Influence of Digitalisation on Consumer Behaviour in Retail

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Abstract

Extremely dynamic and serious in its radical changes in the economic environment and society as a whole in the last few years, digitalisation has directly affected consumer behaviour. The primary reasons for these changes are technology and globalisation which define a number of business processes and at the same time model the modern consumer reality. Digitalisation has begun to model all spheres of public life and in particular consumer behaviour - consumers themselves are changing, their desires, aspirations, values, their lifestyles, and, hence, the way they consume different products and services. The aim of the article is to present the impact of digitalisation on consumer behaviour in retail. Digitalisation will be considered in the most general context, without any specific varieties, and, hence, the general changes in consumer behaviour, without highlighting specific changes in it. The research methodology includes an emphasis on new technologies, changes in consumer behavior and hence on retail.

Keywords*: consumer behaviour, marketing, influence, digitalisation, retail.

1.Introduction

Accelerated changes in business, economic turmoil and the impact of the COVID-19 crisis pose a number of challenges to the introduction of digital technologies in the retail sector and, hence, the possibility to meet consumers' changing tastes and preferences.

The 21st century modern technologies are significantly changing the way people live and hence pose a challenge for running businesses. Free exchange and access to information lead to the development of a number of technologies such as social networks, the Internet, electronic and virtual shops, artificial intelligence, etc., which change people's way of thinking and, hence, their behaviour as consumers. With view to this, investing in new digital technologies is a necessary and indispensable source of competitive advantage for retailers in the pursuit of increasingly informed and demanding consumers. As a result of the emergence of modern business models such as electronic, mobile and social commerce, traditional retailers are forced to look for ways to meet the needs not only of the older generation of users but also of the modern generation Y, which means to strengthen their presence in the digital world.

The dynamic and continuous improvement of information and communication technologies determines the rapid development of new digital tools that attract the attention of users and make them feel special. At the same time, today's consumers are spending more and more time online, thus increasing the influence of digital marketing to build long-term relationships with consumers and hence causing a number of changes in the retail sector.

Particular interest arises in studying the impact of the overall digital transformation on this consumer behaviour and, in particular, the pursuit of the companies to emotionally impact consumer experiences.

2. The relationship between digitalisation, consumer behavior and retail.

The article aims to present the impact of digitalisation on consumer behaviour in retail. Digitalisation is considered in its most general context, without any specific varieties, and hence the general changes in consumer behaviour, without highlighting any specific changes in it.

Retail as an industry has been characterised by extreme dynamism. Whereas during the decade of transition in Bulgaria there were mostly numerous small neighborhood shops, the new millennium has witnesses a steady trend towards expansion of modern retail formats such as hypermarkets, supermarkets and discount stores, most often owned by foreign companies.

On the other hand, the modern consumer has been involved in the process of simultaneous production and consumption of the experience, which becomes the main

type of well-being. This type of well-being, called "human experience", is the most transient and yet the most durable product (Toffler, A., 1992). Modern digital reality is both good and bad, just like the offline world. In its essence there many dark sides: the danger of exploiting consumers by violating their privacy and stealing personal data; child maltreatment; spreading rumours, fabrications, slander and other misinformation; consumer behaviour manipulation through social networks, etc. (Peteva, V., 2011). Research shows that there is a two-way process, namely extroverts tend to make more friends online, while introverts feel even more detached from the rest of the world (Solomon, M., 2011).

Research outcomes based on activities of leading retailers show that there is a mutual penetration of different forms of sales and creation of a single realisation channel using various means of communication in the purchase decision-making process (Dimitrova, Hristova, & Mileva, 2018).

