

Retail's Digital Crossroads: The Race to Meet Shopper Expectations.

Digital technologies are requiring retailers to reinvent their store strategies as consumers demand convenience, flexibility, and speed. Retailers are scrambling to adapt to current requirements while preparing for future expectations.

Retailers that leverage technology to build an experience where digital is embedded into the shopping journey stand to achieve significant revenue gains over the competition.



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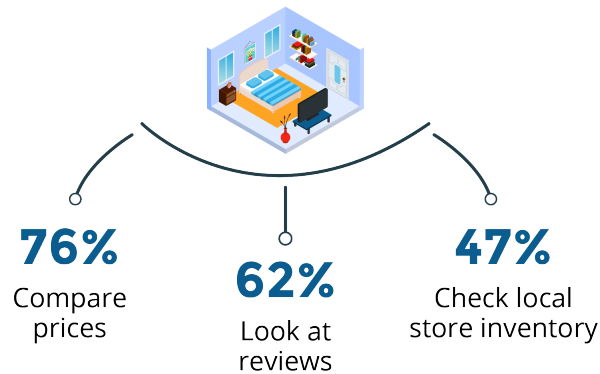


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All Retail is Digital.

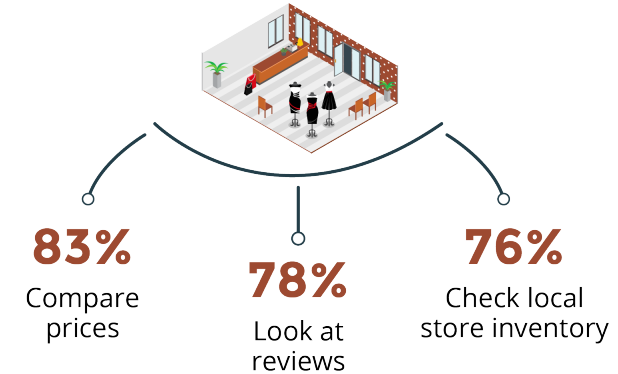
Digital influences up to 75% of all in-store visits and mobile is leveraged in almost half of all in-store shopping experiences.

DIGITAL: PRE-STORE VISIT



Of the
46%
of consumers that use
their mobile device
in the store

IN-STORE MOBILE USE



The consumer is no longer confined to a linear buying journey, nor locked into a single retail channel while shopping. Retail shopping is now a non-linear, time-shifted, place-shifted digital engagement process.

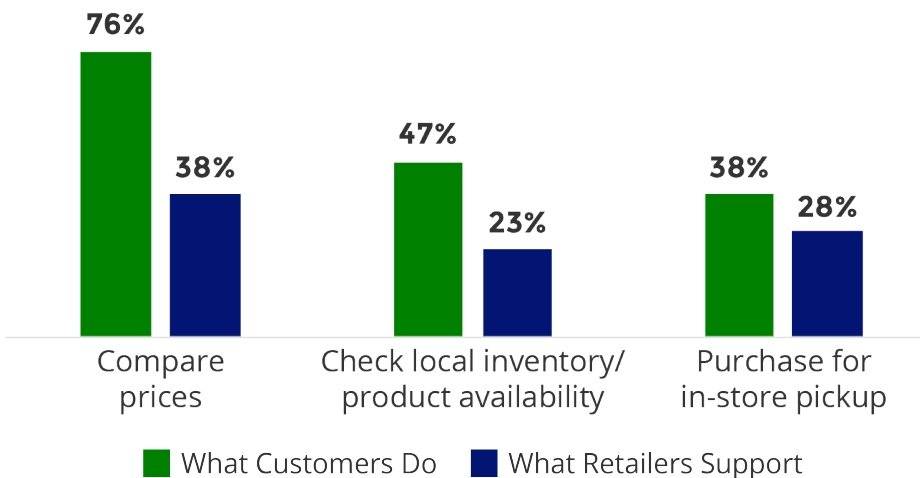
Consumers expect greater convenience and empowerment to shop the way they want, where they want. Digital sits at the core of that promise. It's no surprise that most consumers research prices, reviews and product information before they set foot into a store.

Close to half of all consumers (across all generational age groups) use their mobile devices to enhance their in-store experience by comparing prices, checking inventory and reading product reviews.

All Retail is Digital.

