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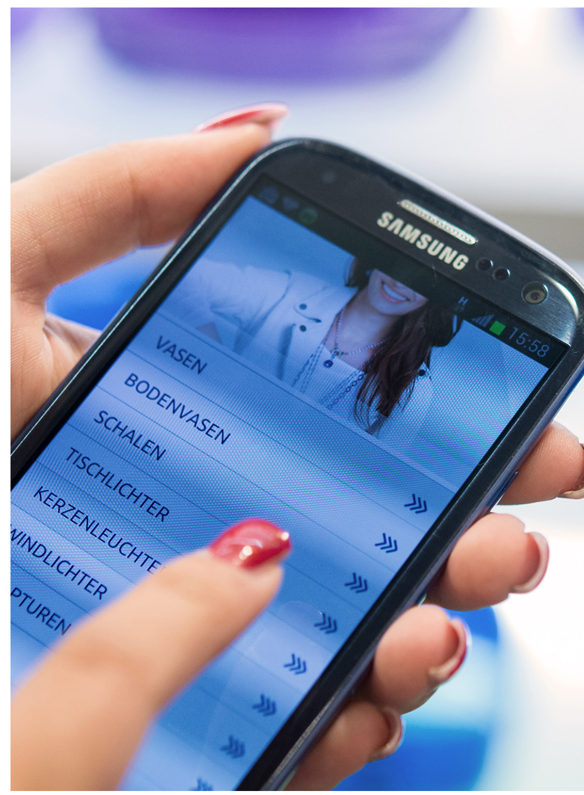
Management Report
Service, please!
Digital and stationary services in the retail trade



messe frankfurt

Executive summary

The customer is always right and expects service – traditional and digital
When making a purchase in a traditional retail outlet, consumers have a multiplicity of supporting services available. Traditional services, such as expert advice or a clearly structured product range, are expected by many customers as a basic provision. With the aim of gaining new customers and expanding existing customer relations, retailers are increasingly supplementing their existing service portfolio with new, digital services, which support customers in their various purchasing stages. This study investigates consumers' attitudes to information and expectations of service and indicates which digital and traditional services provide genuine added value in the bricks-and-mortar trade and which of them consumers find strongly relevant.

Traditional services still in demand – digital services forging ahead
A clearly structured product range and personal advice are the traditional services of most importance for consumers, even in an age of digitalisation – and here precisely lies the strength of the bricks-and-mortar trade as opposed to online selling. Consumers aged 50 and above, in particular, place great weight on traditional services such as advice and product presentation, but also on product information to take away, prior ordering or reservations, and gift-wrapping services. Digital services, such as an online availability check or orders in case of non-availability, are likewise relevant to consumers. For the bricks-and mortar trade, they represent an excellent opportunity to raise the frequency of customer visits and the proportion of sales effected in the shop.

Men as target group: particular affinity to digital services
Men show greater interest in digital, technology-based services, such as code-scanning for information, payment using their own smartphone, or digitalisation of check-out slips. Services to aid inspiration, emotion-catching services, and customer-loyalty schemes, on the other hand, score better among women and include, for instance, a clearly structured product presentation, or loyalty points. The bricks-and-mortar trade should therefore regard gender-specific services as a further opportunity for positioning themselves and demarcating themselves from their competitors.

Customers with high purchasing power: score points by providing advice
High-income consumers value such services as expert advice, prior ordering and reservations. Small to medium-sized traditional retailers, who are particularly strong on personal services, can exploit this potential and can gain and retain new customers with high purchasing power.

Specific services as key to success for the bricks-and-mortar trade
More than half of consumers desire greater customer-specific services in a shop and an enhanced shopping experience. In this way, combined with customer-specific digital services, the bricks-and-mortar trade has an opportunity to compete successfully against online shops.

The study

The present study was commissioned by Messe Frankfurt GmbH and produced in collaboration with the Cologne E-Commerce Centre (ECC Köln) and the Cologne Institute of Retail Research (IFH Köln). The investigation focuses on the following product groups: glass, porcelain, ceramics, household goods, gifts and decorative products, and house and home accessories (including textile accessories for table and kitchen, small interior and exterior furnishings, and home lighting). In the course of a representative online survey among German internet users a total of 1,034 persons in possession of a smartphone or tablet were questioned about their preferences regarding traditional and digital services at the point of sale.