The Generation Y share increase ifrom 26% in 2007 to 33% in 2016 (Ernst & Young, 2016) determines the future of retail and thus the omnichannel business model is an inevitable solution for any retailer in pursuit of sales success. The diverse relationships with product suppliers have been moving from a pure rivalry for better contract terms to a cooperative effort to maximise customer needs. The use of modern technologies allows for a significant reduction of retailers' costs for inventory management and organisation of product deliveries, reduces transaction costs by facilitating the processes of supplier selection, contracting, procurement and tracking by raising the awareness of retailers as buyers of products from suppliers (Hüther, 2016).

The indisputable advance of digital changes has shifted the focus of retail not only in the optimised movement of goods with the help of business logistics, but also the adequate data collection that automatically turn the commercial business into a business of the future. The introduction of innovative approaches in retail is particularly important when it comes to implementing digital change. The goal of all companies in the field of retail is to stimulate the return on investment, which creates new services for customers, new products or new consumer experiences that will even more satisfy their needs and desires. These circumstances also determine the overall changes in consumer behaviour in retail under the influence of digitalisation.

Traditional retailers gain advantages through the convenience of location, physical contact with the product and the atmosphere at the site, while virtual retailers benefit from the speed, transparency of information and convenience for consumers to make purchases on site, time and in a way that is most convenient for them. Blurring the boundaries between industries means that more and more pure players are becoming hybrid ones, practising an omnichannel business model when reaching consumers. In this way, enabling customers to choose the product purchase channel and even combine channels in the process, leading to a combination of the advantages of the traditional and electronic business sales model. Thus convergence suggests that different sales channels have significant interchangeability and only retailers who manage to build a symbiosis are to achieve a competitive advantage (Hristova, 2016).

2.1. Digitalization and changes in consumer behavior

Several key trends and changes in consumer behaviour deserve attention, systematised as follows:

- First, clean living, pursuit of a modest and healthy lifestyle. It is expressed in a minimalist lifestyle in which moderation, orderliness, integrity and harmony are key guidelines for behaviour. This lifestyle is especially characteristic of the generation of 20-30 year olds (generations Y and Z), also called the digital generation. Modest lifestyle adherers have their own ideals, they are not very tolerant and are skeptical about business. These characteristics significantly affect their consumer behaviour and purchase decisions. A moderate and healthy lifestyle means that these consumers say "no" to alcohol, "no" to unhealthy habits, "no" to food of animal origin and, above all, "no" to reckless and uninformed spending of money. These consumers have less need for self-expression through ownership in general, but at the same time they have a greater need for self-expression through the experiences and experiences they want to share. It should be noted that the trend towards a modest and healthy lifestyle of consumers is a manifestation of a new or forgotten old philosophy of life, in the context of the existential philosophical concept. It is about the dilemma "to have - to be". Many modern consumers, not only young generations Y and Z, but also generation X (middle-aged people), choose above all to be, not to have. This changed nuance of life philosophy, ethics and value system of the consumers is an extremely big challenge for the modern trade.

- Second, pursuit of access, not property. Many consumers reject the need to own valuables and belongings in exchange for more freedom in lifestyle, more flexibility and less luggage in everyday life. It is also a manifestation of minimalism as a lifestyle and the unwillingness to commit to things. This trend is also fueled by increased urbanisation as a global feature of modern society, as well as high rents and housing prices in large cities. The so-called freecycling has recently become widespread. This is the practice of handing out, i.e. to give away goods that are preserved and useful, but not desirable. The aim is to use these goods for their intended purpose, not to throw them in landfills. Social networks greatly support and facilitate freecycling, as well as all other forms of interaction and communication between users. It can be summarised that these two key trends in consumer behaviour, namely the modest lifestyle and pursuit of access rather than property, are an absolute negation of consumer society, the global ethics of consumption and this type of consumer culture. (Peteva, V., 2011)

The global ethics of consumption, expressed in the mass sharing of a material way of life, devotion to branded goods, symbolising prosperity, is gradually losing its dominant position. For the present, this process is weak, subtle and slow, but that does not mean that it is not under way. The future will show whether consumers will continue to be as consumer-oriented as today's mass consumers.