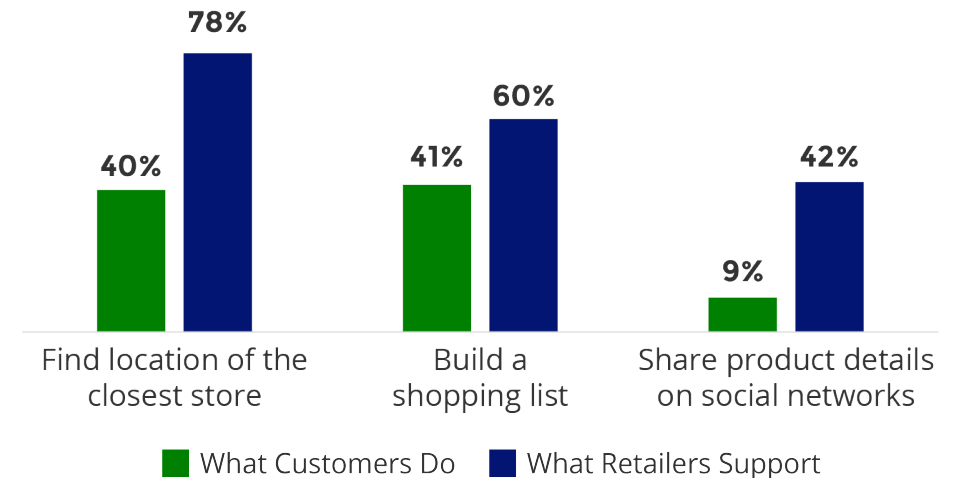
Retailer investments haven't kept pace with how consumers shop and aren't aligned to their digital preferences.

Activities consumers conduct before they enter the store compared to retailers' ability to support them



Under-Invested

Retailers have under-invested in three key areas; price transparency and consistency (offline-online), local inventory visibility, and buy online pick up in store (BOPIS). These are gaps that need to be central to any transformation agenda.



Over-Invested

Retailer investments in building store locator and shopping list tools have higher deployment but consumers do not find as much value from these tools. While 42% of retailers enable social sharing of product information, very few of consumers actively use it (9%).

Return of the Store.

The role of the store is being reinvented and the requirements for in-store technology are being redefined. Stores are no longer just a channel to sell products, they now serve a far greater purpose in a retailer or brand's business model and customer experience.

Stores as Marketplaces & Platforms

- Target's Open House, b8ta and Story (both recently acquired by Macy's) use their stores to offer brands an engagement platform with shoppers.

Stores-as-a-Service

- Retailers (e.g. b8ta and The Market @ Macy's) sell their operational expertise to manufacturers, artists and brands.

Stores as Innovation Hubs

- Retailers such as Levi's, Rebecca Minkoff and Adidas use their store environments to test new formats, products and technologies.

Stores as Fulfillment Centers

- Target fulfilled over 80% of its 2017 holiday online orders from its stores.
- As click & collect grows, order fulfillment from stores becomes a necessity.

Stores as Brand Expression

- CPG's such as Chobani and Nespresso have opened stores to build their brands as grocers place bigger bets on private label.

