2015 E-COMMERCE OUTLOOK GUIDE

Retail Experts Spotlight Top
Digital Trends & Best Practices

retail
TouchPoints®

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INTRODUCTION

In its annual **Outlook Guide**, *Retail TouchPoints* asks top retail industry experts and analysts to share their predictions for the year ahead.

The retail industry is changing so rapidly, with new trends and technologies constantly emerging. As a result, we have decided to develop a dedicated Outlook Guide specifically for e-Commerce.

In this inaugural report, some of the top thought leaders in the space share insights into how they think the e-Commerce realm will continue to evolve through the end of 2015 and beyond. Additionally, executives from some of the most cutting-edge brands discuss how their businesses are embracing digital tools and tactics to innovate and better reach customers.

Some of the key topics outlined in this report include:

- **International e-Commerce expansion;**

- **Personalization;**

- **Mobile engagement;**

- **Omnichannel strategies;**

- **Fulfillment and delivery; and**

- **Crowdsourcing.**

We hope you find the **2015 E-Commerce Outlook Guide** to be invaluable as you plan your strategies for the 2015 holiday season, 2016 and beyond!

DEVELOPING MARKET
E-COMMERCE STRATEGIES

HANA BEN-SHABAT, PARTNER, <u>A.T. KEARNEY</u>

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The A.T. Kearney *2015 Global Retail E-Commerce Index* (GREI) highlights the big and the small: The countries that are always going to be e-Commerce behemoths because of their size, and the smaller yet still promising markets where potential matters more than size. This dichotomy plays out in the results of this year's *Index*: The world's largest markets for e-Commerce dominate the top half of the <u>**top 30**</u>, led by the United States, China and the United Kingdom (see Figure 1). In the bottom half are some smaller markets, such as Mexico, whose potential for growth is impossible to ignore.

FIGURE 1 – GREI RANKING (TOP 10)
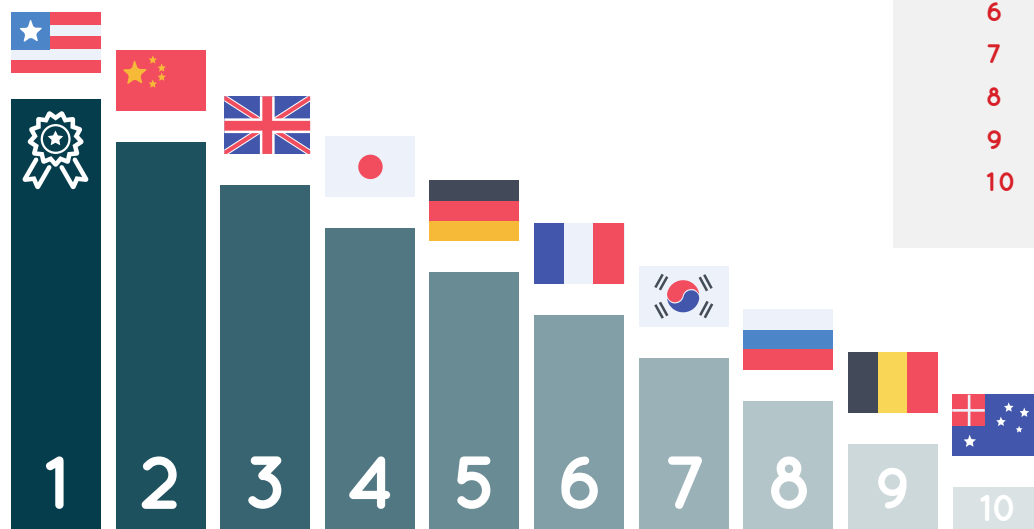
1	United States
2	China
3	United Kingdom
4	Japan
5	Germany
6	France
7	South Korea
8	Russia
9	Belgium
10	Australia

Note: Online retail is defined as the sale of consumer goods to the general public through web sites operated by pure-play online retailers or those owned by store-based retailers. This term also includes mobile commerce sales through smartphones or tablets. Sales are attributed to the country where the purchase is made, not where retailers are located.

Retailers are finding possibilities for growth in new markets, particularly developing markets — often without a physical footprint. Across the world, shoppers are buying more products online — so there is clearly an opportunity. According to *Internet Retailer*'s mobile study, almost 30% of e-Commerce transactions are happening on a mobile device. Online payment options are growing more secure: Visa Token Service, which replaces traditional 16-digit account numbers with one-time-use codes, is just one example of ramped-up cybersecurity efforts. In many fast-growing emerging markets, the Internet is the easiest and fastest way to purchase products from international brands. International shipping and fulfillment also are improving, with companies such as Borderfree helping retailers ship products across the world while assisting with currency conversion, customs and return issues.

Brick-and-mortar retailers are using e-Commerce to expand globally. Upscale houseware retailer **Williams-Sonoma** has expanded to more than 100 countries and the web now accounts for 44% of the company's sales. **Marks and Spencer**, a UK clothing seller, opened physical stores in a few markets while expanding online in many more. The retailer is investing approximately $1.5 billion in logistics, IT and systems to support its e-Commerce business, including a new UK distribution center.

The key to success internationally is localizing online presence while also maintaining a unified global brand. For example, British fashion and beauty e-retailer **ASOS** created a dedicated team for its Russian market to ensure that its phrasing, language and image resonated with 20-year-olds in Russia while still meeting global brand standards. Other brands, such as **New Look**, a teen fashion retailer, sell their products through third-party marketplaces such as China's Tmall.

China is an example of a country where market entry through e-Commerce often is the best strategy. China's online buyers are sophisticated, with well-developed brand awareness for and trust in the biggest names, including domestic leaders Alibaba, Tmall and JD.com, as well as international players such as Amazon and eBay. Chinese shoppers also have embraced e-Commerce as something of a cultural

Williams-Sonoma has expanded to more than 100 countries and the web now accounts for 44% of the company's sales.

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phenomenon, particularly on Singles Day (November 11), which has become much like the U.S.'s Cyber Monday. Alibaba reported $9.3 billion in sales on Singles Day 2014 — equivalent to approximately 7% of the country's total-year sales.

The market for e-Commerce players is rapidly evolving as it continues to grow. Some domestic leaders, including Alibaba and Tencent, have been active in mergers and acquisitions to build their online capabilities and market share, a trend that should continue in coming years. Domestic business-to-consumer (B2C) sites such as Tmall and JD.com are growing faster than consumer-to-consumer (C2C) players like Taobao, as more buyers seek high-quality products and services that can be better guaranteed by larger-scale retailers. Many B2C sites have embraced the Amazon-like model of selling goods to buyers, a contrast to Alibaba's role as a middleman between buyers and sellers.

China is only one example where market entry through e-Commerce makes a lot of sense; there are many other attractive locations for brands and retailers that seek growth opportunities. Find out more on the A. T. Kearney **web site**.

