



RETAIL TOUCHPOINTS

2014

HOLIDAY
GUIDE



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TABLE OF CONTENTS

Intro: Holiday Planning Heats Up As Summer Sets In	3
Advocacy Marketing	4
E-Commerce	9
Inventory/RFID	12
Mobile Checkout	16
Mobile Commerce	20
Omnichannel	24
Payment	29
Personalization	33
Pricing	37
Shipping	40
Social Commerce	45
Workforce Management	48





HOLIDAY PLANNING HEATS UP AS SUMMER SETS IN

The retail industry is gearing up for another competitive holiday season in 2014, facing another compressed calendar and data breaches fresh on everyone's minds.

But retailers can be optimistic. Despite a shortened shopping season and cold weather that kept many shoppers away from stores in 2013, U.S. retailers saw a 2.7% increase in overall sales during the 2013 holiday season, according to ShopperTrak. This is a trend that has occurred for four consecutive years, in large part prompted by an increase in shopping via mobile technology, **ShopperTrak founder Bill Martin** reported.

Additionally, retailers in 2013 felt pressured to offer more discounts earlier, before Thanksgiving, then even deeper discounts in the final weeks before Christmas. "Last year it was demonstrated that the sanctity of Thanksgiving is probably gone as large numbers of shoppers headed out earlier than ever," said **Jerry Sheldon, VP of Technology for IHL Services**. "Black Friday will continue to lose its meaning as retailers will seek to lure away shoppers' dollars earlier and earlier. I expect to see a full court press on online 'door buster' type deals probably early the week of Thanksgiving this year."

For 2014, Sheldon predicted: "Based upon the current economy, I would expect Christmas spending [in 2014] to be up in the 3.5% range." But, he warned, "a lot can happen between now and then. At the time of this writing there is pending conflict brewing in the Middle East with insurgents in Iraq. Oil/gas prices are starting to rise. Expendable income is highly impacted by gas prices so if the conflict there continues to escalate, it can impose some significant pressure on consumer wallets this holiday season."

Consistent Customer Experience Is The Tune Of The Season

It's now the expectation among most consumers: Retailers must provide a consistent brand experience across all channels. If a shopper begins the purchase process at home on a PC, she expects the store associate to be aware of that activity when she walks into the store.

"Retailers understand that to move their business forward, their success during the most crucial time of the year depends heavily on their ability to build and execute fully-integrated omnichannel offerings," said **Natalie Kotlyar, Partner in the Retail & Consumer Products Practice at BDO USA**. "As companies gear up for the 2014 holiday season, optimized omnichannel strategy is critical. While retailers

focus on making their multiple platforms secure, robust and seamless, they should also be building off last year's success stories, particularly around mobile and social media." She added: "Many retailers will be playing catch up if they are not already enhancing their capabilities and platforms."

To help retailers kick off holiday planning, as the summer heats up, we have compiled the following 12-part Holiday Guide. We hope it will help provide insights and direction for all types of retailers.

Debbie Hauss

Debbie Hauss
Editor-in-Chief
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SOCIAL ADVOCATES: RETAILERS' HOLIDAY MARKETING SIDEKICKS

By Alicia Fiorletta

Shopping is an inherently social behavior. Whether consumers are browsing online or in stores, they seek feedback and recommendations from friends, family and trusted sources.

In fact, the vast majority (92%) of consumers now trust earned media such as peer reviews and recommendations over standard advertising tactics, according to Nielsen.



It is more important than ever for retailers to get on consumers' holiday "nice lists." Doing so will result in a base of loyal brand advocates who go on to recommend products and services to their social networks.

Consumers who participated in a holiday poll from [Crowdtap](#) indicated that they would most likely share the following content with their followers:

- Digital coupons (67%);
- Links to holiday contests, sweepstakes and giveaways (63%);
- Product reviews and/or recommendations (45%); and
- Photos of successful shopping trips (42%).

Advanced analytics solutions provide retailers with detailed insight into which consumers are mentioning and engaging with brands and retailers, the products they have in their baskets and how frequently they complete transactions.

As more analytics become available, retailers are working harder to identify their advocates, or 'social stars,' to promote the brand, noted to Adam Pressman, a Partner in the Retail and Strategic IT Practices of A.T. Kearney.



“These are consumers and employees who are passionate about their brand. It will be key to continue to explore and evaluate how to best leverage and incent these advocates so that they are leveraged at the right time for the right reason and that they feel appreciated.”

Trusted advocates “will continue to be important,” Pressman explained, “as customers seem to only receive more and more messaging across channels. Recommendations are still very key.”

Before actively engaging social advocates and encouraging them to market on their behalf, retailers need to guarantee the relationship is worthwhile for customers, added Laura Davis-Taylor, SVP of Omnichannel Experience at The Integer Group. “Understand what’s going to be valuable to [your advocates] and, based on this, show them that you appreciate and will reward their behavior — even if only with a ‘like’ to their comment or share.”

This holiday season, retailers can create campaigns designed specifically around brand fans and advocates. By crafting strategically defined roles for these advocates, retailers can encourage different kinds of engagement, Pressman said, “whether it’s telling their personal stories, sharing offers or responding to questions/complaints.”