Stores as Growth Drivers

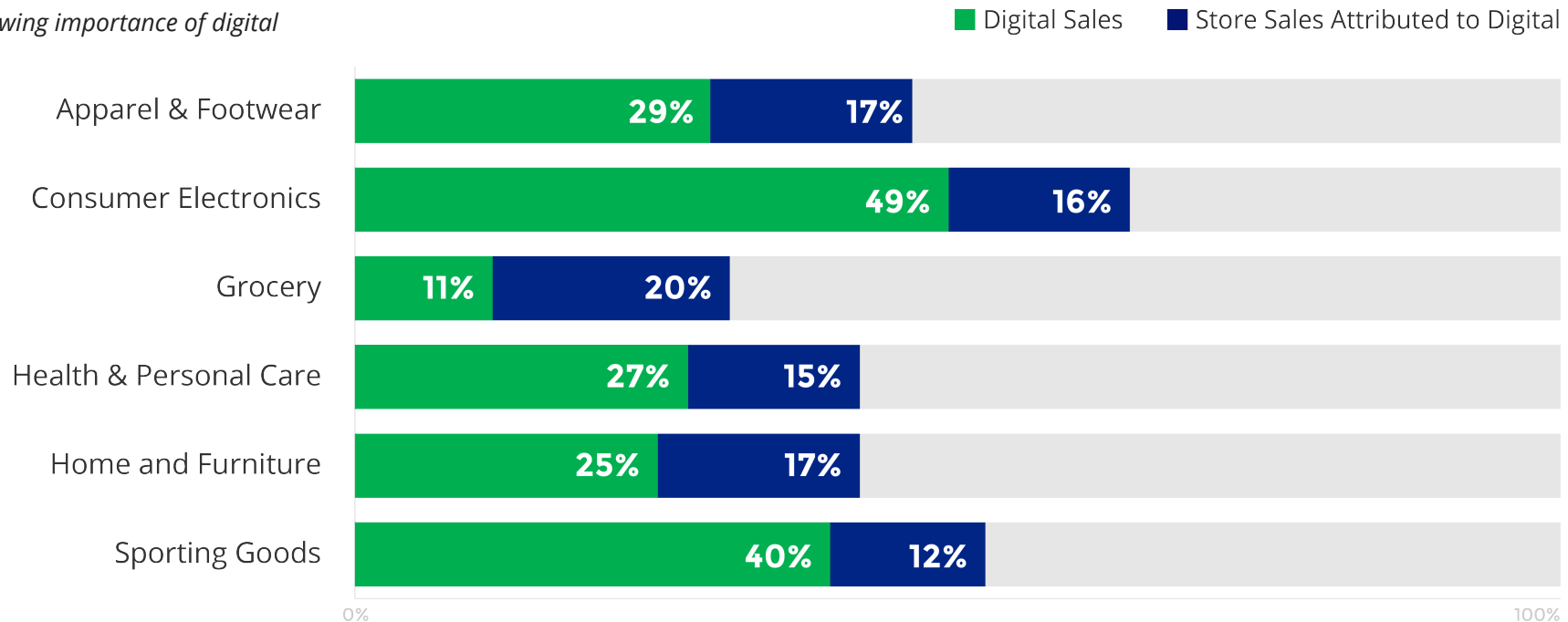
- eCommerce players such as Warby Parker (eyewear), Allbirds (footwear), ModCloth (apparel) and Casper (home) have opened stores as a way to amplify sales and build their brands.



Digital is the Front Door of the Store.

Digital already directly drives more than a third of all retail sales, and it further influences a much higher percentage.

The growing importance of digital



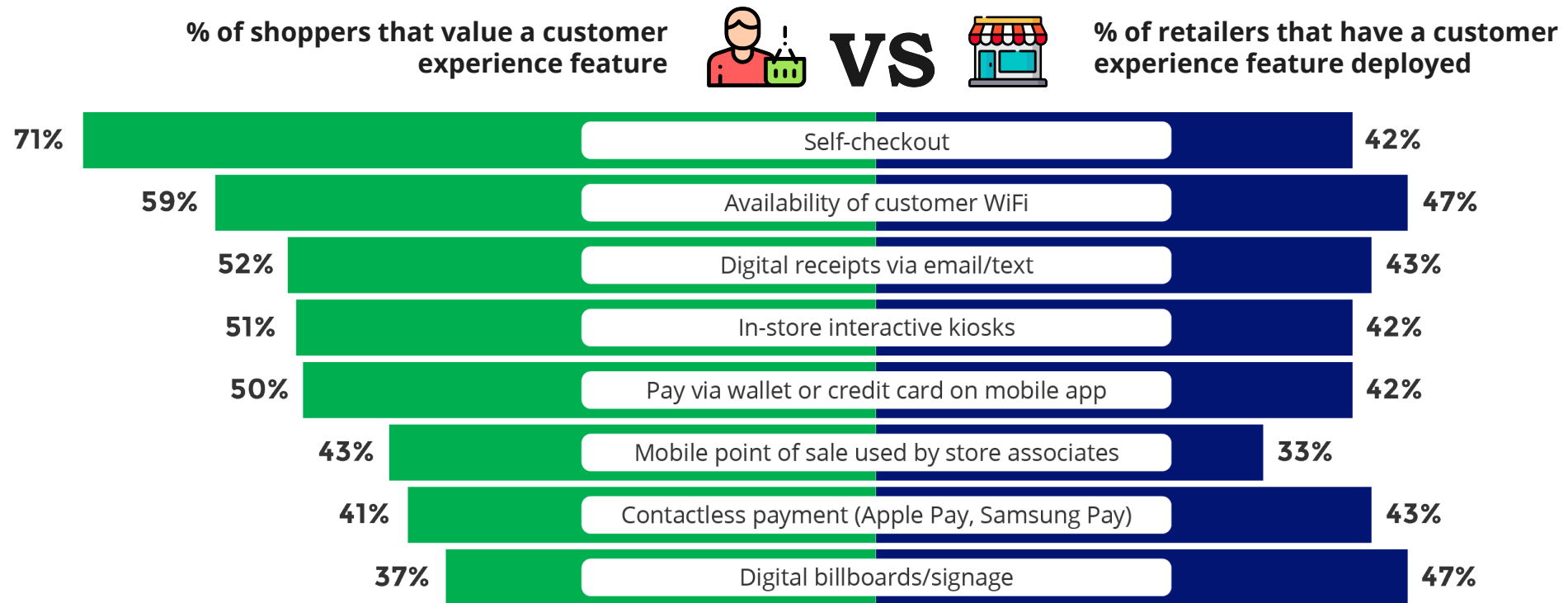
The rhetoric of the 'retail apocalypse' has largely been debunked. Stores remain a critical part of the shopping journey and will drive the lion's share of revenue for most retail segments for the foreseeable future.