Technology-savvy consumers are increasingly able to manage their shopping behaviour. For them, trade happens literally everywhere, namely in physical stores, in the web space accessible through their computers, in their smartphones. Their behaviour is omnichannel, it transforms from offline to online and vice versa. The usual

procedure in an electronic environment for them is to collect information about products, compare prices, look for offers or watch for discount coupons. When offline, users visit physical stores, where they use their smartphones to surf again in search of better deals or promotions. The hierarchy of their consumer values is changing. (Kateva, M., 2018)

The future consumer will be more spiritually oriented, with values beyond materialism and utilitarianism. Many futurists believe that at the moment the interest in spirituality is being renewed and people are looking for a new inner goal and strive for more lasting values, namely family, community, faith. A consumer is replaced by a human being as a whole and is presented as a combination of mind and emotion (mind and heart) and spirit (Kotler, F., 2010). There is a rise of a consumer-activist. Consumers today are over-informed, hyper-aware and hyper-connected in various social media thanks to the rapid development and penetration of digitalisation in all spheres of public life. This trend will continue to develop at an even faster pace in the future. Modern societies are often accused of inequality, manifested in existing or emerging gaps between social groups, generations, cultures, regions, peoples (Rue, J., 2013)

In a broader aspect, the indisputable advantages of digital marketing determine its constant development, and several more important trends in its application in retail can be outlined, which have a significant impact on consumer choice of goods and services, namely:

- The use of artificial intelligence in customer service; Artificial intelligence in digital communication with customers in retail finds its greatest application through the use of chatbots in the service. These are computer programmes capable of automatically answering questions asked by users. Communication with customers takes place through text, audio and visual elements, such as emoticons and images, and creates an impression of talking to a real person. Chatbots replace the need to train multiple employees to respond to inquiries and speed up the customer service process. They can be responsible for simpler and repetitive tasks, whereas in more complex cases, the intervention of the human factor is preserved (Hill, Ford, Farreras, 2015).

Chatbots act as personal assistants for each individual client and are very suitable in the following situations:
- ❖ shopping in online stores;
- ❖ tracking orders, buying travel passes or airplane, cinema, theatre, etc. tickets;
- ❖ booking hotel and restaurant services, providing general information about a company/brand;
- ❖ providing instructions for performing operations;
- ❖ redirecting inquiries to the correct service department;
- ❖ replying to customer emails.

For the present chatbots communicate with users mainly on the largest messaging platforms (such as Facebook Messenger, Skype, Viber, Slack, Telegram, Text Messages, etc.) or are developed specifically for major world-famous brands in their applications (H&M, Starbucks, Burger King, etc.). Chatbot artificial intelligence has

been also used to accumulate information from the communication with each individual user, which allows for personalisation of the service provided and user experience improvement.

• The use of visual elements in content marketing; Content marketing (is a means of communicating with customers without directly offering a product or service for sale. The goal is to attract the attention of potential customers through a well-thought-out strategy for creating attractive content, through text, photos and video, and to provoke them to take actions leading to a purchase. The marketing content itself, which is distributed among the right customers, provides them with useful and interesting information and has an unobtrusive influence on their consumer behaviour. The emphasis of content marketing is on providing valuable information and building trust in the respective brand. In order to capture the attention of users, it is necessary to increase the visual content, i.e. not only numerous photos and videos, but also infographics, presentations, charts and other images, as users prefer to watch rather than read.

Virtual reality (VR) and augmented reality (AR) technologies are also increasing their popularity in digital marketing and influencing consumer choice (Scholz and Duffy, 2018). Many online retailers offer virtual showrooms, showcases and dressing rooms, creating a special experience for their customers. The computer design of 3D models of the offered products and the possibility to be virtually tested by consumers reduce the distance product-consumer, present the goods in a realistic way and emotionally affect the desire to buy.