HOW RETAILERS CAN TACKLE
THE DIGITAL DIVIDE
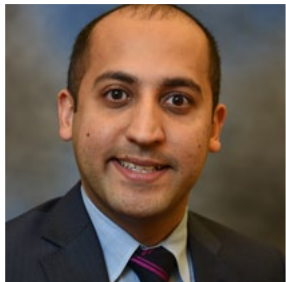
LOKESH OHRI, SENIOR MANAGER, DELOITTE DIGITAL

*Lokesh Ohri is an experienced leader in the **Deloitte Digital – Retail** consulting practice with significant global consulting experience with marquee retail and consumer product companies. He focuses on defining and implementing innovative customer engagement and growth strategies. He has led and managed multiple end–to–end omnichannel retail transformations for his clients and has extensive experience in digital, creative, merchandising, supply chain and store operations.*

As a part of the retail practice at Deloitte Digital, I get asked one question very frequently: What is the role of digital in the retail experience?

However, as our *Navigating The New Digital Divide* survey confirms, retailers should not view digital as a separate business unit or item on a checklist that they should be looking at. The impact of digital is far greater, and we believe that if retailers are looking at digital and e-Commerce as a separate unit, they have a very laggard perspective.

In today's day and age, more than 90% of U.S. consumers have access to digital in some way, whether it's through a desktop, laptop, smartphone or tablet. There is no longer an "offline" mode, simply because everyone is online.

If you look at digital as a stand alone single business unit, only 6.5% of all retail sales happen through e-Commerce, according to our *Digital Divide* research. But digital's power and influence grows exponentially when we look across the entire retail spectrum. As our research confirms, digital influences about half of all U.S. transactions in some way. By the end of this year, digital channels will influence $2.2 trillion in brick-and-mortar retail sales.

To us, it's not about having a digital strategy or business. It's more about having an overall business strategy — and digital is undoubtedly a part of that. Digital is now omnipresent, goes across the entire business and impacts a significant portion of all retail sales and shopping behaviors.

A lot of retailers come to us and say implementing this frame of mind is a daunting task. Here are a few tips and best practices to help businesses better tackle the digital divide:

- **Understand the new purchase journey:** If you look at the current purchase journey, you can cut it up in five or six different ways. You can create a series of steps — from inspiration to purchase decision and service. But the reality is: People are going back and forth between channels and touch points as they go through these steps; there's a fragmentation of the journey.

- **Determine what stage of the journey you want to own:** There are some innovative pure-plays out there that own different parts of the journey — whether it's inspiration or service. Determine which aspects of the customer journey you want to own or be known for, and invest accordingly.

Let's take mobile as an example. Everyone wants a mobile app but you need to ask: What do I want people to do with our mobile app? Some people see mobile devices as researching tools, others see them as buying tools. Think of how mobile can add value to the experience for your category and your target customer, and build from there.

- **Don't just focus on sales:** Consumers want to buy from brands that give them advice, inspire them and become their trusted companion. Build the right contextual tools that you think your customers will want and need, digital tools included.

- **Leverage your physical assets:** Many retailers today have some sort of physical presence. Large retailers that have a lot of stores and are establishing their e-Commerce businesses notice a lot of sales happening in a halo effect about 50 or 60 miles around a store. Think about those physical assets and focus on those nearby consumers. Use digital tools and tactics to engage shoppers and build store-based communities.

> **"To us, it's not about having a digital strategy or business. It's more about having an overall business strategy — and digital is undoubtedly a part of that."**
>
> *–Lokesh Ohri, Deloitte Digital*

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- **Learn from the pure-plays:** Over the past five or six years, large retail players have lost up to 2% of market share to smaller retailers. Pure-plays are winning more because they often have a specialty mindset, and focus on meeting the needs of a specific category. Pure-plays also use partner ecosystems. Rather than trying to build every capability organically, smaller pure-plays have an ecosystem of partners that take care of specific elements, such as delivery and customer service. This allows them to focus on very specific areas of the customer journey and further differentiate from competitors.

IMPROVING THE **OMNICHANNEL EXPERIENCE** IN 2015 AND BEYOND

LAUREN FREEDMAN, PRESIDENT, THE E-TAILING GROUP

Lauren Freedman is a seasoned 20-year e-Commerce veteran, author of It's Just Shopping, *as well as a recognized and respected figure in omnichannel retail. She has a passion for merchandising that she has parlayed as President of* **the e-tailing group**, *evangelists for merchandising and customer service best practices. Her company's annual mystery shopping and merchant surveys provide a comprehensive overview of cross-channel commerce, setting industry standards while simultaneously highlighting best practices.*

In this exclusive Q&A, Lauren Freedman, President of **the e-tailing group**, shares her insights into how retailers can bridge the gap between their e-Commerce sites and brick-and-mortar stores.

RTP: *What steps can a retailer take to bolster the omnichannel shopping experience?*

Freedman: To me, it's about being best-in-service. That might be everything from timely email to live chat, because people are expecting more of that. I think you're going to see more of these services such as faster delivery, and in some instances same-day delivery. Retailers that can afford to do it are going to up the ante, so there's going to be a continual need to keep service at a really high level.

A second area of focus should be the distribution of best-in-class information. One thing you have in the store is the touch-and-feel aspect, and there's really no substitute for it. Online retailers have to continually struggle and invent tools that make the experience come as close to the store experience as possible. The search functionality on-site has to be fast, and the visual tools have to be so descriptive that people don't have to worry about trying an outfit on or seeing if they are looking at the right tool. Smarter retailers are utilizing videos, guides, how-to's and whatever information they can put out there to make sure the customer makes the right choice.

Retailers need to acknowledge the fact that the customer is constantly shifting; in one minute, the store is more convenient, and in the next minute, the web is more convenient. Retailers need to try and be ready under all circumstances.

RTP: *How do you see new delivery models factoring into retailers' omnichannel plans?*

Freedman: One of the most interesting industry thoughts over the past few years is that the store used to be considered a liability, and now the smart retailers see it as an asset. It's really about choice and convenience for the shopper. In our *2014 Mystery Shopping Study* of 85 retailers, 39% of those had store pickup, so it's far from universal. Also, 47% had a store product locator. I am sure that both of those numbers are going to increase this year.

The beauty of store pickup is that it's ideal to get people into the store. The customer has made a commitment to the product, and they're probably going to show up. Of those consumers who have used an in-store pickup option, 45% have made a new purchase when picking up the item in-store, according to the UPS *Pulse Of The Online Shopper* study.

More people will buy when they go to return it, because they probably need the item, and they have to find a substitute product.

To me, everything starts with product lookup, because if you can't tell a product is available before you visit, chances are you'll never go to that store. At the end of the day, it's more about what the customer needs and when they need it, rather than the delivery model the stores have.

RTP: *What advice would you give retailers that are struggling to connect e-Commerce and the store, or are having difficulty optimizing the omnichannel experience in general?*

Freedman: It starts with the fundamentals. Inventory transparency is the foundation, or the plumbing, of any omnichannel experience. If you don't have that in place, you can't move forward. Retailers then have to consider their category and their customer base in deciding what they need. What **Nordstrom** needs is going to be different than what **Tory Burch**, **Columbia** and **REI** are going to need. It's not like everything is a must-do for everybody.