The consumer-goods market in figures

According to surveys by the Cologne Institute of Retail Research (IFH Köln), the consumer-goods market in Germany is continuing to benefit from a positive spending mood with good general conditions. The growth rate of the last few years indicates moderate dynamism for the consumer-goods markets as a whole, the rate of change being between one and three percent, while internet sales are at the double-digit level. In 2013, the online share of total expenditure in Germany on consumer goods stood at 7.6 percent (2010: 5.1 percent) – that represents EUR 37.7 billion. The online share is high, for instance, for women's clothing at 23.7 percent, and consumer electronics with a share of 19.5 percent. Video and audio media actually stand at 51.3 percent. By comparison, the online share for the product ranges at Tendence is many times lower. At the top comes jewellery, with an online share of overall expenditure totalling 9.8 percent, followed by glass, porcelain and ceramics and household goods at 7.6 percent. Small furnishings score 4.7 percent; luminaires and garden equipment score 5.6 and 4.3 percent respectively. Thus, purchases of glass, porcelain, ceramics and household goods, small furnishings, luminaires, jewellery and garden equipment and decoration in traditional shops still play a much larger role than in other consumer-goods segments. This is something which the bricks-and-mortar trade can seize as an opportunity – by exploiting consumers' existing „offline" affinities and positioning themselves through suitable services in contradistinction to the online trade.

Online / Offline share of total volume (in %)*

Consumer-goods market in total	Online share	Offline share
Consumer-goods market in Germany	7.6	92.4

Selected consumer-goods markets	Online share	Offline share
Video and audio media	51.3	48.7
Women's clothing	23.7	76.3
Books	23.7	76.3
Consumer electronics	19.5	80.5
Menswear	17.6	82.4

Tendence markets	Online share	Offline share
Jewellery	9.8	90.2
Glass, porcelain, ceramics and household goods	7.6	92.4
Luminaires	5.6	94.4
Small furnishings	4.7	95.3
Garden equipment and decoration	4.3	95.7

*Figures for 2013

Results of the study

Consumers receptive to digital services

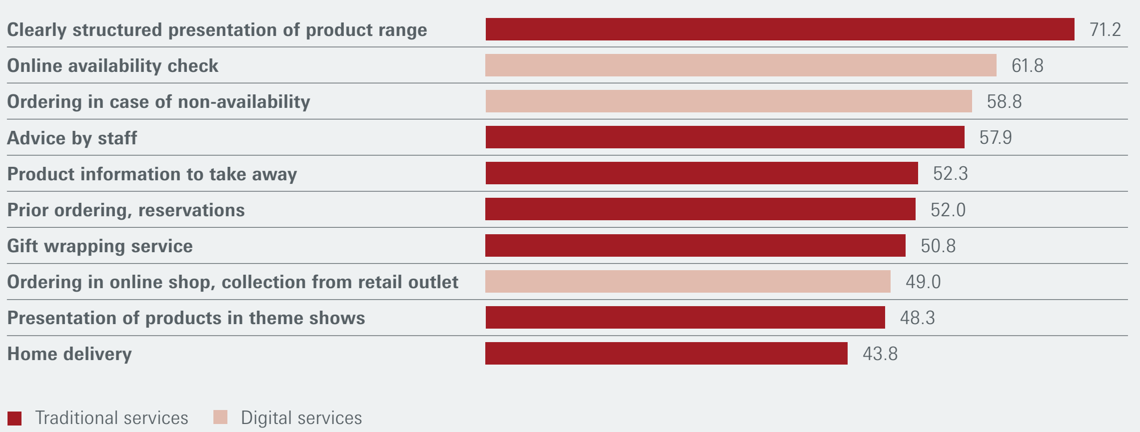
Among the top 10 services considered by consumers to be important or very important come seven traditional and three digital service areas. First place goes to a clearly structured presentation of the product range, which 71.2 percent of those surveyed rated as an important or very important traditional service. In second place, a considerable way behind, comes (digital) provision of an online availability check, which 61.8 percent of consumers consider to be important or very important. Third place goes to a further digital service, i.e., facilities for ordering a product if it is unavailable (58.8 percent); this is followed in fourth place by a traditional service, e.g., advice from sales staff (57.9 percent).

Thus, while the digital services classified as most important are targeted at product availability, it is the orientation and expert advice provided by the bricks-and-mortar trade that is viewed as extremely important when it comes to traditional services. Both prior selection and structured presentation of goods and products, and the expert advice of staff on the spot, aid the consumer in selecting the right product. An online availability check and the facility to order a product in an online shop if it is sold out in the traditional retail outlet, on the other hand, assist the consumer in acquiring the product selected.

Accordingly, the traditional strength and advantage of traditional retailing as opposed to online shopping lies in the presentation of product ranges in the right way for their target groups. While a range of products almost unlimited in its breadth and depth can be presented online – which can also lead to so-called "consumer confusion" – traditional retailers are best advised to offer their customers an advance selection of suitable products and thus assist in the purchase-decision process. But great opportunities are also open to the retail trade via digital services that raise the frequency of customer visits and the proportion of purchases actually made in the shop. If, for instance, digital services can be installed to facilitate aspects of product availability, it is possible to use online methods to prepare traditional purchases before the sale is concluded in the shop.

Importance of traditional and digital services (top ten)

How important do you consider this service when buying small furnishings such as house and home accessories, gifts and decorative products, glass, porcelain, ceramics or household goods in small and medium-sized retail outlets (in %)?



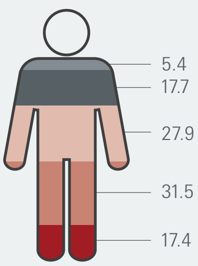
The horizontal bars above show the frequency of responses "4=quite important" and "5=very important". Basis: n = 1,034

Technology-led services score well among men
Men show great interest in technology-led services which can also be operated with their own smartphone, such as information research via codes (e.g. QR codes), payment by their own smartphone, and subsequent digital archiving of check-out slips. Results also show that women are more interested than men in services that provide inspiration and promote product purchase. This includes, for example, the presentation of products in theme shows as well as customer-loyalty schemes (loyalty points, customer cards) and services for product purchase (online availability check, self-scan cash desk) that aid the purchasing process at practically all stages, from first idea to final payment.

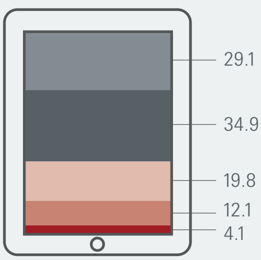
Personal services – added value for affluent customers
The results of the study demonstrate that the importance of individual traditional and digital services varies depending on available income. High-income consumers show in general less interest in services that entail financial savings, such as loyalty points. This is no surprise, since these respondents suffer from fewer financial restrictions, and so other services are basically more relevant for them. Even home delivery is rated important or very important by only 26.8 percent of respondents with an average net monthly income of EUR 4,000 and above. They see far greater added value in personal services and have a high opinion of advice and a gift-wrapping service. Self-scan cash desks are accordingly low in popularity, since at these the customers themselves need to take an active role. It is plain therefore that there are great potential opportunities among small and medium retailers, who are traditionally very strong in genuine services, to gain and keep customers, particularly affluent customers. Along with personal services, however, this consumer group is also interested in services that ensure rapid and uncomplicated product availability (online availability check, ordering when a product is currently not available) and in this way meet customer preferences.

Traditional and digital services – how often used
How frequently do you use traditional and digital services when shopping in retail outlets (in %)?

Traditional services



Digital services



- At almost every purchase
- At about one purchase in two
- At about one purchase in three to five
- Less often
- I never or do not consciously use traditional services when shopping in retail outlets

Basis: n = 1,034

The over-50s generation: high expectations of the bricks-and-mortar trade

The survey also identifies a clear demand structure for services when it comes to age. Consumers aged 50-plus place a high value on personal services such as advice and a gift-wrapping service. Similarly, they rate other traditional services highly, such as a clearly structured presentation of product range, product information to take away, and prior ordering or reservations. The younger the consumers, the greater their interest in digital services involving new ways of paying, such as self-scan cash-desks or payment with their own smartphone. Customer-card apps also score well among younger target groups.

Product groups and shopping locations
Which of these products do you mainly buy in retail outlets or in the bricks-and-mortar trade, and which products do you mainly buy online (in %)?

Preferred shopping locations: furniture stores are favourite

Consumers mainly buy smaller furnishing items, such as house and home accessories, gifts and decorative products, glass, porcelain and ceramics, or household goods, at department or furniture stores and at retail chains. Next, but a long way down the list, come small and medium-sized retailers and online shops. That department and furniture stores and retail chains should be the preferred shopping location for small furnishings suggests that consumers tend to buy such goods as incidental purchases in the wake of a larger shopping session. For small to medium-sized retailers, who naturally cannot display such a broad and deep range as furniture stores, retail chains and online shops, it is thus even more necessary to distinguish themselves actively from their competitors by providing services tailored to the target groups and offering their own customers a unique shopping experience.

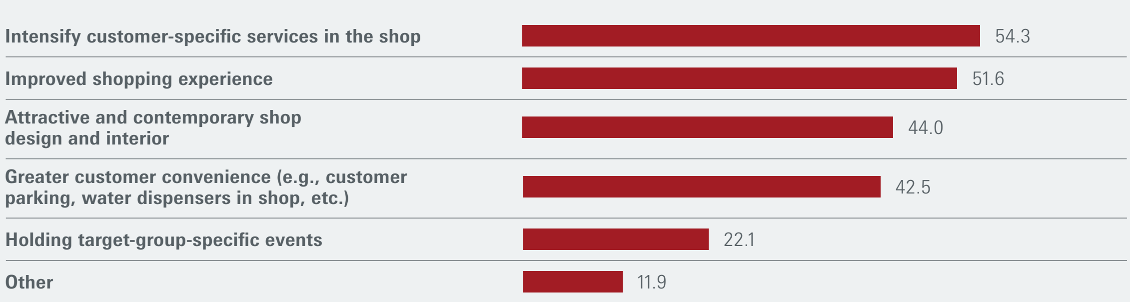
In the importance attributed to traditional and digital services there are differences when it comes to the various product groups and shopping locations. Within the glass, porcelain, ceramics and household goods product group, customers at small and medium-sized retail outlets particularly value advice by staff. Online customers in this product group, in contrast to customers at small and medium-sized retailers, department and furnishing stores, consider services which accelerate and simplify the purchasing process particularly important. This includes, for example, self-scan cash desks, home delivery, or payment to the shop assistant. Within the product group of gifts and decorative products, customers who frequently buy online particularly value traditional services, for example, home delivery or customer cards. Smartphone-based services, such as a customer-card app, code scanning, and payment by the customer‘s own smartphone, are also particularly important within this product group. When it comes to house and home accessories, smartphone-based services likewise score well. If the bricks-and-mortar trade wants to approach online customers of this product group, it can attract them with features such as advice services and customer-loyalty schemes, i.e., loyalty points.

The key to success: a better shopping experience in the bricks-and-mortar trade
54.3 percent of consumers want more customer-specific services at the point of sale in the shop and see in this an opportunity for small to medium-sized retailers to counteract competition from online retailing. 51.6 percent want an enhanced shopping experience. Further down the list come attractive and contemporary shop interiors or interior design (44.0 percent) and an increase in customer convenience, such as provision of customer parking places or water dispensers in shops (42.5 percent).

Consumers who mainly shop online, when they are at a bricks-and-mortar retailer, place value on digital services, particularly those which make the product purchase time-efficient. These include, across all three product groups – glass, porcelain, ceramics, household goods, gifts, decorative products and house and home accessories – online availability check and ordering when a product is currently not available. When it comes to traditional services, internet customers place value on exactly those which online retailers cannot offer, for instance a clearly structured presentation of the product range, or advice by staff.

Once again it can be seen that consumers expect more of the bricks-and-mortar trade than merely the provision of products to cover their own requirements. Hunting through goods on display, getting inspiration and discovering something new are all important features in the shopping experience that online retailers cannot currently provide to the same extent as the bricks-and-mortar trade. Thus, combined with suitable, target-group specific products and services, the bricks-and-mortar trade has many opportunities to position itself positively vis-à-vis online retailing.

Opportunities for small to medium-sized retailers
What in your view must small to medium-sized retailers offer if they are to compete successfully with the online trade (in %)?



Basis: n = 1,034

About Messe Frankfurt

Messe Frankfurt is one of the world's leading trade fair organisers, generating around €545 million in sales and employing some 2,000 people worldwide. The Messe Frankfurt Group has a global network of 28 subsidiaries and around 50 international Sales Partners, allowing it to serve its customers on location in more than 150 countries. Messe Frankfurt events take place at more than 30 locations around the globe. In 2013, Messe Frankfurt organised a total of 113 trade fairs, of which more than half took place outside Germany.
Comprising an area of 578,000 square metres, Messe Frankfurt's exhibition grounds are home to ten exhibition halls. The company also operates two congress centres. The company is publicly owned, with the City of Frankfurt holding 60 percent and the State of Hesse 40 percent.
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