However, while current direct attribution of digital is 20%, the true in-store impact is much higher as offline-online attribution is difficult to measure.

Retailers need to reimagine the utility of the store in a channel agnostic world by focusing on what actually differentiates them against other channels (hint: the experience). By incorporating digital solutions within the store experience, retailers can reduce consumer friction and enhance operational efficiency.

Digital Drives Convenience.

Digital in-store technology investment is misaligned. Investments haven't kept pace with consumer expectations.



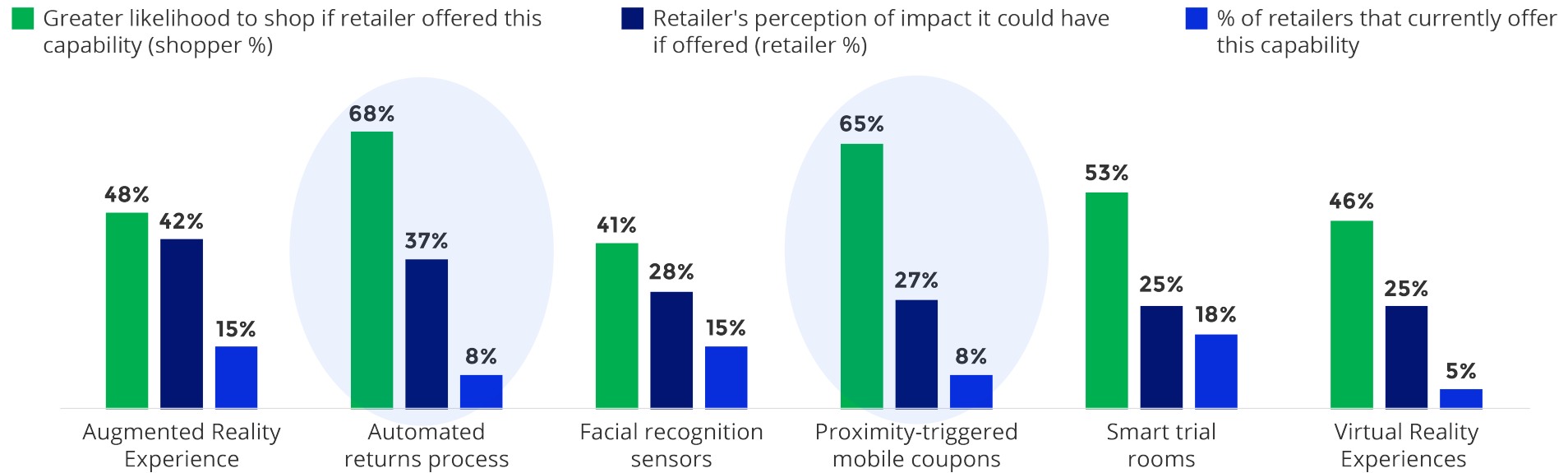
Consumers want speed and convenience in their shopping journey and in-store digital can play a huge role in meeting those expectations. Consumers value technologies that help them shop and pay at their pace and in the context of their lifestyles.

Consumers clearly value the ability to control their checkout experience – either through self-checkout (71%) or via mobile app (50%) and see WiFi enhancing their shopping experience. Millennials and Gen-Z consumers value these capabilities 20-40% higher than the average.

A Clear Roadmap.

Consumers are more likely to shop at retailers that align next-gen technologies to their digital preferences.

Consumer likelihood to shop because of a new technology, compared to retailers perception of their impact and their adoption



Frictionless.