• The use of social networks to positively present the brand and support the decision to make a purchase; The profiles of commercial companies in social networks (Facebook, Twitter, Google+, Instagram, Pinterest, YouTube, etc.) are no longer just an opportunity to acquaint the public with the company's activities, to promote or directly interact with the customer group. Thanks to the large number of tools for user data analysis, companies can target potential customers much more accurately and offer them the right products. Posting diverse and interesting content on social networks in addition to likes, shares and comments posted by users increases the traffic and conversions of the company's website, as well as improves its SEO optimisation. Through SEO optimisation the site achieves higher positions in the results of search engines or improves the visibility of the company site. The ranking of search results on the Internet (and especially in the Google search engine) is influenced by the number and activity of fans on the social pages of a brand (directly related to the activity on Google+).

• The wide use of influencer marketing; Influencer marketing uses influential people on the Internet to reach and influence potential users. Merchants pay online celebrities to mention or recommend specific products to their numerous followers on the web. Influential individuals are usually bloggers/vloggers who have the ability to create engaging content and draw attention to their lifestyles. In addition to celebrities, such as musicians, actors, models and athletes (megainfluencers), who demand high pay for product advertising, influencers can also be ordinary people sharing their daily

lives and presenting goods or services which they may get for free. These opinion leaders advertise goods unobtrusively as credible sources of information which their followers find exciting, thus overcoming mistrust and oversaturation with direct advertising messages from commercial companies. Indicative of the degree of influence is the number of reactions under the respective publication such as comments, likes and shares, i.e. evidence of the public's engagement with an influencer's activities. Such an advertisement shortens the way of making a purchase decision and directs the audience to choose a specific product.

- The Internet of Things expansion and analysis of large databases; The Internet of Things (IoT) refers to the connection of products, sensors and objects to the global network, through which they generate and exchange data with minimal human intervention. According to IT experts, by 2025 there will be 100 billion devices with an Internet connection, which will be a source of real-time information about consumer habits and will be able to be actively used both to send advertising messages and to improve customer service (Global Sensors in the Internet of Things, 2017). This huge exchange of information from various sources requires the use of large databases (Big Data) to analyze the information collected. The goal is quality use of the data collected by each individual retailer in the preparation of their marketing strategy, i.e. which channels to use, to whom to direct the offers, the real needs of target customers, etc. These trends in digital marketing, along with an ongoing personalisation of customers, development of accelerated mobile pages and development of mobile marketing strategies, as well as gamification (introduction of game elements in marketing initiatives) offer new unlimited opportunities for marketers to interact with the target market. The provided consumer experiences become the most important factor for choosing a retailer when buying goods and services, which is why it is extremely important to create engaging marketing content and follow the habits and preferences of consumers in a digital environment. (Gramatikova, E., 2018).

2.2. Digitization and retail.

In a broader sense, retailers need to completely transform heir businesses through the prism of the customer's perspective and use the achievements of digital marketing in general. Companies themselves face the serious challenge of competing with online retailers, and despite the fact that they have physical stores, they must also focus on offering their products online, because the real competition includes the inclusion of online shopping by consumers. They, in turn, already appreciate consistent, cross-channel multichannel shopping, which integrates online and offline offers and focuses on a positive customer experience.

The use of innovations that respond to digital change supports the overall digital transformation of retail.

This, in its essence, leads to a shift from a net selling model at lower prices to a consumer experience model and the use of consumer-oriented intuition. Retailers themselves are not always able to implement this transition from selling at lower prices to using and implementing a consumer experience for the following reasons:

❖ Retailers themselves are often not flexible and do not change their tastes and preferences. They do not want to change, despite changes in patterns of consumer behaviour. Some companies succeed once and then do not want to change and implement new technologies because they deem it unjustified to invest additional funds to offer new and up-to-date products to consumers that will impress them and turn them into loyal customers.