It really comes down to the people working at the stores. It's about building a culture that really believes in omnichannel, just like your customer does. The role of the associate is going to change, and they're going to have to make more than minimum wage, because they've got a big job to do.

Take each channel for its own strength. While some elements of the store and e-Commerce site overlap, there are other factors that you have to compensate for, as well as other factors you can do better in one channel than the other.

You have to know the numbers to understand what processes are working, and which ones aren't working. In interviewing retailers, it appears that everybody knows they need the data and everybody is interested in the numbers, but I didn't get a sense that these companies had the analytics side of the business nailed down just yet.

Lastly, you have to know your customer, and the experience is really about how you can more effectively market to them.

> "Retailers need to acknowledge the fact that the customer is constantly shifting; in one minute, the store is more convenient, and in the next minute, the web is more convenient."
>
> –Lauren Freedman, the e-tailing group

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CROSS-BORDER E-COMMERCE: THE OPPORTUNITY FOR ONLINE RETAILERS
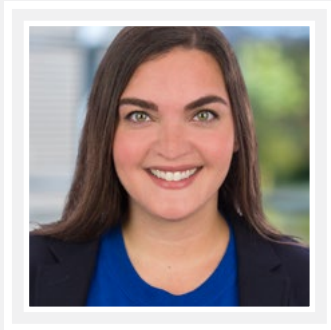
LILY VARÓN, ANALYST, FORRESTER RESEARCH

Lily Varón is an Analyst serving eBusiness & Channel Strategy Professionals for **Forrester Research**. *Her research focuses on the technologies that e-Commerce firms need to transact with consumers in the age of digital business, including e-Commerce solutions for digital and physical goods, global online payments, the translation and localization of global web sites, and the digital transformation of the physical retail store. Her research also analyzes consumer online shopping behavior around the globe, with a particular focus on Latin America.*

E-Commerce growth rates in many regions of the world are outpacing those in the U.S. As a result, e-Commerce executives are considering new ways to expand globally. For retailers that are unsure where demand for their products exists, or for those who are not ready to make a big financial commitment to global efforts, an international shipping strategy is a good first step.

Global shipping programs are lauded as a way to not only capture new customers, but also gather insights into global demand and shopping behaviors to inform long-term globalization strategies.

As e-Commerce professionals consider whether they want to offer international shipping as a way to sell to new customers, they must consider the following:

- **Cross-border shopping is not slowing down.** Based on a study Forrester conducted on behalf of Borderfree, the U.S. outbound cross-border e-Commerce market will grow at a 16% compound annual growth rate (CAGR) from $24 billion in 2014 to $44 billion in 2018.[1] This represents a rate higher than that of the overall e-Commerce market in the U.S., which will grow at a 10% CAGR over the same period.[2] Cross-border online sales are also on the rise in Europe, with Forrester forecasting that they will grow by a CAGR of 11% over the next five years, although most of these online cross-border sales are between Western European markets, rather than with markets outside Europe.[3]

- **English-speaking markets generate strong demand for products from U.S.-based online retailers.** Canada, Australia and the UK are the three English-speaking markets that often rank highest for most U.S.-based online retailers. While the UK is a top market due in part to the sheer size of the market, the other two countries are sizably smaller yet still big cross-border markets. Canada's cross-border market grew largely due to the proximity to the U.S. and shoppers' familiarity with U.S. brands; in Australia, it grew due to the slow development of domestic online shopping options and the $1,000 duty-free import exemption (referred to in the industry as de minimis).

- **New markets are appearing on the radar for cross-border e-Commerce.** China's explosive online sales growth has not gone unnoticed by foreign merchants, and vendors and retailers alike are streamlining their cross-border shipping efforts into China. Additionally, other areas of the world such as the Gulf Cooperation Council (GCC) markets have become an increased area of focus as wealth and disposable incomes grow and consumer appetite for global brands increases. For example, jewelry retailer **Blue Nile** launched an Arabic language site in 2014 after serving the United Arab Emirates (UAE) via cross-border shipping for several years. Jon Sainsbury, the company's President of International, stated that in the UAE, Blue Nile has "developed a loyal customer following, resulting in one of the largest average order sizes we see in our international markets."[4]

While there are many different vendors that streamline cross-border shopping — including a number that offer overseas shoppers a U.S.-based shipping address for their packages — some of the key third-party vendors in this space that target retailers directly include: Bongo International (FedEx), Borderfree (Pitney Bowes), Borderlinx, International Checkout, Pitney Bowes ClearPath, TG e-Commerce and UPS i-parcel. Additionally, a range of different marketplaces, from U.S. heavyweights eBay and Amazon, to leading players in other markets like China's Tmall and JD.com, and Latin America's MercadoLibre, serve millions of online shoppers and offer solutions that help U.S. merchants sell to consumers in other countries.

The U.S. outbound cross-border e-Commerce market will reach $44 billion by 2018.

– Forrester Research

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1. *"Form S-1 Registration Statement," United States Securities and Exchange Commission, February 18, 2014 (http://www.nasdaq.com/markets/ipos/filing.ashx?filingid=9355494).*
2. *https://twitter.com/forrester/status/591223380700979201*
3. *http://blogs.forrester.com/michelle_beeson/15-06-22-online_retailers_go_in_pursuit_of_europes_valuable_cross_border_consumers_worth_40_billion_by_2018*
4. *Josh Holland, "Blue Nile Launches Arabic Language Site," Blue Nile, August 19, 2014 (http://investor.bluenile.com/releasedetail.cfm?ReleaseID=866763).*

PERSONALIZATION AND THE FUTURE OF RETAIL

HOMA ZARYOUNI, EDITORIAL DIRECTOR, L2

Homa Zaryouni is the Editorial Director of L2. She writes about how beauty, fashion and CPG brands innovate and perform on social media channels, e-Commerce and digital properties. Prior to L2, she was the technology editor of Louise Blouin Media. She has written for The Financial Times *and* VICE.

Personal intimacy always has been the hallmark of a successful retail strategy — especially for luxury brands. Think sales associates who know shoppers by name, exclusive presales and meet-the-designer events. Technology is offering the opportunity to scale that beyond the store, knowing consumers and anticipating their needs through the lens of data. Any doubt that data is a priority for retailers is cleared by the rise of Chief Digital Officers, and in the case of personalized e-Commerce retailer **Stitch Fix**, the Chief Algorithm Officer.

The first step towards providing a personalized shopping experience is data collection. But data collected should not be limited to the basics such as age and gender. Possibilities are endless, and beauty brands are examples to follow since they have always been required to tailor products to various skin, complexion and hair profiles. Among beauty brands, **L'Oréal** is a leader in **customization tools**. Its site has 29 options for skin type and concerns, and responses can create 20,944,492,105,217,700,000,000,000,000 possible personas.