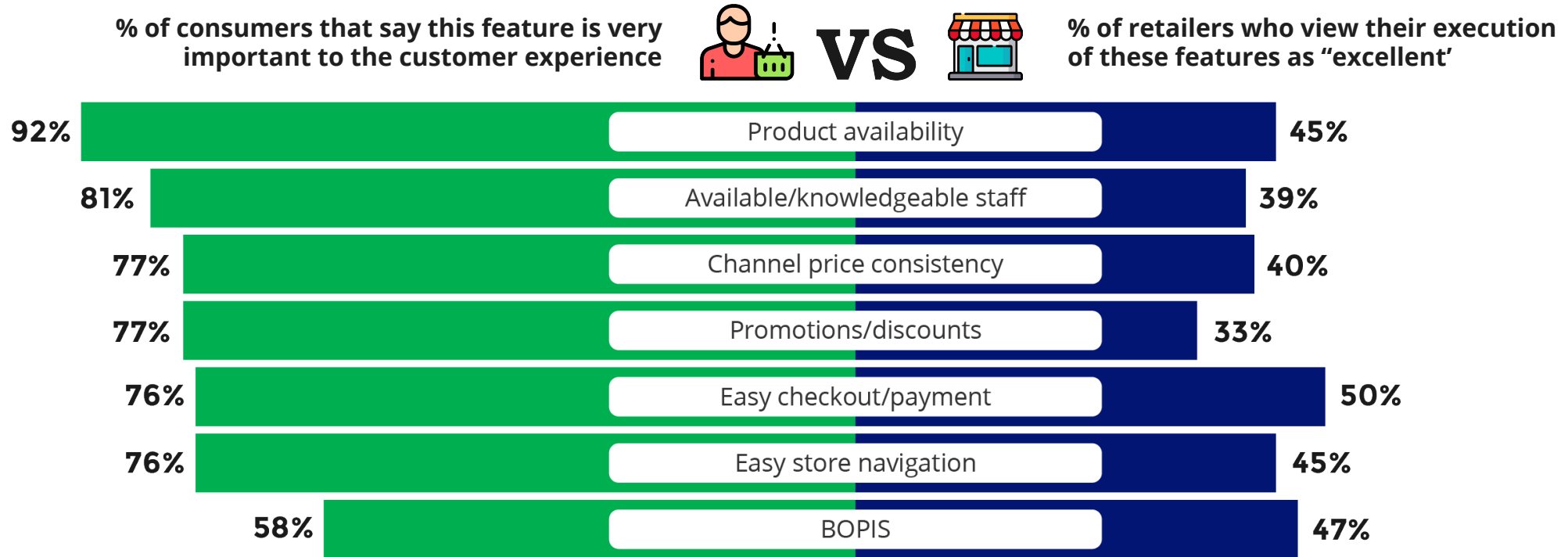
Returns are a huge consumer and retailer pain point, so much so that 68% of consumers are more likely to shop a retailer that offers automated returns capability versus one that doesn't. A handful of retailers, including Walmart, are testing it and they will gain further ground over the competition if they can scale this.

Delightful.

Personalized in-store consumer experiences through contextually relevant offers is a high priority for consumers. Retailers on the other hand, are not yet offering services like proximity based coupons.

The Execution Imperative.

To meet these new consumer expectations, retailers have an enormous execution gap to overcome.



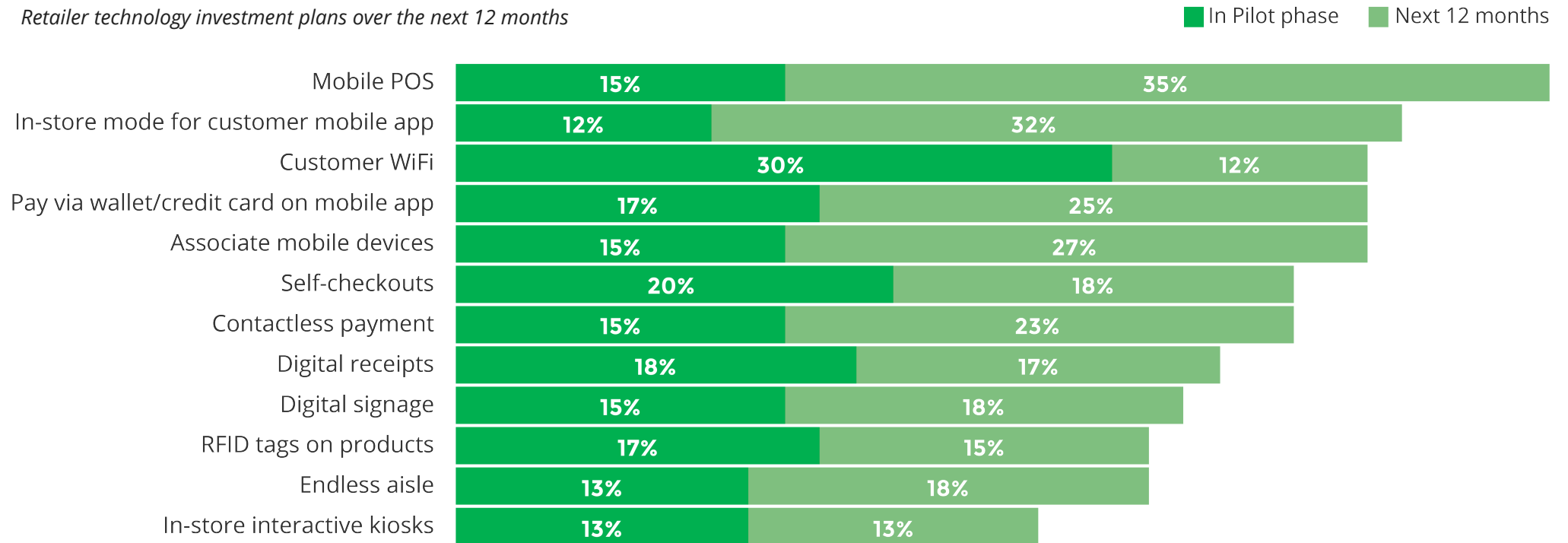
Consumers expect a seamless experience across their physical and digital shopping journey. However, basic tenants of retail execution such as product availability, knowledgeable staff, and price consistency across channels are not being met.

Flexible technology deployment models, like cloud-based applications, enable retailers to expand capabilities more quickly and cost effectively. New systems can not only help meet the expectations of consumers but can help retailers address the new reality of unified commerce. This includes single view of inventory, click & collect, cross channel promotions and contactless payments.

Investment Marches In.

Retailers do, however, understand that technology can help close the execution gap.

Retailer technology investment plans over the next 12 months



The good news is that many retailers have 'seen the future' and are making the necessary investments in digital technologies. Retailers have a broad array of digital projects in pilot and are making significant bets in the next year.

Mobile is at the heart of this investment as retailers invest in both consumer and associate facing technologies. Mobile POS (50%), in-store mode for the app (44%), associate tools (42%) and contactless payment (38%) are leading the charge to add efficiency, productivity and experience in the store.

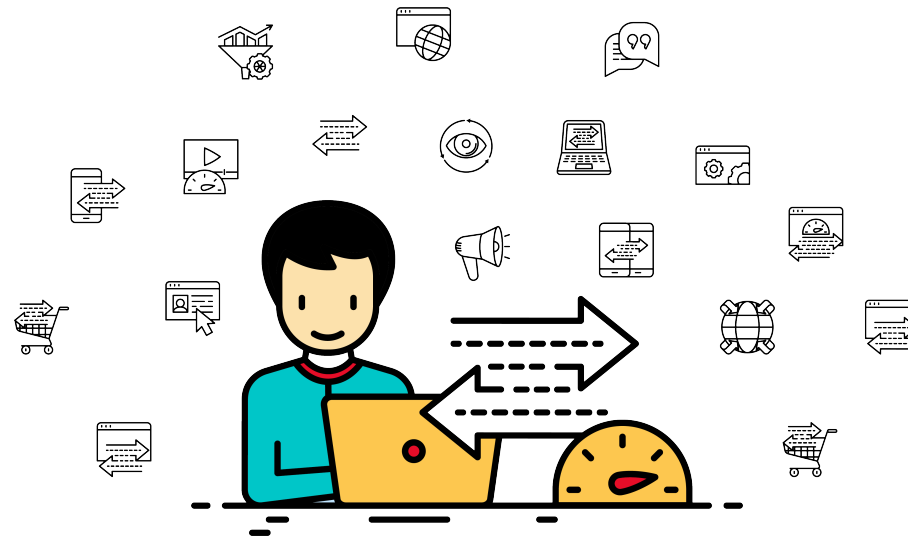
The Great Digital Divide.

Retailers can't support the 2x growth in digital retail technology by relying on their current network.

Retail executive assessment of their network

52%

have very good
bandwidth available



Yet, only **28%**
have very good system
uptime

As the industry is in the throes of digitization, it is vital to look at current infrastructure and consider the needs required to enable the next generation of technologies. Currently, 22% of retailers rate their ability to effectively handle cloud applications as poor. As more solutions are delivered via the cloud and as more mobile technologies are implemented in stores, these percentages will grow exponentially.

Building a Business Case.

Budget constraints and ROI justification mean retailers should develop ‘test & learn’ strategies to build a business case and ensure relevancy.

Top 3 impediments to retail technology investment



Don't have enough budget (52%)

More than half of retailers cite lack of sufficient budget as the #1 challenge impeding their ability to invest in upgrading the experience.

Retailers will always cite budget constraints as a primary reason for lack of investment, which means that they need each dollar to count and will only make pragmatic investments.

Retailers must realize that the misalignment in investments comes from the lack of definition and execution on a clear and integrated digital strategy.



Lack an integrated strategy (38%)

About four in ten retailers cite lack of an integrated consumer experience strategy as a top challenge.

Leadership teams should assess the impact of digital on the shopper journey and focus on the critical use-cases (in-store mobile capabilities, new payment methods, etc.) that impact the business.

They must also understand that consistently delivering a high-quality customer experience at scale is impossible without a high performance network.



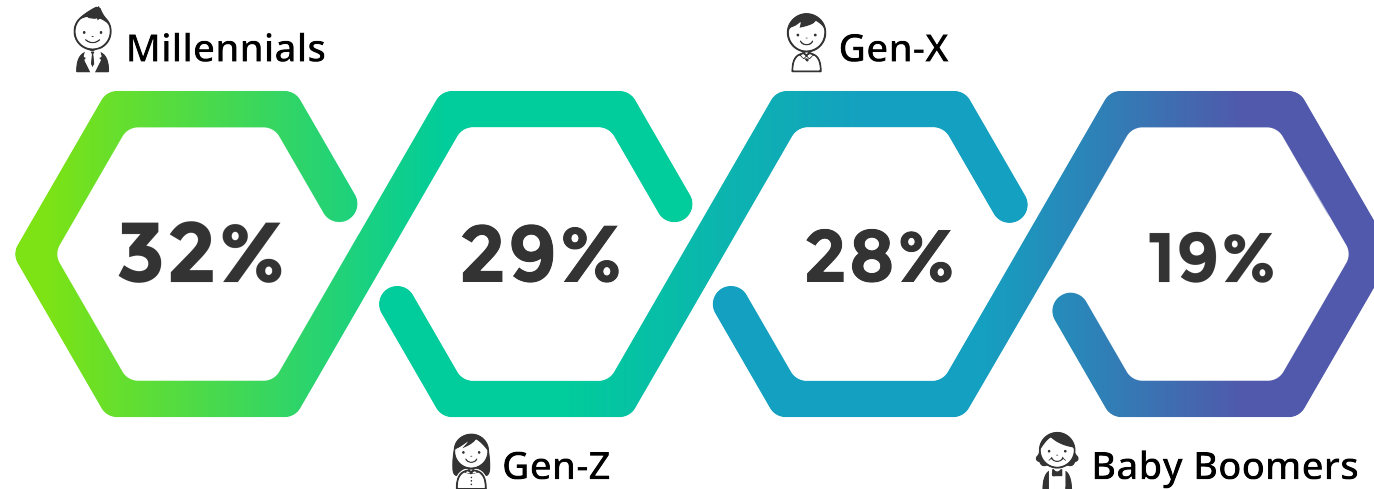
Can't justify the ROI (35%)

A third of retailers cite the inability to build and justify the business case for investment as a top challenge.

A Significant Return on Experience.

Investing in the digital shopping experience provides significant upside.

Incremental spend on a great customer experience, by generational cohort



A retailer with \$1 billion in annual revenue stands to gain
~ \$260 million
by delivering a great in-store experience.

Betting on reinventing the store and incorporating a highly digital footprint pays dividends across multiple parameters. It helps retain consumers and grow their value by ~25%+ while acquiring new consumers from competitors, which is critical in an over-retailed market.

In Summary.

Digital technologies are now woven into the fabric of the in-store consumer experience...

75% of all store visits are influenced by digital and close to 50% of consumers leverage their mobile devices while in the store. Today's retail is digital.

However, the store remains the core center of commerce and brand equity...

Retailers must **reinvent their definition of the store** and leverage the latest technologies to meet the expectations of today's consumer.

Unfortunately, retailer investments in digital are not aligned with consumer preferences...

Some retailers made early investments into digital technologies that are less important to the consumer. This has created an **execution gap** that threatens retailer's ability to provide a great customer experience.

Considerable investment into digital technologies is on tap over the next 12 months...

Retailers are **prioritizing mobile** for checkout and associate enablement while offering consumers services such as WiFi and contactless payment. This is good news as retailers understand that Millennials and Gen-Z will expect these technologies as part of their experience.

