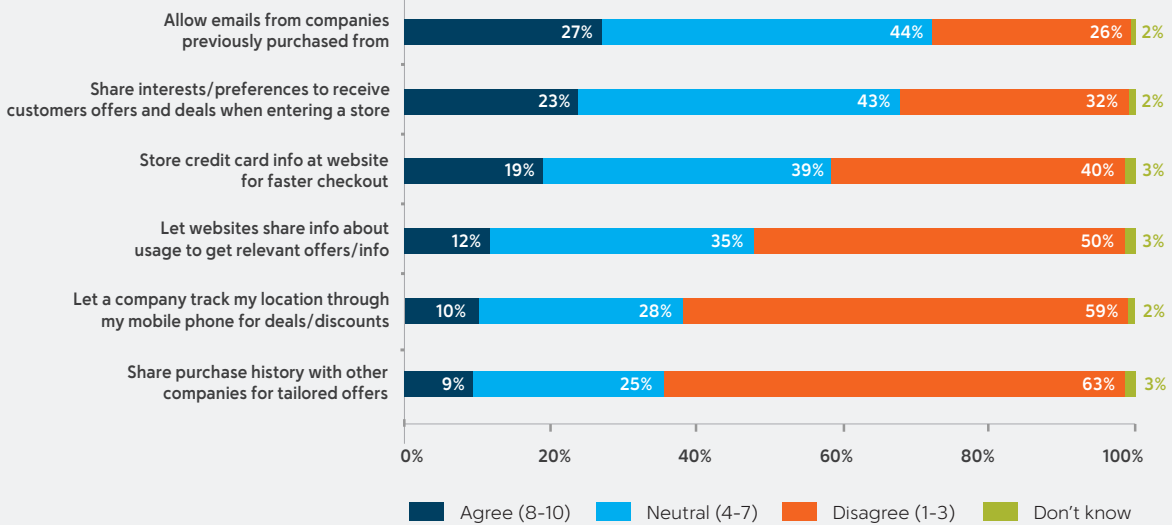
Overall, more than half of respondents expressed concerns about divulging personal information to receive value in return. And if retailers and financial institutions do collect and then share personal information with other entities, consumers demand complete transparency concerning how, when, and with whom information is shared (See sidebar *Consumers Speak Out on Privacy and Security* on page 9).

The fact is, most consumers say they are not willing to relinquish their privacy, even to receive relevant offers and savings (See *Figure 6*). While 27 percent are willing to allow companies they’ve purchased from before to send them relevant email promotions, only 9 percent are willing to let those companies share their purchase history with other companies to receive tailored offers. As one respondent noted, *“I want my information to stay where I bought. I don’t like (it) going between different stores.”*

**FIGURE 6: PRIVACY VS. BENEFITS**

Please indicate the extent to which you, personally, agree with one of the following statements:

I’m willing to ...



Source: First Data Universal Commerce Consumer Tracker 03/12



## Consumers Speak Out on Privacy and Security

Consumers have strong expectations of retailers and financial institutions to protect their privacy and personal information. Conflicting emotions arise regarding the tradeoff between convenience and privacy.

*"If companies did a better job explaining they're going to use information to give you what you want at a great price or to benefit you, then it would be an easier sell. But there are unfortunately companies who use information to send people stuff they don't want at all and clearly are violating their rights."*

*"I think there's a prospect in the back of your mind of, 'Oh there's someone out there that could get to this,' and that's always a little terrifying."*

*"I will always weigh security against convenience. When it takes a minute, or seconds, to enter my information (rather than keep it stored on a site)...I'll determine if it is worth it (to store my information)."*

*"If you have taken extra steps to ensure security, let me know... if I know it, I feel better."*

*"I don't see anything that I have with a bank that I would want them to share. My relationship with my bank is my relationship with them...ONLY them."*

*"My expectation is that personal information is specific to this one transaction and after that it's eliminated...and I am hoping it's not going to be used beyond that."*

*"If you are dealing with my purchasing habits as far as how much my mortgage is...then you are starting to talk about things that are really big in my life and I don't want you in there."*

*"My bank should be working as a partner for my financial health. They shouldn't be trying to sell me stuff because then they don't have my best interests at heart."*

*"When I find great deals, I don't hesitate to share that (online) because I want my friends to share with me, too. But I want the power to make the choice to share. I don't want to be forced to do it."*