❖ Some of the companies in the field of retail trade do not develop a culture for the use of innovations, there is no standard for the use of strategies for collecting and using a database, CRM technologies have not been introduced, etc.

❖ Some of the companies in the field of retail do not regard technologies as a factor for improving the activity and the relations with the clients. Some departments in companies introduce new technologies, but those in charge of marketing and sales may not be interested in applying new technologies, which breaks the overall connection for an innovative approach to digitalisation of processes in a company as a whole. This in turn leads to impossibility of meeting the needs of consumers, and hence the improbability of higher profits and expanding the market position of companies. Despite these shortcomings, some retail companies are increasingly integrating digital technologies into their activities, and the business itself no longer exists only to offer products, but also to meet certain needs of consumers. If retailers themselves turn their products into customer-oriented ones, they need to make the transition from efficiency to flexibility and from optimisation to inspiration. In essence, the profit made will be realised based on consumer purchases and customer satisfaction, not on the product movement and sale to the end customer. Retailers themselves have started realising that the lack of digital technology not only reduces sales, but will also has serious consequences for businesses.

In order to achieve a meaningful transformation, retailers have to analyse the most important trends and integrate them into their development, namely:

• Mobile applications increase not only commitment and loyalty of consumers to the company, but also to the brand. They provide an opportunity to repeat a purchase and change an order.

• Having mobile applications leads to faster retail.

• The mobile applications used go beyond retail purchases. Modern technologies and mobile applications allow faster shopping at any time. The mobile applications themselves are used by many companies as loyalty programmes.

• Mobile applications allow users to follow all promotions and advertisements of companies in real time and at the same time help them make informed purchasing decisions.

• Mobile applications make it possible to pay online. Mobile payments also provide a seamless online shopping process for consumers who shop with their smartphones.

Moreover, according to a 2017 Nielsen Digital Shopping Fundamentals study, 90% of the growth of consumer goods with fast-moving goods in 2016 and 2017 is driven by online channels. The impact of AI in combination with zero marginal costs will not

be related to physical products, but to the scaling of personalised experiences. While in the media industries the products themselves can be reproduced and distributed at zero marginal price, in the production of CPG / Consumer Packaged Goods / it will be the personalised experience that will be reproduced and distributed at zero marginal cost. Artificial intelligence and data science will allow these new experiences to be personalised. (Xavier, A, 2018)

Last but not least, the revolution imposed by smart stores is part of the upcoming Trade 4.0, which skillfully integrates information and communication technologies in the exchange process. The ubiquitous outcome is associated with the acceleration of the business cycle from product design, through production, to final realisation, in which the resource optimisation of each market participant is constantly improved to generate the desired economic and social effects. But this evolution not only pursues the protection of the economic agent of the exchange, it also supports better distribution of resources to end users and its higher utility.

The smart store can also be built as a traditional physical store or e-shop, but it will be most successfully presented in an omnichannel trade exchange strategy. In this simultaneous multi-channel model, each of the created real and virtual contact points will offer an equally high level of coincidence between customer expectations and their actual implementation through commercial offers. The only difference between them will be the product of the used media and environment as a place and time of exchange, which will again be built around the concept of customer satisfaction at the moment and the situation of need and its materialisation in consumer demand for a particular product (Stojanov, M., 2018).

3. Conclusion.

In conclusion, the extremely dynamic digital transformation is not only transforming retail, but also significantly influencing consumer behaviour. The speed with which retailers respond to change is also a criterion for more successful and adequate sales and profits. The intersection of online and offline shopping is especially important for both consumers and retailers. Retailers themselves need to understand technology trends and determine their impact on business and customers. The future undoubtedly belongs to virtual stores, which puts retailers in the serious task of acting today to ensure that they will survive in a fiercely competitive environment with ever-changing consumer behaviour.

Digitalisation itself is to evolve and this is to affect consumer behaviour. Only the future will show how useful this relationship is for consumers, companies and society as a whole.

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