But how much data is too much? Asking shoppers too many questions in the email or account sign up process can deter them and leave retailers with no profile at all. Many have solved for that by making responses to many data questions voluntary, or by focusing on implicit data collection. **Nike**, for example, collects data about its consumers through its Nike+ running app. Run times, distances and running locations offer a wealth of information about what consumers would want to purchase.

In exchange for data, consumers expect targeted and relevant offers. Close to half of surveyed consumers say they like when companies target them with relevant offers, and 44% say they would provide more data if it meant avoiding irrelevant offers, according to **SDL research**.

Yet targeted cross-selling is still a work-in-progress for many retailers, as evidenced by common pitfalls. For example, **Express** recommends the same items regardless of what the consumer has or is browsing. And **ALDO** often recommends viewed products in alternate colors, instead of leveraging consumer data more creatively.

A look at most-used product recommendation tactics shows a similar story of missed opportunities to upsell: 71% of retailers analyzed in **L2's Personalization study** recommend items similar to items shoppers are browsing at the time, and just 36% leverage browsing history by showing recently viewed items. Conversely, only 13% of brands — among them **Estée Lauder** and **West Elm** — provide a separate page full of personalized picks based on users' browsing profiles.

Consumers shop and research products on multiple channels; they can research on their mobile phone, check the store for availability, purchase online and return items in-store. Brands should adopt omnichannel data collection and personalization tactics to cater to the omnichannel consumer.

Identifyng the local store based on navigation history and showing real-time inventory availability based on that local store are the most common methods of personalizing in-store drivers, each employed by **21%** of retailers. Examples of advanced features in personalization: Setting estimated delivery arrival dates based on the customer's address and filtering products by their in-store availability, each employed by 11% of brands in L2's Personalization study. **UGG**, for example, displays online inventory based on customer size and color preference, and seamlessly alters shipping dates based on a customer's ZIP code.

While investing in steps towards a fully personalized experience may seem daunting for brands, those that do so will experience more repeat visits and loyal customers, as well as larger baskets boosted by relevant recommendations.

Only 13% of brands provide a page full of personalized picks based on users' browsing profiles.

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THE **CONVERGENCE** OF E-COMMERCE AND DIGITAL MARKETING

PAULA ROSENBLUM, MANAGING PARTNER, RETAIL SYSTEMS RESEARCH

*Paula Rosenblum is widely recognized as one of the top analysts in the retail industry and was selected as one of the "Top 50 Retail Influencers" by **Vend**. She also writes a weekly blog for* Forbes *magazine. She formerly served a retail analyst at AMR, Aberdeen Group and RSAG. Previous to that, Rosenblum spent more than 20 years as a retail technology executive and CIO. She works with Wall Street analysts and industry trade associations on a regular basis and is involved with various charities that support human growth and development.*
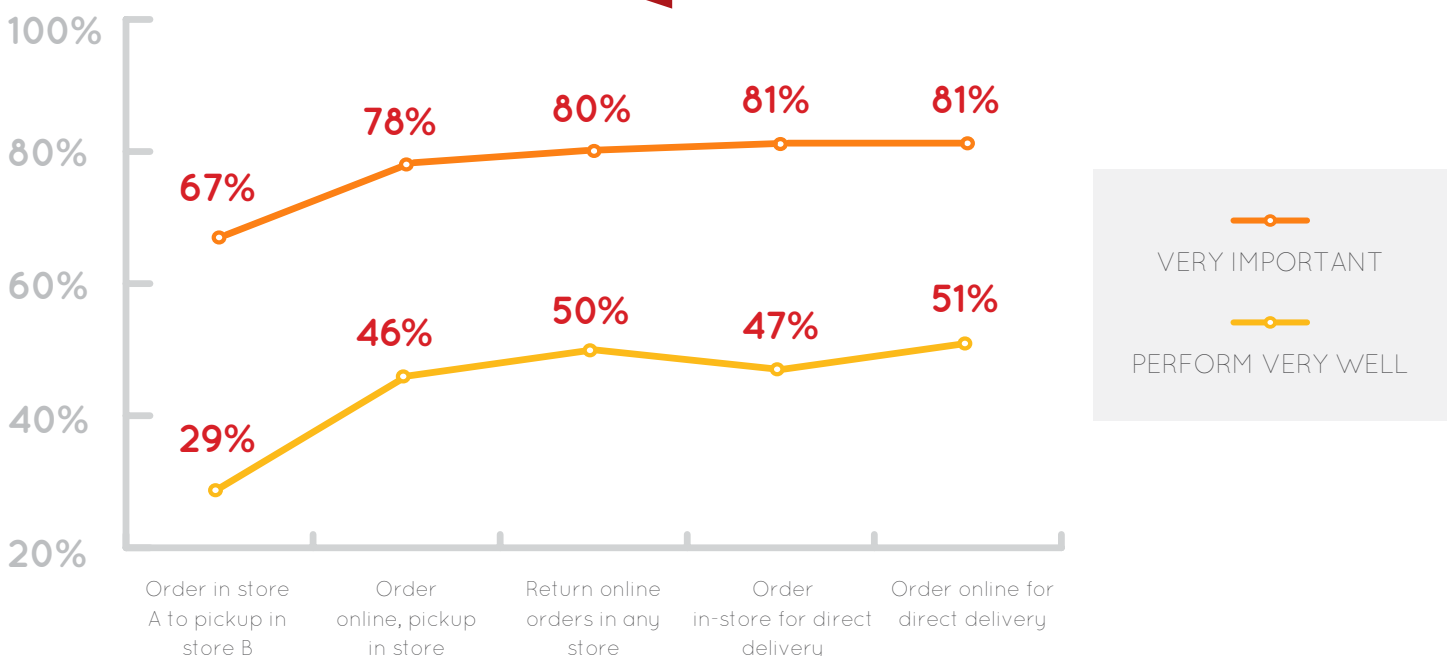
There are a few things in life that are certain. One is that the sun will rise. Another is that the impact of digital channels on the retail industry also will rise.

At RSR, we're observing that the notion of e-Commerce and digital marketing are converging; looking at one or another in isolation produces distorted results. For example, we've seen in our research that retailers have a hard time quantifying the benefits of digital marketing initiatives. Impressions just don't seem adequate, and a somewhat chaotic customer path-to-purchase muddies the waters on actual incremental sales delivered.

On the flip side, the law of small numbers makes it seem that growth of e-Commerce itself is "skyrocketing." Yet a total of 8% of retail sales would hardly qualify as earth shattering, when viewed in a vacuum. Overall, people still like to consummate their shopping experience in stores.

FIGURE A – CUSTOMER ORDER & FULFILLMENT OPTIONS: 'VERY IMPORTANT' VS. 'PERFORM VERY WELL'

VERY IMPORTANT

PERFORM VERY WELL

	Order in store A to pickup in store B	Order online, pickup in store	Return online orders in any store	Order in-store for direct delivery	Order online for direct delivery
Very Important	67%	78%	80%	81%	81%
Perform Very Well	29%	46%	50%	47%	51%

Of course, this doesn't mean that retailers can stand pat on aging e-Commerce platforms. Today's e-Commerce platform must be channel-aware and integrated with the rest of retail operations. The customer experience platform is converging across channels. These new platforms must support cross-channel inventory visibility and order fulfillment. Retailers recognize this, and they will make investments in new technologies to support it. If we look at Figure A on the previous page, we can see just how much retailers value converged order and fulfillment options, and just how much work is left to be done.

This is all well and good, but it leaves us with some serious non-converged process and organizational issues. Specifically:

- **We found a serious dearth of cross-channel metrics.** As e-Commerce matures and takes its place as an integral part of the retailer's offering, it's important to create metrics that apply across all customer interaction platforms.

- **Inventory management processes still lag.** The omnichannel imperative and opportunity is to both increase revenue and decrease working capital requirements by leveraging inventory as a shared asset and managing returns in the most efficient manner.

- **The pendulum of capital investments seems to be swinging back to the store.** As retailers recognize the imperative for improving the in-store experience, they have switched investment priorities to empowering store employees and operations management. In a separate study, 49% of respondents cited "educating and empowering in-store employees using technology" as a top-three opportunity for improving the in-store experience. This helps explain why in our e-Commerce benchmark report, 39% of respondents cited "stores are a higher investment priority" as a top-three organizational inhibitor to improving e-Commerce (vs. only 29% in last year's study).

49% of retailers cite "educating and empowering in-store employees using technology" as a top-three opportunity for improving the in-store experience.

—Retail Systems Research

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The bottom line is: Absent a disastrous holiday season, we'll see continued investments in convergence across all parts of the enterprise. It's a sign of digital commerce maturity and recognition that the customer sees one image of the retailer and remembers the worst — rather than the best — of what she sees.

5 E-COMMERCE TRENDS & PREDICTIONS FOR 2016

SHANNON DAVENPORT, TREND FORECASTER & INNOVATION STRATEGIST, STYLUS

*Shannon Davenport is Head of Advisory US at **Stylus**. Davenport has worked in trends for more than a decade, and her ability to translate and apply learnings from one industry to the next comes from her extensive experience across different sectors — from food and fashion, to retail and marketing.*

This year, we have seen that e-Commerce is really a mainstream way of purchasing goods — everything from skincare to apparel to even household bulk goods like toilet paper and bottled water.

The fact that delivery times are only speeding up with new services like Prime Now from Amazon is just making online shopping that much more appealing to today's somewhat impatient consumer.

But there are other important trends that have cropped up over the past year, and will continue to evolve and mature through 2016. They include:

- **The shopper journey is more sporadic:** Over the past year, Pinterest has become a key network for reconfiguring the inspiration phase or "window shopping" element. Pinterest's new Buyable Pins feature is a big step toward connecting this behavior to the actual purchase point. In our research at Stylus, we've also been tracking what we call "Start Pause Go," which is all about consumers setting their own pace — they are channel hopping, life-logging, sharing and wish-listing. New digital tools like **SnapUp**, **Slice** and **Grabble** are capitalizing on this new sporadic, sometimes convoluted consumer pathway to purchase.

- **Brick-and-mortar experiences a rebirth:** Physical stores are still important touch points for experiencing a brand in a meaningful way. This isn't to say that stores are becoming showrooms — they still are generating sales and doing business, but they offer a real-world way to experience the brand. Consumers may come into a store to look

at merchandise and then complete that purchase online after they've had time to think. In the next 12 to 18 months, we'll see more physical stores linking up e-Commerce with their brick-and-mortar spaces like **Rebecca Minkoff's** smart dressing rooms and the interactive retail table developed by **Neiman Marcus**.

- **Mobile continues to bridge the gap between digital and physical:** Mobile-only platforms such as Instagram, and even branded apps to an extent, are bringing retail into people's pockets. Mobile is providing another touch point for today's incredibly liquid consumer who is always on the go, toggling between devices and browsing at any time of day. When designed successfully, mobile apps can be especially valuable because they can help drive purchasing behavior in-store, and use contextual data to enhance the physical shopping experience via mobile promotions. **Starbucks**, **Sephora** and **Organic Avenue** all have excellent mobile apps that can handle payment and unlock loyalty points that further engage the consumer.

- **Curation becomes key:** Regardless of the channel they're using, consumers are looking for more personalization and customization. There's a gap today between consumers' desire for brands to understand them as shoppers and the level of customization they can actually get from an average brand they purchase from. In an effort to provide a more tailored online shopping experience, some brands and retailers, such as Bonobos' brand for women, **Ayr**, are developing really edited product lines.

One issue with e-Commerce is the amount of time it takes to sift through hundreds of products, and consumers can get lost along the way. Tightly curated online experiences are really appealing to today's liquid and multitasking consumer.

- **Increased transparency helps retailers differentiate:** We're starting to see more direct-to-consumer brands like **Parachute**, which sells sheets and bedding, and **Warby Parker** telling the consumer more about production, about internal company culture and even unveiling the way that the retail industry marks up goods. **Everlane** is really changing things up through its Radical Transparency mission statement. The company opens up its universe to the consumer, everything from showing its factories all around the world to displaying exactly how much it cost the company to produce a pop-up shop in New York last summer.

> **"In the next 12 to 18 months, we'll see more physical stores linking up e-Commerce with their brick-and-mortar spaces."**
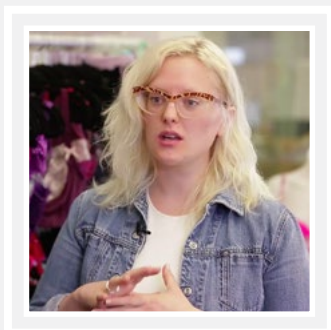>
> *–Shannon Davenport, Stylus*

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ADORE ME CROWDSOURCING: WHAT IT IS, WHY IT MATTERS & HOW IT WORKS

SHARON KLAPKA, DIRECTOR OF BUSINESS & BRAND DEVELOPMENT, ADORE ME

Sharon Klapka leads the Business & Brand Development team at Adore Me, a disruptive e-Commerce lingerie startup, designing fast-fashion, affordable intimates. Ranked the No. 2 fastest-growing company in New York and No. 14 fastest-growing company in the U.S. on the Inc. 500 list and named InStyle *magazine's Best of Digital, Adore Me is quickly positioning itself as the Zara of lingerie.*

At first glance, a bra seems like a pretty simple garment. But in fact, lingerie is quite a tricky business: The average bra has 25 different components, and at **Adore Me**, a lingerie disruptor proudly sporting bra designs ranging from 32A to 44G, any given bra design can have well over 20 different sizes. Just to give a sense of the product intricacy, your everyday Zara t-shirt will have three or four components, and five different sizes at best.

As a result of this inherent complexity, lingerie has significant lead times and it often takes eight to 12 months from design to having products available on our web site. This means that in a fast-fashion business such as Adore Me, which launches a new collection of 30 to 40 new products every single month, our designers need to be part designers and part profits. They are constantly challenged to predict trends and foresee what our shoppers will gravitate towards in a year from now. Mistakes can be brutally painful — miscalculating your inventory can quickly take your entire business down.

As an extremely data-driven e-Commerce team, we constantly analyze our shoppers' habits and preferences to best plan our designs and inventory. But we quickly realized that we had a secret weapon that would allow us to innovate and plan our inventory even better: As a rapidly growing e-Commerce business (Adore Me ranked the No. 14 fastest-growing company in the U.S. on the Inc. 500 list), we enjoy a massive social footprint, with approximately one million followers on Facebook

alone. What if we tapped into the collective wisdom of our shoppers and asked them directly: What lingerie product would you like to buy?

And so we started crowdsourcing products. We present our audience with several different designs we're considering for a certain collection, and ask them to vote for the item that they like best. Based on their votes, we pick the winning design and move forward to have it manufactured. A few months later, the product is sold on our web site and mobile app.
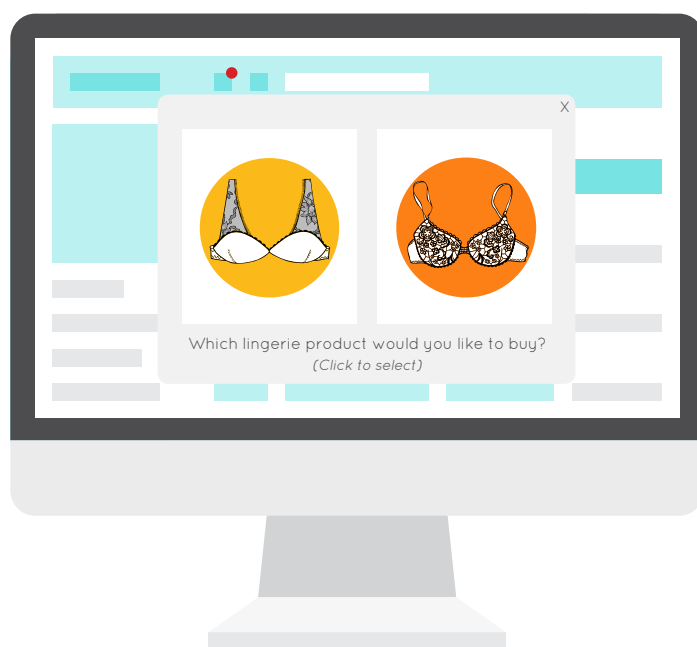
We launched our first crowdsourcing pilot for a key Valentine's Day category: Corsets. We presented our audience with five different corset designs, and asked them to vote for their favorite design on Facebook, Instagram and Twitter. We rewarded every vote with a $5 discount voucher to be used on the Adore Me web site. We got a staggering response of more than 34,000 votes, and we had a very clear winner that garnered nearly 10,000 votes. We went on to manufacture and launch that corset the following Valentine's Day, and the product was completely sold out within less than two weeks.

We have since crowdsourced designs in other product categories, such as our beach cover-up, which raked in 55,000 votes. We saw a 7% increase in traffic to our web site during voting days, showing that crowdsourcing is not only a valuable inventory management resource, but also as a powerful customer engagement tool.

> "Crowdsourcing is not only a valuable inventory management resource, but also a powerful customer engagement tool."
>
> –Sharon Klapka, Adore Me

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Our experience has taught us that crowdsourcing has impressive predictive capabilities, as well as significant customer engagement appeal. We also have learned that listening to our customers has enormous business value; our shoppers know exactly what they want and will very literally put their money where their mouth is.

BAUBLEBAR EMBRACES TECHNOLOGY TO BRING **PERSONALIZATION** TO NEW HEIGHTS

NINA ALEXANDER-HURST, VP OF CUSTOMER EXPERIENCE & SWAT STYLISTS, BAUBLEBAR INC.

*Nina Alexander-Hurst is the VP of Customer Experience and SWAT Stylists (Service With Accessorizing Talent) at **BaubleBar**, the first fast fashion brand in jewelry. Nina and her team focus on creative ways to take the friction out of the online shopping experience, build long-lasting customer relationships and develop effective systems to share customer feedback with other teams at BaubleBar. Previously, she was a successful entrepreneur selling fashionable smartphone cases and replacement BlackBerry parts. Additionally, Alexander-Hurst worked at New York-based non-profits and spent a year writing for the Jerusalem Post. She has a B.A. in Public Relations and Journalism from the University of Florida.*

Our customer loves having fun with fashion, following trends and experimenting with jewelry as a way to update her wardrobe. She looks to **BaubleBar** for style inspiration, unique design and quality product at an approachable price point.

As an online-native brand, we believe removing friction from the online shopping experience is one of the most important things our customer experience team can do. We are always looking for new and innovative ways to infuse a human element back into the shopping experience, because as huge online shoppers ourselves, that is an element we think is consistently missing. As we grow, it is essential for us to maintain our personalized, one-on-one customer service.

We understand that shopping should be fun and interactive, whether the buying is happening online or in a store. We provide a high-touch, personalized styling experience, guiding our customers through our highly curated, on-trend collections and assisting them with how to incorporate our pieces into their specific look.

We have a dedicated customer experience team called **Service With Accessorizing Talent** (SWAT), focused on testing new technologies and finding innovative ways to connect with our customers to help them build a strong relationship with the brand, and to boost their overall engagement. We aim to provide the level of service you'd expect from a brick-and-mortar retailer. That means that our 15 stylists can tackle your shipping issue and then surprise you with a YouTube video showing the pieces she thinks you'll love, based on your past orders.

Our stylists are very active on social media channels and use them as a tool to connect with customers in a very personal way. Whether they are posting a picture on Instagram of their favorite new arrivals, giving a behind-the-scenes look into their lives in NYC, or providing a more detailed view of the newest ear cuff for a particular customer, it all helps continue to **build one-on-one relationships with customers**, outside of their BaubleBar shopping experience.

We've also recently launched landing pages for **each stylist**, so she can show her customers her current obsessions.

To make a case for the creation of these pages, we added tracking to all product page links we send to customers via email, Instagram, live chat, Pinterest and YouTube. We quickly realized that our SWAT Stylists had a fantastic conversion rate, and we wanted to roll it out in a bigger way. Each stylist curates her own page, adding and removing products daily. You can pick the SWAT Stylist whose look appeals to you, and find a narrowed down selection of jewelry. And then you can actually talk to that person!

If you walk into a store to complete a return and you're directed to a customer service desk in the corner that is purely transactional, are you likely to make another purchase? Probably not. The same idea rings true with e-Commerce. That's why our stylists can seamlessly turn your refund interaction into another sale by showing you **her favorite items on the site** or helping you find something that is a better fit than the item you're returning.

For us, the key remains the incredible people behind the technology. Video chat is a fantastic tool to engage with customers "face-to-face," but the stylist must represent the brand and be able to elevate the experience on-site. Our SWAT Stylists can co-browse with you, show you the perfect jewelry for your next event, and then hold it up on screen or try it on, so you can get an idea of what it's like "in person." It's just like shopping in person — but you don't have to leave your home or cubicle!

Over the next year, our goal is to test more technologies that can help us build relationships. We want to scale our video chat program, and offer the customer more ways to reach us in an instant. We're thinking less about how many customers an agent can chat with at one time, and instead focusing on how we can provide high-quality service to every single customer.

"We provide a high-touch, personalized styling experiences, guiding our customers through our highly curated, on-trend collections and assisting them with how to incorporate our pieces into their specific look."

– Nina Alexander-Hurst, BaubleBar

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SADDLEBACK LEATHER BANKS ON **NATURAL SEARCH**
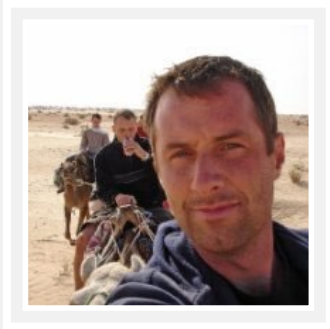
DAVE MUNSON, CEO, SADDLEBACK LEATHER

Dave Munson is the CEO of Saddleback Leather. It all started when Munson was living in Mexico and teaching English, simply needing a bag to carry his books in. He drew a bag and asked a man in a leather shop if he would make it. That kicked off a series of events he couldn't have foreseen in his wildest dreams. It grew into what is now Saddleback Leather Co. Eventually, Saddleback acquired the production facility in Mexico. Saddleback bags bring together classic designs with innovative touches, making them remarkable and something "they'll fight over when you're dead."

In this Q&A, Dave Munson, CEO of **Saddleback Leather**, shares his insights into the importance of native search and the growing value of mobile-based customer communications, including social engagement, video chat and educational video presentations.

RTP: *How would you describe your consumers' digital path-to-purchase? What consumer trends or shopping behaviors have impacted your business the most?*

Munson: We've always been a brand that attracts customers by being who we are, and have been very good at organically attracting them. We build relationships through strong social channels, and quirky content that people want to talk about. We keep customers with a high-quality product "that they'll fight over when you're dead" and great customer service. While advertising hasn't been completely absent from our mix, natural search and direct search are a heavier piece for us than for many retailers our size. However, for customer acquisition, we've been focusing on diversifying our sources of traffic to guard against the day that something goes haywire in Mountain View…while continuing to press for even more natural search performance.

As far as trends go, customers are listening to customers. If you don't deliver on the promise you are in double the trouble.

RTP: *How is mobile helping your e-Commerce business thrive? What tactics and investments have you found to be most successful and where do you plan to invest in the future?*

Munson: While our average shopper is on smartphones and tablets, our average buyer also is on a desktop. Connecting these two experiences and tying the two together in our advertising tracking and ROI will only become a more important challenge to meet as mobile becomes a bigger piece of the pie. Creating a responsive site was a good first step, and enhancing our analytics and tracking with cross-device analysis is something we'll be pressing for ASAP in 2016.

RTP: *Is your business focused on connecting e-Commerce to brick-and-mortar?*

Munson: We're currently a 100% online business. But as a business looking to expand in the other direction — from online-only to offline — we'll be very interested in seeing how to connect the two, and how the two play off of each other. We certainly see online as being an offline supporter, especially as we get events and/or locations off the ground, and that physical locations will add the biggest missing element to our brand experience. The smell and feel of our leather is addictive — which could make shopping offline and buying online a bigger potential channel than for other brands with an existing footprint. There are a lot of theories and hypotheses that we're eager to see play out, and as we look at ways to expand into offline experiences, our Systems Development team will be at the center of everything we do.

RTP: *Have you implemented personalization to connect with shoppers in a more one-to-one fashion? What tactics have been most effective?*

Munson: We've long been against being too "chasey" with our customers. The idea of ads following them around the Internet and bombarding them with messages has never quite played well with us. Full site personalization is still a ways off as a result, though we've been moving towards more customer interaction as we've become more comfortable with upping our volume, as long as we have something of value to give to our customers — even if we don't mention our products in the process, like in our **new video series**.

As we've experimented with the best happy medium between increased contact and plenty of space, we've found segmented emails and expanded chat coverage to be a great first step. We're looking at video chat and are expanding our plans around content to give us more and better reasons to stay in touch with our customers.

RTP: *Are there any e-Commerce trends emerging that you believe are especially exciting?*

Munson: In the past, social media was an experiment. But now it is a standard, if not mission-critical part of a retail business. At Saddleback, we are already a leader in this area.

RTP: *Can you share any recent e-Commerce success stories?*

Munson: While natural search has always been a big channel for us, taking care of a few basics pushed our year-on-year natural revenue growth by more than 20% within just a few months. We've built on that by training our social, content, e-Commerce and PR teams on SEO basics, and we are applying some of the insights we've learned into customer experience areas like navigation.

On the creative side, our films department has seen unusual success by creating **two films** that made it into Sundance Film Festival and several videos that have excited our tribe and been picked up by other media outlets to bring in new folks.

> "Connecting mobile and desktop in our advertising tracking and ROI will only become a more important challenge to meet as mobile becomes a bigger and bigger piece of the pie."
>
> – *Dave Munson, Saddleback Leather*

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RTP: *Do you have any advice for retailers that want to expand and ramp up their e-Commerce businesses?*

Munson: Overall, retailers need to remember that marketing needs to be about more than instant conversions. It has to be measured at some level with an ROI, but know at best that on any given day, a very small portion of all of your visitors will convert — even smaller when most of a channel's visits are new. You're not just trying to win a conversion with advertising; you're filling a funnel and generating demand. Hold yourself very hard to your ROI goals, but also put a value on micro-conversions like newsletter signups, social audience growth, informational reading and even high-quality visits in terms of time or page views.

FIVE KEYS TO **FUTURE RETAIL SUCCESS**
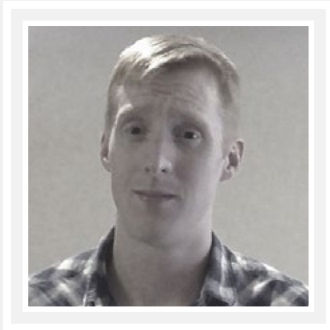
CHRIS WILSON, VP OF MARKETING, <u>SMART FURNITURE</u>

*Chris Wilson is the VP of Marketing at **Smart Furniture**. He has a passion for innovation and experimentation. Wilson has directed an innate curiosity and love of learning to studying how people interact with technology and creating a better experience around that interaction. He has helped Smart Furniture develop into one of the premier online furniture retailers.*

The past year has been an exciting one for e-Commerce and retail in general. We've seen the growth of alternative payment methods like **Apple Pay** and **Affirm**, the proliferation of wearables like the **Apple Watch**, and the spread of paid ads on social platforms that were once free sources of traffic.

These changes present exciting opportunities for retailers. Never before have brands been able to stay in such close contact with consumers, nor have the barriers to purchase been so low. Developments like Pinterest's Buyable Pins have the potential to change how consumers move through the buying funnel, as they can instantly jump from awareness — I love that shirt my friend pinned — to purchase — let's buy it now, I can always return it later.

While these developments can change certain aspects of the purchasing process, the basic challenge of delivering a consistent brand experience across all relevant touch points is as important as ever. The next year will bring an exciting combination of a back to the basics, nailing the fundamentals approach combined with leveraging new technologies like personalization platforms and advanced analytics modeling. Retailers and marketers that can understand the complex customer journey and leverage this understanding to deliver a consistently excellent experience across devices and channels will jump ahead.

At Smart Furniture, we're focusing on five areas that we believe will be key to our success moving forward.

1. **Capitalizing On A Longer, Less Linear Path To Purchase:** Last-click attribution is dead. We're seeing an increasingly large percentage of purchasers interact with our brand over multiple days on multiple devices. This gives retailers more opportunities to keep the conversation going, but it also gives brands more opportunities to embarrass themselves.

2. **Offering More Touch Points To Reach Consumers:** In addition to multiple devices, we're seeing interaction across an increasing number of channels. Understanding how each channel and device plays into the decision-making process, and more specifically, where in the funnel consumers are when using that device or channel, will be key for success in the coming year.

3. **Reaching Increasingly Selective Consumers:** While the opportunities to reach consumers are great, there's less margin for error. Consumers will not be tolerant of spam blowing up their wrist at six in the morning. There will be more active filtering of unwanted contact from social feeds, inboxes, etc. We're going to see less tolerance for broad-swipe messaging as consumers reassert control over the content they receive.

4. Delivering Hyper-Relevant Content And Messaging: The only way to avoid being relegated to the dreaded Gmail "Promotions" tab is by consistently delivering quality, hyper-relevant content. For some retailers, this may mean limiting your presence to key channels, rather than relying on a weak or promotion-driven strategy across every possible point of contact. Focus on developing the right solution for your most important touch points, identifying the customer need at that particular moment and offering a unique solution.

> "Never before have brands been able to stay in such close contact with consumers, nor have the barriers to purchase been so low."
>
> *– Chris Wilson, Smart Furniture*

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SUCCESS

5. Using Data To Make Smarter Decisions: Learning how to track consumers across devices and channels, and providing value at each step, is vital to future success. We've seen a number of tactics that attempt to solve pieces of this problem — social sign on, mobile-impact modeling, creative use of rewards programs — but there is still a long way to go before a complete solution is available. At Smart Furniture, we've developed our own proprietary platform to solve the problem of aligning what we know about the customer with the right combination of content, messaging and product. We see the **FurnitureGenius** platform as key to our success and a significant driver of growth for the foreseeable future.

HOW TRIMFIT EMBRACES DIGITAL CHANNELS TO ENGAGE MODERN MOMS

RYAN CRAVER, PRESIDENT & CEO, TRIMFIT

Ryan Craver's natural fascination with the intersection of retail and technology has led to a career of inspiring and leading brands to be on the forefront of the evolving "connected retail" environment. He currently serves as the President and CEO of Trimfit, a children's brand distributed through global retailers and eTailers. Additionally, Craver leads Emerging Brands, Licensing and Digital Strategy for Lamour Group's portfolio of global brands, including Joe Fresh and New Balance. Prior to joining Lamour, Ryan was in charge of the core department store strategy at Lord & Taylor/Hudson's Bay Company and was a senior leader at Accenture, driving growth and profit improvement across multiple clients, including Virgin Media, FedEx and Best Buy.

For our childrenswear brand **Trimfit**, we realize customers have a number of choices and we shouldn't try to force them through a particular channel, vendor, retailer or method to research, browse or purchase our brand. Using this premise, we focus our efforts on four types of customers:

- **Wholesale big box;**

- **Wholesale small box;**

- **Marketplaces such as Amazon, eBay and Etsy; and**

- **Shoppers on our own e-Commerce site.**

Just as each channel is different, each customer type is different and each must have its own respective strategy.

For Trimfit, e-Commerce plays a massive role. As we all know, most chains are experiencing flat to declining store sales, with e-Commerce driving the growth. Table stakes is providing the most up-to-date information, pictures and locations to purchase in the most frictionless way possible across each of these channels. For wholesale big box chains like **Kohl's** and **Macy's**, we drop ship our products directly to the customers after receiving the order. This allows us to offer a broader assortment of our catalog that might not be found in those particular stores.

For our wholesale small box customers, we use sites like **Bluecherry B2B Commerce** to offer our entire catalog with online reorders, product images and copy. For our marketplace customers like **Amazon**, we make sure all of our items are part of shipping services like Amazon Prime same-day delivery. Lastly, we ensure **Trimfit.com** provides fast-turn customer service and serves as a platform for commerce and more importantly, product visibility and information.

I believe e-Commerce will see stronger adoption than currently projected, especially as the consumer experience further improves and more immediate and frictionless ways of shopping evolve. The reasons are endless but there are a few focus areas:

- Customers spend more online time within social networks than email, and all social media players are converging on social commerce.

- Payment/checkout has historically been the number-one driver of cart abandonment. With payment ecosystems like **Apple Pay**, **Samsung Pay** and **PayPal** being rolled out on sites and apps, pre-populated payment information and addresses will lower cart abandonment.

- Retailers and eTailers are in a war to provide lower free shipping thresholds, easier returns, faster shipping turnaround and better deals. This will naturally drive share to e-Commerce.

In order to further solidify our relationships with online shoppers, we rely on personalization. We are running all the similar tactics of most retailers and eTailers, but we are more focused on creating intrigue through smiles and cheekiness. We are in the kids business, so we have to have fun! One example is our packing slips for .com orders have a caricature stamp and handwritten joke or note to every customer. A small touch to be remembered through a smile.

We also are embracing mobile in a number of ways to directly interact with the customer. Yesterday's tactic was a responsive site that provided up-to-date product information outlining where to purchase. Today's tactic is using mobile to drive geo-location visits to stores and deliver promotional offers, exclusive content or rebates to customers as a way to help them better understand our new brand classifications.

Tomorrow's investment is further personalizing and improving the quality of engagement with the customer. An example is allowing for direct chat/ messaging in-store about our brand. Can you imagine giving customers the ability to ask a real-time question about our Trimfit product via mobile phone while perusing the aisles of their favorite big box chain? Those days are just around the corner.

Regardless of the channel, data and analytics drive every decision we spend marketing dollars on. Empowering the team with the data is step one. Each morning, everyone receives the same report so we are aware of what drove the previous day's traffic, conversion, page views, etc. We use that data to drive where and how we target the use of our marketing spend online.

Data and analytics can help drive decisions when answering questions like: 'Should we use Google or Facebook?' or 'Should we run a broad campaign or a more targeted campaign?'

> **"E-Commerce will see stronger adoption than currently projected, especially as the consumer experience further improves and more immediate and frictionless ways of shopping evolve."**
>
> *– Ryan Craver, Trimfit*

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