*"There have been times when I've shopped on (a site) and they ask, 'Do you mind if I share this with other retailers that you may have interest in?' And if I say, 'No,' then don't do it. If I say, 'Yes,' I don't have a problem with that. I just like to be able to make the choice."*

*"If you are dealing with my money, what are you going to do with that data? If you're going to sell it to the highest bidder, I don't want to be part of it."*

## Conclusion

As smart technology enables consumers to bridge their online, mobile, and offline worlds, they are empowered to know more, do more, and share more. This capability, in turn, is driving them to *expect* more from retailers and financial institutions as they think about what they want when shopping, banking, and paying. Consumers are taking the lead in transforming transactions into part of a larger, multi-channel experience that is convenient, personally relevant, and available anywhere. Increasingly, they are expecting the same technology-enabled conveniences they enjoy throughout their daily lives to be present in their shopping and financial activities.

Understanding this fundamental transition in consumer thinking is the first step in formulating engagement strategies that create closer customer connections while still acknowledging consumers' concerns about privacy and security. The good news is that informed consumers are desirable customers, and they are often willing to use technology to deepen their relationships with preferred retailers and financial institutions, and to pass their opinions on to others. The challenge is creating experiences for which they will be enthusiastic advocates.

As retailers and financial institutions design strategies to meet consumer needs, they should above all seek to provide functionality that is secure and provides better control, convenience and value for consumers. First Data's Universal Commerce consumer research points to three overarching themes that may guide this pursuit:

1. Consumers are increasingly viewing the transaction as integral to the complete shopping experience. The shopping experience itself, through ubiquitous access and peer-to-peer influences, is becoming a shared life experience that is not confined by traditional "channels" of commercial activity. Consumers prefer a seamless integration of their shopping activities.
2. Consumers want to engage with retailers and financial institutions in ways that are relevant to their lifestyles and personal preferences, while still protecting their privacy.
3. Building brands and customer advocacy is no longer a company-directed, top-down discipline. Rather, customer-to-customer interactions and instant access to information are significant influences on consumer decision making. Consumers are taking the lead in this dialog. Retailers and financial institutions need to listen to and actively participate in the conversation.

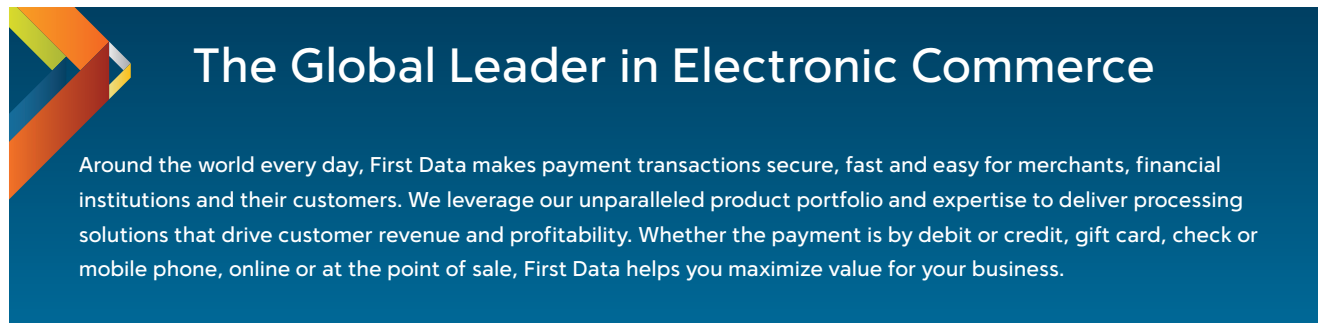
**For more information about consumer preferences, consumer engagement, and Universal Commerce, contact your sales representative or visit [FirstData.com/ucommerce](http://FirstData.com/ucommerce).**

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### Notes

<sup>1</sup> Nielsonwire. "Smartphones Account for Half of All Mobile Phones, Dominate New Phone Purchases in the US." News release, March 29, 2012.

<sup>2</sup> Partners in Prepaid. "Smartphones Unleash Mobile Banking in North America." August 8, 2011.



**The Global Leader in Electronic Commerce**

Around the world every day, First Data makes payment transactions secure, fast and easy for merchants, financial institutions and their customers. We leverage our unparalleled product portfolio and expertise to deliver processing solutions that drive customer revenue and profitability. Whether the payment is by debit or credit, gift card, check or mobile phone, online or at the point of sale, First Data helps you maximize value for your business.