FOUR LESSONS FROM THE MOST CREATIVE SOCIAL MEDIA HOLIDAY CAMPAIGNS

The holiday season is an optimal time for retailers to experiment with new engagement and marketing strategies. It also is an ideal time for merchants to keep their eyes and ears open, and learn from other organizations that think creatively and innovatively. Below, Ekaterina Walter, social media thought leader, CMO of Househappy, and author of the book Think Like Zuck, shares holiday marketing best practices derived from successful social campaigns:

The holiday season is a time when our senses can get a little overwhelmed by all that glitz. While fun for most of us, the holiday season also

presents challenges for marketers vying to get their message across. Here are some top tips for holiday campaigns:

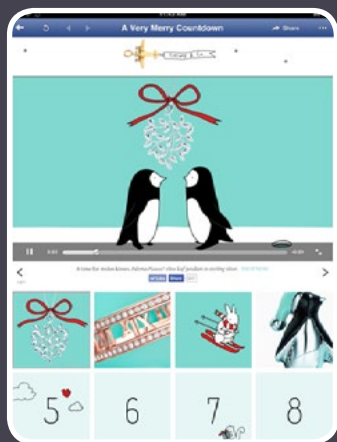
- **Use real-time marketing to wow your audience:** The 2013 [West Jet Christmas Miracle](#) is a lesson in how brands can listen to their customers. Before their flight, a digital Santa asked passengers what they wanted for Christmas. By the time they landed, personalized, beautifully wrapped presents were circling the baggage carousel, to the amazement of the passengers.





Quick tip: By using technology and social media, marketers can ask questions directly to their customers and deliver just what they want.

- **Aim for real engagement on Facebook:** Tiffany's "Very Merry Countdown" Facebook app inspired followers to come back day after day with its whimsical graphics. Each day, a new animation showed products coming to life, with penguins kissing under diamond pendant jewelry and rabbits skiing down strings of pearls. Each image was linked to a product page on the Tiffany's web site.



Quick tip: Make sure your social media campaigns are interactive so your fans are really involved.

- **Add some fun into your holiday campaigns with gamification:** Coca-Cola's Sweater Generator really encapsulated Coke's upbeat ethos. Users were invited to create their own holiday sweaters and share them with their friends, which helped raise awareness of Coca-Cola without being too pushy.

Quick tip: Gamification can encourage your audience to share your message — and holiday themes can be a great source of inspiration.

- **Center your campaign on Pinterest to drive online sales:** With Pinterest expected to exceed the revenue per visit of Facebook in the U.S. this year, retailers cannot afford to ignore its referral potential. Fashion brand Topshop put Pinterest at the center of its online marketing last year with the platform powering its online gift guide and in-store tags marking most-pinned items. Giant touch screens in the Topshop New York and London flag ship stores



helped shoppers interact with the retailer's Pinterest page, allowing them to pin and shop at the same time.

Quick tip: Pinterest can be part of a wider media campaign — use an overarching theme to combine different elements to make a campaign feel cohesive.

With more social media options than ever, retailers are increasingly putting their customers at the heart of their campaigns for more involvement, interaction and engagement.

SOCIAL SANTA: HOW TO OPTIMIZE YOUR STORE FOR THE HOLIDAYS USING SOCIAL MEDIA

By Dr. Gary Edwards, Chief Customer Officer, InMoment

The holiday shopping season is the busiest and most profitable time of year for retailers everywhere. During this relatively small period of time, consumers will pour into stores, filling their carts with gifts and holiday goodies.

But managing holiday store traffic and more importantly, the quality of the customer experience, isn't easy. In many cases, retailers are forced to make compromises that threaten their ability to deliver consistently exceptional experiences to their customers.

There are a lot of ingredients that go into the recipe for holiday season success. Although it can't stand alone, social media can play an important role in helping your brand delight customers during the holidays and keep them coming back for more throughout the year.

Exceeding Holiday Shopper Expectations

Most retailers are in a sort of crisis mode during the holidays. Faced with high traffic volumes, brands are frequently understaffed and rely on seasonal hires to meet customer demand — a necessity that can lead to inconsistent and poor customer experiences.

The key to holiday success is to exceed customer expectations every single time. Although it sounds like a lofty goal, it's critically important for staff to understand the experience the brand is trying to achieve and for the team to work collectively to deliver the desired brand experience across all customer interactions.

With that in mind, social media can be leveraged to monitor your success in delighting customers and to suggest changes that can be rapidly implemented to improve the quality of the customer experience during the holidays.



- **Solicit customer feedback:** Customer feedback is the cornerstone of effective customer experience management. During the holidays, it's important to identify different ways of soliciting and collecting feedback from your customers. From online surveys incorporated into purchase receipts, to in-store social media engagement and other strategies, your ability to capture customer feedback from multiple channels will directly impact your ability to identify and correct shortcomings — and reinforce positive behaviors — in the customer experience.

- **Encourage brand advocacy:** In many ways, brand advocacy is the holy grail of retail. Approximately half of all consumers have tried a new brand based on a social media recommendation, so by encouraging social brand advocacy, you can significantly improve your holiday footprint. One of the ways to accomplish this is by inviting customers who have completed a survey to share their experiences on Facebook, Twitter, OpenTell, Yelp and other social media sites. If the customer has had a great experience with your store, chances are good that they'll want to share their success with their social networks.

- **Acknowledge and fix poor experiences:** Customer feedback isn't always positive and your brand will inevitably receive the

occasional negative social mention during the holiday season. Rather than ignoring or deleting instances of negative social feedback, use them as opportunities to acknowledge shortcomings, perform social channel engagement and rapidly deploy customer experience improvements. When customers see that you are taking their feedback to heart, their level of trust increases and they become even more likely to advocate for your brand.

The holiday season presents tremendous opportunities for your brand. But with great opportunity comes great risk — risk that can be mitigated by leveraging social media to capture feedback and rapidly perform customer experience improvements.



HOLIDAY CONSUMERS LOOK ONLINE FOR SHOPPING CONVENIENCE

By Glenn Taylor

Online spending reached unprecedented heights through the 2013 holiday season, highlighted with a lucrative Thanksgiving weekend that netted retailers a combined \$5.3 billion in desktop spending alone, according to research from [comScore](#).

Thanksgiving Day, Black Friday and Cyber Monday e-Commerce sales all broke individual records in 2013, and a number of industry experts are predicting continued e-Commerce growth during the 2014 holiday season. The [National Retail Federation](#) (NRF), for example, projects e-Commerce sales during the 2014 holiday season to increase by 9% to 12% over last year's numbers.

"We expect to see considerable, continued growth in e-Commerce, including mobile," said Natalie Kotlyar, Partner in the Retail Consumer Products Practices at BDO USA. "In fact, BDO's **2014 Retail Compass Survey** of CFOs found that 64% of retail CFOs expect online sales to increase this year, with projected growth of 8.2%. Consumers are increasingly buying products online, but their in-store behavior is also being heavily influenced by retailers' social and mobile campaigns."

Thanksgiving: To Shop Or Not To Shop

Last year, retailers such as **Walmart**, **Sears** and **Best Buy** opened their doors on Thanksgiving Day to capitalize on holiday sales. While this was a controversial decision, it built in a sense of urgency for shoppers to get a head start through both in-store and e-Commerce venues. In 2014, expect more people to do some after-dinner shopping, or even while at the dinner table.

"When you look at the online shopping trends for Thanksgiving Day by hour, you see this giant spike starting around 6pm and peaking around 8pm," said Jay Henderson, Strategy Program Director at IBM. "Essentially, what you saw was a peak both in traffic and in sales. It mirrored the open times for stores as well as the early promotion rollout that the retailers did for making some of those special deals available on Thanksgiving Day. The net result of what we saw was a pretty successful tactic for the retailers, so I would expect to see the same thing again this year. I think they found a pretty successful way to lure in shoppers earlier and get them to spend a little bit more."





Research from Bronto confirms the continued focus on Thanksgiving Day in 2014. “References to Thanksgiving Day promotions increased in 2013 compared to previous years,” Bronto reported. “Many retailers started Thanksgiving Day promotions between three and four weeks before the actual holiday. This increased focus on Thanksgiving Day as its own major shopping day is likely to happen again in 2014 since the holiday is falling so late in November.” Additionally, “compared to previous years, Thanksgiving Day email volume peaked earlier (at 7am ET) and saw a mid-afternoon and early-evening bump as many stores started opening.”

Weighing The Value Of Shipping, Return Offerings

Strategies that worked for retailers in the past aren’t necessarily guaranteed to be successful in 2014 and beyond, especially when considering costs vs. revenue. For example, free online shipping and no-cost return policies can translate to higher return rates and increased processing costs. To combat this problem, Amazon raised the membership price of Prime for the first time in nine years as a means to offset rising shipping and fuel costs. Consumers should expect more of these cost-cutting efforts from retailers this year, Kotlyar predicted.

“Retailers will be revisiting these tactics as they determine how to reduce their exposure to these costly issues while at the same time enticing consumers with easy and attractive

offerings,” Kotlyar said. “Enhanced ship-from-store and buy online pick-up-in-store programs may be a key component of this year’s strategy, and some e-Commerce retailers are looking to their customers to help offset the cost of ‘free’ shipping.”

Purchasing Through Every Channel

Mobile devices are becoming the preferred devices for many shoppers looking to purchase items online. With smartphones and tablets allowing consumers to browse and shop at their convenience, the 2014 season will continue to see an upward mobile trend.

“When we look at the upcoming holiday season, we see retailers needing to continue to invest in their online presence and make sure that their promotions are available online and promoted through all of channels,” Henderson said. “We see that steady drumbeat of mobile and its increasing importance, not as a monolithic, single channel, but as a set of devices that spans smartphones and tablets with slightly different purposes.”

More than 20% of online sales and 43% of online traffic are expected to be attributed to mobile devices in the 2014 holiday season, according to projections from **IBM Digital Analytics Benchmark**. Retailers have increasingly catered to these mobile options over the past few years, and are going to have to keep up with consumer demands for a consistent experience.

To succeed in the e-Commerce arena, retailers need to be committed to providing the best experience for shoppers. Most (84%) “Best-in-Class” businesses have deployed an e-Commerce solution, compared to only 63% of all others, according to research from **Aberdeen Group**.

“There’s still plenty of room for growth,” said Omer Minkara, Research Director, Contact Center & Customer Experience Management at Aberdeen Group. “While most retailers are focused on establishing consistency between messages delivered across multiple channels, the context (look and feel) also needs to be consistent in order to ensure that customers are having the same experience when interacting with a brand across different touch points. Establishing consistency in both messaging and context are key always, including this upcoming holiday season.”



KAREN KANE TAPS DIGITAL MARKETING TO INCREASE HOLIDAY SALES BY 48%

Karen Kane is one of the most respected names in women's apparel, synonymous with style, comfort and sophistication. The company was created in 1979 by Karen Kane and her husband, Lonnie Kane, who first operated out of their garage in Studio City, California. After launching a successful zebra silk-screen design, the firm made more than \$1 million in its first year of business and moved to a new office in Los Angeles. Due to steady growth and profitability, Karen Kane now operates in a 130,000 square foot state-of-the-art facility in Vernon, California, with corporate showrooms in Los Angeles, New York and Dallas.

The Situation

The holiday season is an important time for Karen Kane to create a spike in sales before the year's end. Karen Kane's goal was to make 2013 the most successful holiday season in the company's history. To accomplish its initiatives, the company needed to develop an effective marketing strategy with the consumer in mind.

Karen Kane began collaborating with ChannelAdvisor's Managed Digital Marketing team earlier in 2013 to make its products more

visible to online consumers through Google Product Listing Ads (PLAs). The company knew that ChannelAdvisor's paid search efforts would play a key role in making 2013 its best holiday season yet.

"Our approach was to increase revenue without sacrificing average unit retail (AUR), and we knew that a strong paid search strategy was needed to accomplish these initiatives," said Michael Kane, Director of Marketing at Karen Kane.

The Solution

ChannelAdvisor's Managed Digital Marketing team implemented a paid search strategy to optimize Karen Kane's online presence and increase traffic to its web site throughout the holidays. With ChannelAdvisor Digital Marketing, Karen Kane could track customer behavior online, modify its strategy to reach new customers and streamline the process to increase conversions.

Because Karen Kane expected an increase in web traffic, the company made sure to create a digital marketing strategy with the right product mix of full price and markdowns.

"We recut some of our best-selling items that we knew would sell at full price and eliminated redundant or unnecessary blanket sales from our promo calendar," said Kane. "We invested a lot more in paid search for the 2013 holiday season than previous years."

The Results

Karen Kane was able to grow its Q4 2013 sales by 48% year over year. Additionally, the company's Q4 sales accounted for 28% of the company's overall 2013 sales.

"Our digital marketing efforts played a major role in driving our holiday business," said Kane. "First and foremost, pricing and assortment is the most important factor in improving holiday performance. It doesn't matter how many customers are visiting your site via paid search or other acquisition tactics if your pricing and assortments aren't figured out."

RFID GIFTS RETAILERS WITH IMPROVED INVENTORY ACCURACY

By Lorna Pappas

As the holiday selling season nears, many retailers still struggle with inventory accuracy — a challenge that could cost millions in lost sales. Cross-channel visibility to accurate and timely inventory availability will be fundamental to holiday selling success.

A sophisticated, item-level inventory management solution featuring Radio Frequency Identification (RFID) provides the visibility required to succeed. With this network technology, retailers can track inventory from replenishment to the store floor, and everywhere in between. The result is minimized out-of-stocks, increased sales and greater customer loyalty and satisfaction.

“Competition will be fierce during holiday 2014, and those retailers looking now at RFID, or streamlining current approaches, will be in the best position to prevail over their omnichannel competitors,” said Ann Grackin, CEO of ChainLink Research. “They also will be able to respond more rapidly to demand fluctuations.”

Grackin flagged **American Apparel, Macy’s, Marks & Spencer** and **Walmart** as among the retail winners using RFID to gain “sizeable

operational, financial and customer satisfaction advantages over competing retailers that are not using RFID. The holiday selling season will further separate these ‘cans’ from the ‘cannots.’”

ChainLink surveyed more than 120 North American and European retailers, many with a global footprint, regarding their motives for adopting RFID. By a wide margin, the top reason for implementing RFID was to improve inventory accuracy. (See sidebar.)

“This makes sense, since improved inventory accuracy is central to driving sales uplift and many of the other benefits and goals for RFID,” indicated the ChainLink survey report, titled: ***The ROI For RFID In Retail***. “RFID enables cycle counting to be done about 25 times faster than traditional manual bar code scanning. Frequent, accurate cycle counting improves inventory accuracy, typically by 20% to 30%, allowing a number of retailers to achieve 99% inventory accuracy. This enables replenishment alerts to be reliably generated, increasing on-floor availability and decreasing out-of-stocks, typically by 15% to 30%. This in turn results in sales uplift in the range of 1% to 10% or more for those categories.”

RFID also will increase a retailer’s agility during the holiday 2014 season: “By reducing the time it takes to perform inventory counts, RFID provides agile, real-time visibility into products on the shelves, as well as actual door location,” stated Jeff Feinberg, Managing Director at Alvarez & Marsal, a global professional services firm. “Accurate inventory visibility is critical to optimizing business management processes and reducing unnecessary losses stemming from poor customer service and product availability.”





With RFID technology, employees can perform inventory counts each day, taking a few hours rather than two to three days. “These kinds of improvements in inventory time allow RFID users to take immediate advantage of inventory data and make real-time decisions on stock availability, as well as reduce the need for investing in unnecessary working capital,” Feinberg added. “Data gathered through real-time inventory is used not only to improve the customer experience and increase sales, but also to streamline operations and reduce overall costs.”

For retailers focused on fulfilling holiday orders from store inventory, “it will be more efficient and profitable for the item to be picked from stockroom inventory, rather than plucked off the sales floor,” advised Marshall Kay, a Principal at RFID Sherpas, a retail consultancy. “Many retailers shipping-from-store for the first time this holiday season have not finished implementing item-level

RFID in their core categories; rest assured this mistake won’t be repeated in 2015. Best-in-class retailers require a very precise picture of back-of-house and front-of-house inventory positions, and they recognize that RFID provides this needed level of visibility.”

Just prior to the 2013 holiday season, Macy’s rolled out the TrueVUE Inventory Display Execution application from Tyco Retail Solutions across the 850-store chain. The implementation laid the foundation for larger RFID initiatives designed to support the retailer’s omnichannel initiatives and overall commitment to customer satisfaction.

Starting in April 2014, Macy’s began to “expand substantially the number of vendors it is asking to ship items that are pre-tagged with RFID,” according to *Fortune*. By the end of the summer of 2013 — well before the 2014 holiday season — “the retailer plans to have half of all replenishment vendors sending RFID-tagged merchandise.”

Pam Sweeney, SVP Logistics Systems for Macy’s reported that “achieving 100% inventory accuracy and ensuring a positive customer experience is paramount to our success.” She also underscored “the undeniable benefits of RFID to achieve store excellence.”

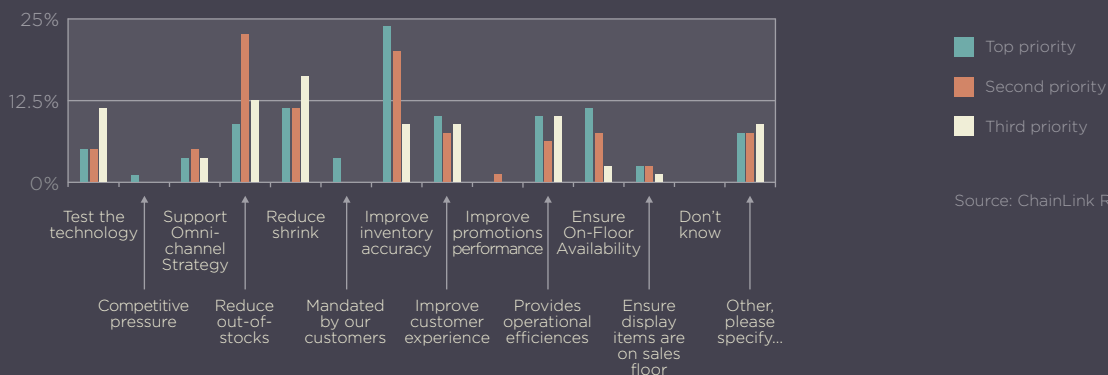
Macy’s is among the retailers embracing RFID for various uses that deliver a compelling ROI. These merchants “have realized that ultimately, success is not about the technology, but understanding what to do with the visibility,” indicated the ChainLink survey report. Success entails “providing accurate new data, capabilities and insights — what business and process changes can be made that have the most value for a retailer’s particular set of products and operating model.”



RETAILERS’ TOP THREE REASONS FOR IMPLEMENTING RFID

More than 120 North American and European retailers told ChainLink Research why they implemented RFID.

THE ROI FOR RFID IN RETAIL What were your top three reasons for implementing RFID?



Source: ChainLink Research

INNOVATION IS ALWAYS IN FASHION AT SOMA INTIMATES

When it comes to making women look and feel beautiful, Chico's has it all covered. For 30+ years, Chico's FAS, Inc., has served the lifestyle needs of fashion-savvy women. Today their portfolio consists of four popular brands: Chico's, White House | Black Market ("WH|BM"), Soma Intimates ("Soma"), and Boston Proper.

Before opening in 2004, Soma envisioned shopping in a place that caters to what women really want. They imagined a unique destination where intimate apparel is not only beautiful and sensual, but also soft and comfortable, to fit every woman's body. Driving their vision was

the mission to become a place known for warm, personal service. And so began Soma Intimates. More than 200+ boutiques later, Soma continues their quest to know their customers more intimately by creating fashion-forward products women desire — and once discovered — cannot live without.

Use Of Innovation In The Store And Customer Engagement

Chico's formula for deeper customer engagement is transforming through innovation — from breakthrough fashions to cutting-edge technology store associates use to better service customers. They have enriched the customer connection by evolving into an omnichannel retailer, recognizing the importance of inventory accuracy to meet customers' changing needs.

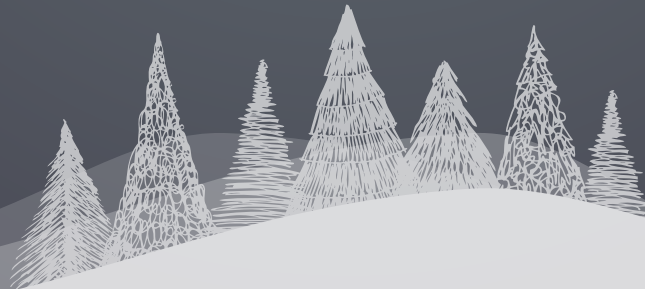
According to Ken Silay, Director, Technology, Research and Innovation for Chico's, "our transformation as an omnichannel retailer is based on having the right network technology platform in place, laying the foundation for RFID

item-level inventory accuracy. Our associates can access accurate inventory information, fostering confidence to create a better customer experience."

Omnichannel Strategy And The Customer Experience

An innovative omnichannel retailer, Chico's is focused on enabling customers to shop anywhere, anytime, anyhow. Having visibility to accurate and timely inventory availability is a mandate across all channels and locations to achieve omnichannel success. Inventory visibility is the fundamental necessity of modern retailing to support omnichannel initiatives and assure the right on-floor availability to help build shopper satisfaction and drive sales. Chico's Soma stores' use of RFID technology currently provides visibility to items across all pilot stores and distribution centers, and within the store, extending from receiving to customer, and through the exit door.

"This core value remains consistent: provide the most amazing customer service," continued Silay. "Innovation is an integral part of our mission to create a great customer experience."



With RFID-based inventory intelligence, we can enhance the opportunity to have the right product available at the right place, at the right time to satisfy our in-store and omnichannel shoppers. Increasing our inventory accuracy helps minimize lost sales and out-of-stocks, keeping our customers happy and associates more productive. On our journey we've discovered innovation is always in fashion."

The Challenges

Traditionally for retailers, annual inventories are costly and potentially disruptive to their daily business. With Soma's relatively few physical inventory counts each year, accuracy could steadily decline over the months until the next inventory. Accordingly, their stores did not have confidence in their inventory numbers. Since intimate apparel is heavily style, size and color oriented, keeping a full assortment always available on the sales floor was labor intensive. The current replenishment process was difficult, lacking accurate inventory visibility on the floor and in the backroom. When associates received shipments they only knew what was in each box by opening it, making it challenging to best serve their customers.

The Solution

Soma launched an RFID pilot project with Tyco Retail Solutions in 13 of their stores to address inventory accuracy and visibility challenges. Their real-time RFID inventory store solution focused on a variety of inventory management processes including weekly cycle counting versus previous annual fiscal inventory, store receiving, daily sales floor replenishment, product location assistance for replenishment and customer service, and exit door monitoring. Soma will deploy a new point of sale (POS) system next year and then add RFID POS transactions.

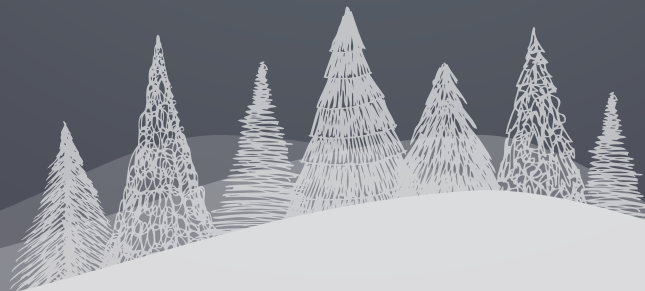
The Results

Soma's RFID inventory initiative delivered compelling results in the pilot store group. Full store inventory counts conducted weekly enable Soma to maintain 90% to 95% accuracy every day. With RFID read points at door exits, they realized a bonus benefit of greater insight to loss items. While shrink previously had not been a significant problem, they gained insight to specific items lost and exactly if and when they left the store. Through automated daily replenishment of the sales floor, associates can

now easily fill in needed merchandise to ensure customers will have what they desire when they want it to prevent customer disappointment.

Even before unpacking items, associates now have visibility into daily shipment receipts for better insight and access to enhance personal service. Having greater inventory accuracy and visibility has increased Soma's store associates' confidence. They are passionate about the new RFID capabilities because it empowers them to do their jobs more effectively and efficiently to assist customers for maximum service.

Soma's focus on accurate inventory lays the foundation for omnichannel retailing for their customers. RFID technology supports Soma's upcoming plans to drive visibility into the entire supply chain from the manufacturer to the customer. Ultimately, what sets Soma apart from the competition is their focus on innovation to deliver a compelling customer experience.



IMPROVING THE MOBILE CHECKOUT EXPERIENCE IN TIME FOR THE HOLIDAYS

By Glenn Taylor

Although overall consumer satisfaction with online shopping remains high, buyers still believe the checkout process should be improved. Just over half (53%) of online shoppers are satisfied with their access to customer service information while checking out, according to the 2014 *UPS Pulse of the Online Shopper Study* conducted by [comScore](#).

As more shoppers choose to complete purchases using smartphones and tablets, improving checkout is more relevant than ever in shaping the overall online shopping experience.

“Mobile is not even close to reaching its full potential across the industry,” stated Natalie Kotlyar, Partner, Retail Consumer Products Practices at [BDO USA](#). “Consequently, we expect that this year’s holiday season will see retailers heavily increasing their commitment to mobile application and platform development so that they do not miss out on its impressive growth potential.”

Many retailers are looking at mobile apps as the answer to the mobile checkout dilemma. Apps tend to engage shoppers longer than e-Commerce sites, making them more palatable for shoppers through checkout. Tablet app sessions are four times longer than tablet web

sessions, and smartphone app sessions are more than twice as long as smartphone web sessions, according to data from [Adobe Digital Index](#).

Additionally, two thirds (66%) of U.S. smartphone owners state that they are most likely to shop at a store that offers an app with a “searchable product catalog, featured sales and a store locator,” according to [The Mobile Mandate](#) for Retail from API technology provider [Apigee](#).

Optimized Checkout Moves The Needle On App Acceptance

There are six features retail apps must have at launch if they expect to be successful among shoppers, according to the 2014 *U.S. Retail Apps Report* from Pivotal Labs. Two of these features have a major stake in the mobile checkout experience: a shopping cart and a universal cart that is consistent across multiple devices.

While the shopping cart is valuable for consumers, the universal cart enables shoppers to begin their journey on a smartphone, continue on a tablet and complete on a desktop or even in-store. This feature will appeal to the 90% of shoppers who use multiple screens to accomplish a task, according to research from [Google Think Insights](#).





Since the lines between each channel are further blurring with every holiday season, retailers must develop apps optimized for checkout at all shopping points.

In-store employees also should be armed with improved shopping apps that offer optimized checkout options. “We need to consider the empowerment of store associates for commerce, as well as more self-checkout being adopted by stores similar to the grocery store model,” said Michael Klein, Director of Industry Strategy for **Adobe Marketing Cloud**. “More and more retailers will find ways to move customers through the checkout process in-store through mobile technology. The best retailers will make sure they weave loyalty, retention and ‘clienteling’ services into these applications.”

Shopping cart abandonment occurs throughout the mobile checkout process for numerous reasons. Most shoppers (58%) say shipping costs increased the total cost of their purchase more than they expected, while 57% of shoppers weren’t ready for a purchase anyway, but wanted to compare the product price against other sites. More than half (55%) of respondents say they aren’t ready to purchase but want to save the cart for later. While these reasons aren’t directly

related to the checkout process itself, retailers would still be well-advised to leverage the app to add bonuses or deals designed to convince the consumer to go through with the checkout.

“Do not underestimate the power of having an app, but make certain you deliver value in it, such as for customer service, loyalty program information, point redemption, or coupling along with an engaging browsing experience that fits the device, potential customer location and individual,” Klein said. “View the app from the eyes of your customer, not your own executive team.”



JUST IN TIME FOR HOLIDAY 2014: THINK DIFFERENTLY ABOUT CART ABANDONMENT

By Carin van Vuuren, Chief Marketing Officer, Usablenet

When it comes to cart abandonment — the practice of leaving unpurchased merchandise in a virtual shopping cart — we are all guilty. That new shirt for work, a timely vacation deal, even desperately needed dog food: all these items and more sit day after day in mobile carts, waiting to leap from basket to pocket.

In 2013, as many as 74% of shopping baskets were abandoned by shoppers, up from 72% in 2012 and 69% in 2011. While cart abandonment has grown due to many factors, mobile's potential to make it easy to "window shop" is one of the most tangible and direct contributors to cart abandonment.

While brands worry that cart abandonment is a symptom of loss of market appeals, experts predict that 63% of abandoned sales are potentially recoverable. Brands must creatively work towards enhancing the virtual shopping experience on one of the most intrinsic causes: everyday human behavior.

We have identified three factors that can contribute to interrupting the purchase journey and contribute to cart abandonment with actionable steps that can help reverse the impact.

1. The Site Is Not Build for Speed

Customers do not just want fast — they *expect* fast. As of 2014, 71% of online users expect websites to load on mobile as or more quickly than on desktop. Customers use smartphones and tablets to accomplish set tasks efficiently, and mobile experiences that are slow risk suffering loss of sales due to cart abandonment.

If sites are too slow, 20% of customers will abandon cart. More importantly, 63% of adults are more likely to buy from a competitor via any channel.

Solution: Every second of delay on mobile translates to a 16% decrease in customer satisfaction. Brands must design for speed on mobile to capitalize on the potential of mobile sales.

To enhance site speed, support your mobile site with proven elements that increase speed: adaptive server-side technology can build optimized transaction capability for each device; simplified dropdown menus to eliminate page loads; and a partnership with a CDN on mobile that adapt to device-specific content and reduce round trips, minimize latency, and provide better connection reliability and load times to benefit the customer's journey experience.



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2. The Cart And Checkout Are Not Optimized

Imagine a brick-and-mortar store with rows of abandoned shopping carts — sounds implausible, right? However, this is the reality of the virtual m-Commerce space, one in which customers leave thousands of items in line for checkout but flee before paying. One of the many reasons that has not been optimized for mobile sales. 35% of customers that grow frustrated with checkout problems abandon carts, all for different reasons. 46% abandon due to complicated registration and login requirements, 56% due to security concerns, and 70% due to unexpected delivery costs.

Although scary, these statistics point to simple and focused actions to streamline checkout.

Solution: To enhance checkout for your customers, make the transaction process as simple as possible. Always provide guest checkout; require only the necessary form fields on checkout pages; and place all fields on one page to eliminate unnecessary page loads and

error messages. Similarly, feature a security logo and progress bar on every page to provide user feedback and make shipping and tax fees transparent throughout the entire shopping experience. For extra convenience, consider offering mobile payment options like PayPal and Google Wallet to reduce friction.

3. The Shopping Cart As A Wish List

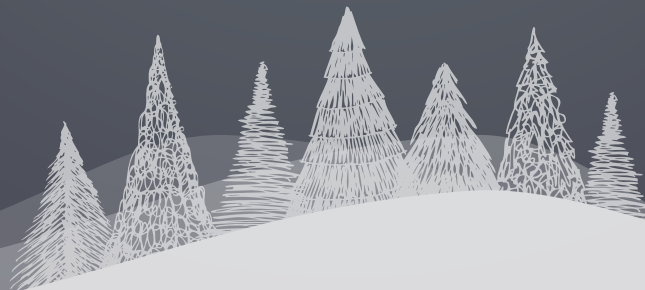
The advent of mobile has befuddled the original purchase funnel. For example, a customer now has the ability to browse an item in a traditional brick-and-mortar environment while simultaneously researching customer reviews on mobile, eventually (potentially) finalizing the purchase on tablet. In a multi-device purchase journey, therefore, mobile cart abandonment does not always translate to a lost sale. Instead, the mobile cart often functions as the modern lay-by feature.

Among frequent shippers, almost 20% use their mobile shopping carts as wish lists. Some companies send targeted emails to remind customers about the items in their cart.

Solution: For companies that want to capitalize on the potential of cart abandonment, brands should create device-specific wish lists that save desired items for later perusal and purchase. To remind customers about items in the cart, deliver both push notifications and reminder emails. Offer discounts and coupons to incentivize the shopper.

An Opportunity Rather Than A Burden

It's time for a mindset shift about cart abandonment. Brands must make the most of their analytics to uncover behaviors and trends across devices. Useful strategies include UX research and conduct AB testing to find exactly where customers are dropping off in the purchase journey. Are your customers simply browsing on mobile? Are they placing items in their carts but never converting? More fine-grained knowledge will help your brand turn the burden of cart abandonment into opportunities to close the sale.



JOY TO THE WORLD! MOBILE COMMERCE IS HERE!

By Alicia Fiorletta

Last year's holiday season saw mobile sales reach an all-time high. Tablet and smartphone traffic made up approximately 35% of all online traffic in Q4 2013 — a 40% increase over the previous year, according to the [IBM Digital Analytics Benchmark](#).

Total mobile sales reached 16.6% in Q4 2013, a 46% boost over 2012. With mobile accounting for a larger percentage of total e-Commerce sales, retailers need to consider how smartphones and tablets will become their marketing sidekicks this holiday season.

"Mobile has emerged as a key component of the omnichannel strategy," explained Natalie Kotlyar, Partner in the Retail & Consumer Products Practice at BDO USA. "According to eMarketer, m-Commerce sales will account for one fifth of total U.S. retail e-Commerce sales. While those estimates may seem to indicate that mobile commerce is somewhat established, there is still enormous, untapped potential to engage consumers via interactive and personalized social media campaigns and in-store experiences."

Before decking out their mobile commerce strategies, retailers need to consider several factors. First, they should consider the screen sizes and device types target consumers are

using most frequently and for what purpose. For example, the IBM Benchmark concluded that smartphones (21.3%) accounted for a larger share of mobile traffic than tablets (12.8%). However, tablets (11.5%) drove more online sales than smartphones (5%).

Online sales from iOS devices also were five times higher than that of Android devices, driving 12.7% versus 2.6%. iOS users spent \$115.42 per order, a notable difference from Android subscribers, who only spent \$83.56 per order.

Making Mobile Relevant To Shoppers

Once retailers have a solid understanding of the mobile device ecosystem, they need to ask themselves: "What does my customer need? How can I make their experience better?" advised Michael Klein, Director of Industry Strategy for Adobe Marketing Cloud. "Don't just deliver an app or a responsive web site because that's what you're mandated to do. Also, require every creative review to be done on a smartphone and tablet."

Adding more value and relevance to the mobile browsing and buying journey can keep customers engaged, encouraging them to interact with online content and products throughout the day.

"As we approach the 2014 holiday season, I hope that retailers are finally viewing the smartphone as less of a 'Cracker Jack' container that serves as a repository of millions of sundry digital applications, and become a truly intelligent device that performs as a server that can manage our world through smart profiling and Application Programming Interfaces," said Gary Schwartz, CEO of Impact Mobile. "As retailers, I believe we should be thinking about connecting our shopper's phone to the Internet of Things (IOT), and our things are the store, POS and products."

As consumers continue to tap into their smartphones while browsing in store aisles, successful retailers will strive to connect the digital and physical worlds to drive sales this holiday season.



After all, shoppers who interact with a brand on digital channels prior to visiting a store actually convert at a 40% higher rate, according to [*The New Digital Divide*](#) report from Deloitte. Digital channels are expected to influence \$1.5 trillion in brick-and-mortar sales by the end of 2014.

Integration, Not Segregation

So how can retailers embrace this opportunity to create highly immersive and connected brand experiences that make the season feel merry and bright? Think integration, not segregation.

"I think it is unnatural to segregate mobile from any other digital or even non-digital commerce experience," Schwartz explained. "The reality is that your shopper is not segregating their channels; there is fluidity between touch points."

This year, companies will have "increased focus on mobile customer touch points within their omnichannel strategies," said Omer Minkara, Research Director of Contact Center & Customer Experience Management at Aberdeen

Group. "For example, we'll see more companies encouraging buyers to download a mobile app that would offer special discounts."

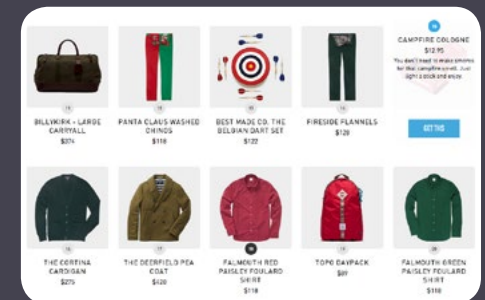
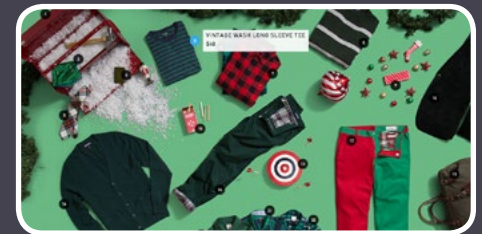
To get the most out of mobility during the holiday season, retailers must focus on the connected, empowered consumer, Schwartz added. "Merchants must leverage wireless capabilities to address human needs; eliminate barriers to purchase; and ultimately capture customer intent and convert it into a sale."



RETAILERS' MOBILE HOLIDAY CHECKLIST

Before consumers start tapping into their smartphones and tablets to browse and buy during the holidays, retailers should consider the following best practices:

- ✓ **Encourage interaction:** Retailers can connect digital channels to the in-store experience by encouraging customers to use their mobile devices and interact with the business, Aberdeen's Minkara explained. For example, [**Walmart**](#) saw success by encouraging customers to interact with special in-store features via mobile, such as a barcode scanner and digital version of the local circular.
- ✓ **Focus on fun events and activities:** Macy's [**mobile app**](#) for the 2013 Thanksgiving Day Parade allowed customers to turn themselves into parade balloons, follow the parade route via the Macy's Twitter account and get real-time updates and surprises.
- ✓ **Add compelling content:** Educational content, including blogs, videos and high-definition images, can help bring products to life. For example, Bonobos partnered with Cool Hunting on the [**Man-tastic Holiday Gift Guide**](#), an interactive display that allows customers to sift through gift ideas such as apparel and accessories.



FIVE BEST PRACTICES TO ENSURE ONLINE HOLIDAY READINESS

By Lorenz Jakober, Senior Product Marketing Manager, Akamai

Last Cyber Monday, [Akamai's data](#) showed that shoppers flocked to retailers' web sites at an all-time, record-breaking rate of 11.2 million views per minute. Meanwhile, m-Commerce grew by nearly 50% between the 2012 and 2013 holiday seasons, accounting for an average of 35% of all online traffic over the Akamai network, leading up to and immediately following the Thanksgiving holiday in 2013. This year, [eMarketer is expecting holiday sales to increase](#) by 15.5%. Are you ready to seize this significant e-Commerce opportunity, attract shoppers to your web and mobile apps, deliver experiences that will result in a purchase, and keep them coming back?

Retailers have a very short window from season to season to make sure they deliver on these promises. It may seem daunting to plan for the holidays — and you might not be able to do it all — but here's a list of best practices that will help you and your sites brace for what will most certainly be another busy holiday shopping season:

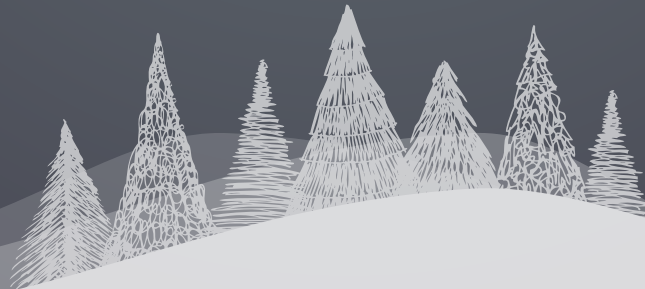
1. Understand how shoppers are accessing your webpage and adopt the customer's perspective:

Do you know how your customers are getting to your site? What is driving traffic that converts? What devices and what network types are they using? Which platforms and browsers are enabling them? You cannot deliver great experiences if you haven't analyzed the various paths site visitors take to your site.

Once you know how shoppers get to you, imagine the experience from their end of the transaction. Consider what the end-user experience looks like and consider how that experience relates to the competition or other Internet leaders. In addition, a simple truth remains — you can't optimize what you can't measure. