



## **Consumer Experience 3.0**

Redefining the shopping experience

Consumer experience has undergone role reversal and is no longer limited to choosing articles from a dumb database and adding them to the shopping cart. Consumer Experience 3.0 has redefined online shopping experience, allowing business computing and on-demand architecture to converge on a single platform, lending it a multi-dimensional character.

**Pi Business Research, 2007**

# Consumer Experience 3.0

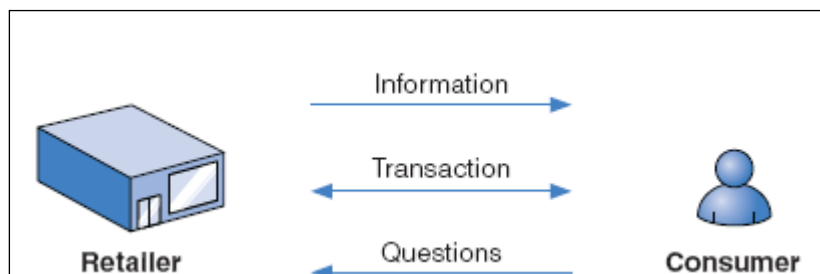
## Introduction:

This whitepaper is aimed at discussing the changing online shopping scenario and the changing consumer behavior. Consumer experience has undergone role reversal and is no longer limited to choosing articles from a dumb database and adding them to the shopping cart. Consumer Experience 3.0 has redefined online shopping experience, allowing business computing and on-demand architecture to converge on a single platform, lending it a multi-dimensional character.

E-commerce is undergoing a sea change, thanks to the existing Web 2.0 and the evolving Web 3.0 models of consumer experience. Not long ago, online shopping was just a one-dimensional experience. Buyers made a purchase decision based on the information provided by the online catalogs. This was **Consumer Experience 1.0**. Although it allowed the comfort of shopping from home it was only the first step and was unable to give consumers a three dimensional shopping experience. It lacked interactivity. A need for rich customer interaction through engaged participatory technology was felt. **Web 2.0**, which could provide a more natural shopping experience came about, enhancing processes and establishing active participation and community building.

## Content-driven e-commerce

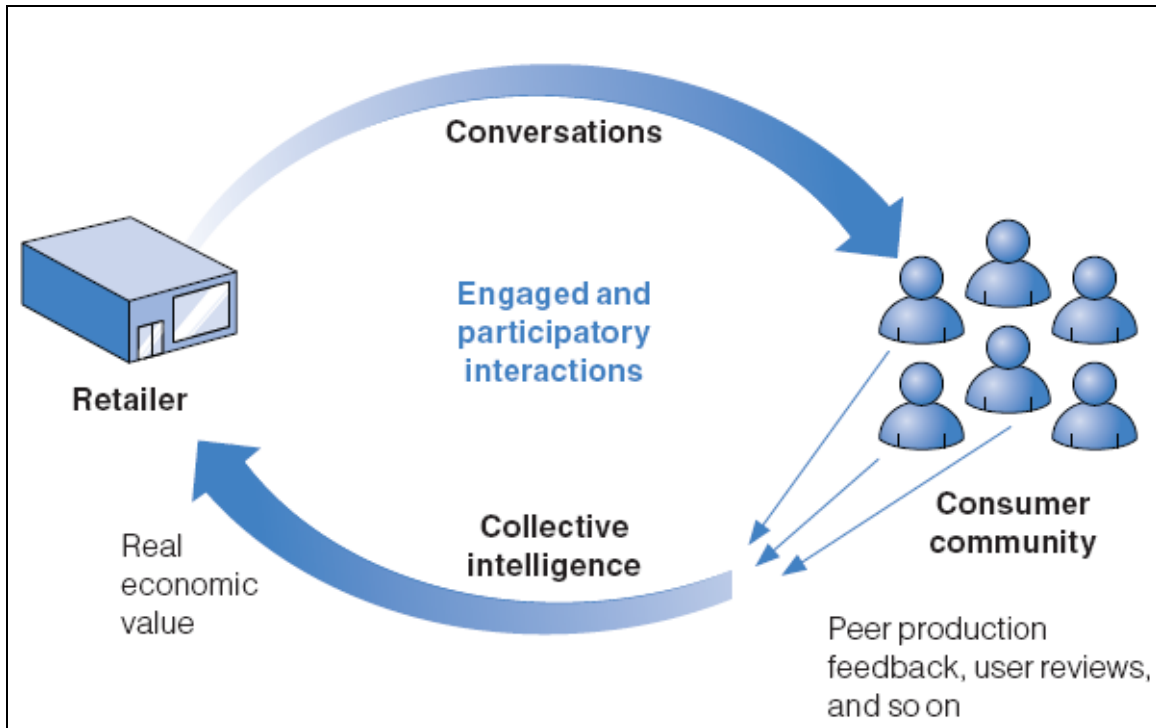
Engaged customer communities have created a new form of economic value that today's most successful companies are tapping into. <sup>1</sup>Peer production is the concept used to describe this new model of economic production in which the creative energy of the multitude is coordinated into meaningful projects and results, mostly without traditional, hierarchical organization or financial compensation. The concept takes into account user ratings, product reviews, online user forums, feedbacks, and blogs, all of which have become a credible and trusted source of information for most online shoppers.



<sup>2</sup>Web 1.0 consumer experience, Courtesy: IBM WebSphere Commerce

<sup>1</sup> Getting Physical With Online Shopping, By Kelly Shermach, E-Commerce Times, 04/14/07 1:30 AM PT

<sup>2</sup> Transforming the shopping experience with Web 2.0, IBM whitepaper



Web 3.0 Consumer Experience  
<sup>3</sup>Courtesy: IBM WebSphere Commerce

The online experience is becoming a brand by itself with more appealing features like user-generated reviews, recommended products, recently viewed products, product demonstrations, product tagging and customized products. Entertainment segments like music and sports have already made use of Podcasting and Videocasting.

### **Drawbacks of Web 2.0**

Though Web 2.0 gave consumer experience a whole new dimension, it had a number of drawbacks:

- Slackened customer conversion rates
- Low repeat visitation
- High shopping cart abandonment rates
- Costly returns.

<sup>4</sup>While e-commerce sales for the 2006 holiday increased by 26% from the previous year totaling \$24.6 billion, online sales accounted for only 6% of total holiday retail sales. Nearly 82% of respondents are less likely to return to a site where they had a frustrating shopping experience before. The sellers wanted to reduce costs, increase online sales and improve overall margins and optimize online shopping experience.

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<sup>3</sup> Ibid

According to Allurent, more than 70% shoppers preferred a feature that would allow them to add an item to the cart without leaving the current page. Thus, online shopping sites needed a multi-dimensional look that would ensure page less Rich Internet Commerce. Enter **Consumer Experience 3.0**. It operates through RIA and AJAX offering the users a more enriched online experience, and also increases customer retention rates and acts as the driving force for new revenue streams.

<sup>5</sup>Rich Internet Application or RIA runs part of the application directly within the users' web browser. Thus, navigation becomes faster and easier. RIA and AJAX are also useful for "guided selling" applications those provide some extra help in choosing the right product without compelling the users to purchase anything.

Engaged customer communities and participation are the key areas Of **Consumer Experience 3.0**. eMarketer May 2007 survey for Petco <sup>6</sup>reveals that shoppers who navigated through the ratings section spent 63% more than shoppers using other navigation. <sup>7</sup>The survey also shows that shoppers browsing Petco's new "Top Rated Products" page, had a 59% higher conversion rate than the site average and spent 16% more per order than other browsers. The average order size of Petco shoppers who read reviews and shopped using review ratings links was 40% higher than that of the firm's typical shopper.

The total e-commerce spending in the U.S for Q II, 2007 touched \$47.5 billion<sup>8</sup> which is an increase of 19% over the same period last year. The top performing e-commerce category was Video games, consoles & accessories, which had a phenomenal 159%, increase.

<b>Top 10 eCommerce Categories for Q2 2007 vs. Q2 2006</b>		
<b>Rank</b>	<b>Web categories</b>	<b>Total spending</b>
1	Video Games, Consoles & Accessories	159%
2	Sport & Fitness	58%
3	Consumer Electronics (excl. PC Peripherals)	51%
4	Event Tickets	44%
5	Jewelry & Watches	32%
6	Furniture, Appliances & Equipment	25%
7	Music, Movies & Videos	24%
8	Computer Software (excl. PC Games)	23%
9	Books & Magazines	22%
10	Apparel & Accessories	20%
<b>Source: comScore</b>		

<sup>5</sup> Shopping in a Maze: Do Your Online Customers Trust You? By Joe Chung, E-Commerce Times, 12/05/05

<sup>6</sup> New Media Review From The European Travel Commission, 16th August 2007

<sup>7</sup> Ibid

<sup>8</sup> U.S. Retail E-Commerce Climbs 23 Percent in Q2; On Track to Reach \$200 Billion in 2007, RetailBlog

<sup>9</sup>3D e-commerce, one of the newer elements of Consumer Experience 3.0, offers to users the ability to mix and match height, weight and facial features to create a virtual model for trying a new outfit. I have the liberty to alter garment colors, choose different accessories or even view a model from my preferred angles. <sup>10</sup>More than 84 % of major retail sites, including companies like RichFX and Viewpoint offer image zoom feature that allow consumers to focus on a singular aspect of a product. 3D is very much in use in the online auto sites where they also include 360-degree viewing of car models.

**B2C E-Commerce in the US, Q2 2006 & Q2 2007  
(billions and % increase vs. prior year)**

	Q2 2006	Q2 2007	% change
Retail e-commerce	\$22.2	\$27.2	23%
Online travel	\$17.8	\$20.3	14%
<b>Total</b>	<b>\$40.0</b>	<b>\$47.5</b>	<b>19%</b>

*Note: excludes auctions and large corporate purchases  
Source: comScore Networks Inc. as cited in press release, July 30, 2007*

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www.eMarketer.com

**Application of Consumer Experience 3.0**

Consumer Experience 3.0 has seen multiple applications. The users can make purchases through SMS, mobile computing or electronic gift cards. They save the time, labor and fraud commonly associated with traditional purchases. With the internet and mobile devices becoming more prolific in our everyday lives, consumers are using them more frequently for pre-shopping research.<sup>11</sup>

**Short Text Message Revenues Worldwide, by Region, 2006-2010 (millions)**

	2006	2007	2008	2009	2010
Western Europe	\$20,408	\$19,815	\$18,316	\$16,325	\$14,629
Asia-Pacific	\$9,163	\$9,950	\$10,342	\$10,559	\$10,469
China/India	\$8,167	\$10,754	\$12,524	\$14,150	\$14,436
North America	\$7,060	\$7,915	\$8,231	\$8,266	\$8,316
Latin America	\$4,102	\$6,066	\$7,604	\$9,095	\$9,499
Middle East/Africa	\$3,541	\$4,625	\$5,364	\$6,222	\$6,537
Eastern Europe	\$2,422	\$2,480	\$2,303	\$1,945	\$1,503

*Source: Ovum, March 2006; Tekelec, June 2006*

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www.eMarketer.com

<sup>9</sup> The Future of 3D E-Commerce, , E-Commerce Times , By Lisa Gill11/05/02

<sup>10</sup>Mobile computing generated \$55.6 bln in 2005 and \$63.5 bln in 2006, Posted by ZDNet Research, March 23rd, 2007

<sup>11</sup> A Mobile Retail Revolution, Straight Up Search, July 26, 2007

According to a recent study by comScore, over 60% of online searches are translated in into in-store purchases. SMS-based shopping is becoming increasingly popular. The users can look for organic and paid results from their favorite stores within the mall by entering the product code. With companies like <sup>12</sup>ShopText and <sup>13</sup>PayPal coming up with newer technologies to enhance consumer experience, consumers can also make purchases through their cell phones using text messaging. <sup>14</sup> Juniper Research report released in 2007 shows that payments made by mobile phone will reach \$22 billion by 2011.

### **M-commerce:**

M-commerce makes use of mobile phones for money transfer. Money transfer enabled through mobile communication is fast emerging as a convenient and effective finance tool for customers across the world. <sup>15</sup>Only a few days back, reliance communication announced their tie-up with ICICI for money transfer through mobile communication. <sup>16</sup>India is the fastest growing market in the world with a large mobile customer base and is also the world's highest receiver of remittances.

### **M-Ticketing**

Mobile Ticketing makes use of <sup>17</sup>bCODE and NFC technologies, by means of which the users are able to use their flight tickets immediately by presenting their phones at the venue. With WiMAX-enabled dash top mobile payment platform, the users can enter a 7-digit alphanumeric ID on kiosk keypads at the entrance of ballparks, airports and expos instead of physical tickets.

### **Mobile Marketing**

With mobile marketing and advertising gaining popularity, Ultra-Local Mobile Search is an important tool for business expansion in segments like travel and real estate. Zillow's API, uLocate, which works on six GPS-enabled phones running on the Sprint or Nextel network, allows home seekers to locate and get real estate prices through a mobile phone.

### **Travel**

The travel industry, though a later entrant, is catching up fast with the trend by using technologies that will take care of travel arrangements, update customers on flight status, notify them in case of information changes and will offer to make new arrangements based on pre-set user preferences without asking for any input from the users. Thus, a traveler may plan out his entire trip and reschedule it by using his mobile phone.

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<sup>12</sup> Mobile Commerce, Wikipedia

<sup>13</sup> Phone as Wallet: PayPal Offers Payments by Texting, Marketing Vox, March 23, 2006

<sup>14</sup> New Media Review From The European Travel Commission, 16th August 2007

<sup>15</sup> RCom launches money transfer on mobiles, BS Reporter / Mumbai September 06, 2007

<sup>16</sup> Ibid

<sup>17</sup> Mobile Commerce, Wikipedia

The global market for mobile computing <sup>18</sup> touched \$63.5 billion in 2006. Growing At a compound annual growth rate (CAGR) of 7.0%, the market will reach <sup>19</sup> more than \$88.9 billion by 2011. The largest market share belongs to notebook computers. In 2006, notebook computers held 84% of the total global market.

Mobile computing market in 2006-2011					
Devices	Sales, mln. \$		Growth	Sales	Growth
	2005	2006	YTY	2011	2006-2011
Notebook computers	47,147.6	53,653.6	13.8	69,202.1	5.2
Tablet PCs	690.5	771.2	11.6	953.7	4.3
Handheld devices	436.1	524.4	16.0	1,008.0	14.0
Smartphones	7,310.1	8,569.0	17.2	17,794.0	15.7
Total	55,584.3	63,518.2	14.3	88,957.8	7.0

Source: [BCC](#)

<sup>20</sup>

Online shopping will continue to evolve in the coming years with more innovative offerings resulting in increased loyalty, brand immersion and repeat sales. The number of on-line shoppers in the US alone will <sup>21</sup> rise from 133.1 million this year to 155.7 million in 2011.

Developing countries like China are catching up fast in the online shopping space. The total no of Chinese Internet users is expected to touch 140 million by the middle of 2007 and will overtake the U.S. as the largest group within the next few years<sup>22</sup>. With more and more shoppers going online for enriched shopping experience, higher amount of ad dollars will pour in. <sup>23</sup>According to comScore total US online consumer spending will reach \$200 billion in 2007. Companies that respond the fastest in this changed scenario and adjust themselves accordingly would be richly rewarded.

### Conclusion:

Web 3.0 overcomes the inherent challenges of Web 2.0 and Web 1.0 and has redefined consumer experience. Consumer Experience 3.0, offering higher customer conversion rate, repeat visits, and better ROI, is sure to be a forerunner in the coming days. With M-commerce, M-ticketing, Mobile marketing playing an active role, consumer experience will get more interactive, in the coming days, giving the consumers, freedom of choice as well payment.

<sup>18</sup> Mobile computing generated \$55.6 bln in 2005 and \$63.5 bln in 2006, By Alex Moskalyuk, Posted by ZDNet Research , March 23rd, 2007

<sup>19</sup> Ibid

<sup>20</sup> Ibid

<sup>21</sup> Online Shopping Thrives as Product Research Moves Online, By Dominic Main, William blogs, May 17, 2007

<sup>22</sup> Chinese cozy up to e-commerce, By Shaun Rein (Newsweek), Updated: 2007-03-07

<sup>23</sup> Games and Gadgets Driving E-Commerce, eMarketer, August 6, 2007

## Screenshots:

### Customization features in Nike

The screenshot shows the NikeStore website's customization interface for the Air Max 95 iD - Women's shoe. The main product image is a grey and white sneaker. To the right, a sidebar titled '1. START' provides customization options. Under 'Gender', 'FEMALE' is selected. Under 'Size', a 'SELECT' button is visible. Below the sidebar, steps 2. DESIGN, 3. PERSONALIZE, and 4. REVIEW are listed. The price is \$150.00. A 'VIEW OPTIONS' section at the bottom left shows various shoe views. A 'NIKEiD' logo and shipping information are at the bottom left of the product area.

Source: [www.nike.com](http://www.nike.com)

### 360 degree view in Kelly Blue auto site

The screenshot shows the Kelly Blue Book website's interface for a 2008 BMW 528i. The left sidebar contains navigation links for Overview, Pricing (Price with Options, New Car Blue Book, Rebates & Incentives, Resale Value, Cost to Own, Dealer Price Quote), Photo Gallery (Photos, 360° View, Videos, Colors), Specifications (Highlights, Technical Specs, Features, Safety, Std. Equipment), and Reviews & Ratings. The main content area is titled 'PHOTO GALLERY' and has tabs for Photos, 360° View, and Videos. The 360° View tab is active, showing a side view of the car. Below the image is a copyright notice for eVox Productions and a drag instruction: 'Drag the image to control the direction of the spin.'

Source: [www.kbb.com](http://www.kbb.com)