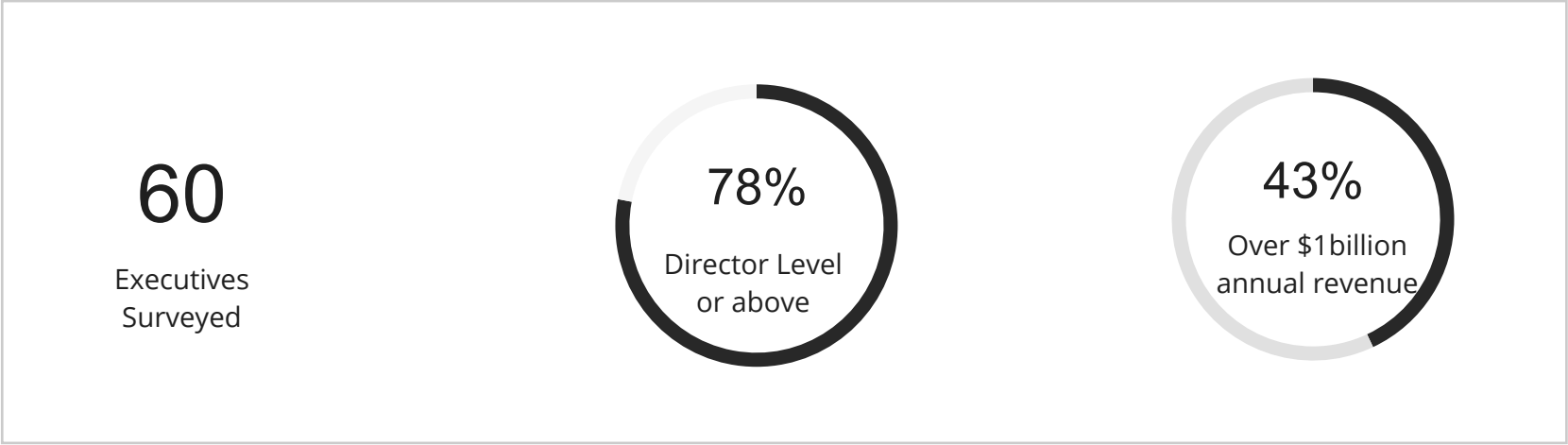
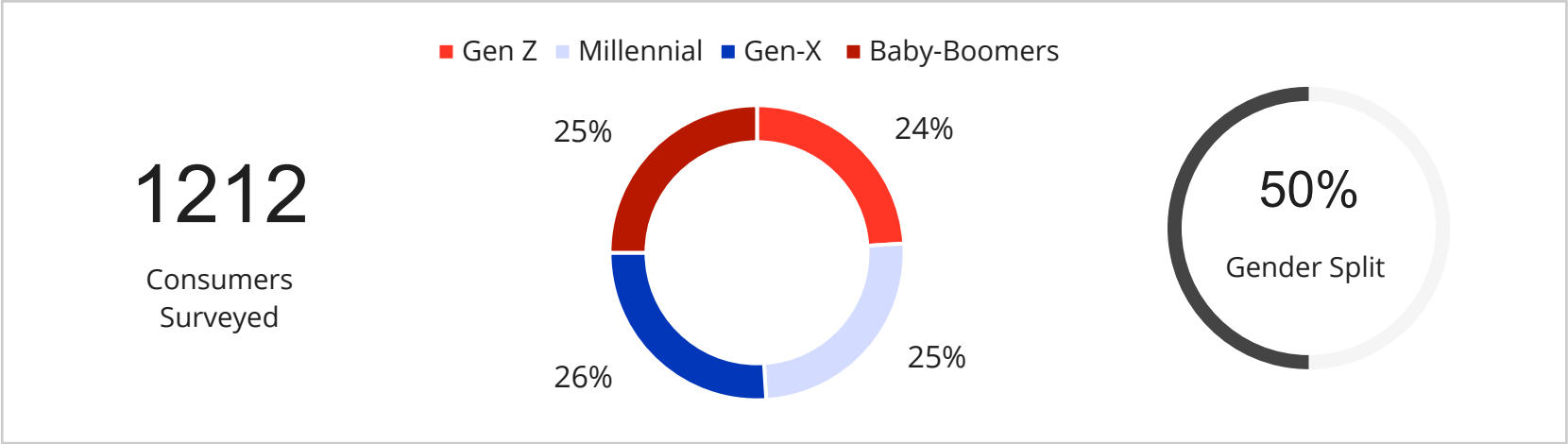
Investments in front-end digital technologies are only as effective as the robustness of the network that supports it...

As retailers, **reinvent their stores** to meet new consumer expectations, they must ensure their infrastructure can support it.

There is a 25% revenue upside to delivering a great digital customer experience in the store...

The key to achieving success is having an **integrated consumer experience** strategy that has complete executional alignment.

The Data That Powered This Report.



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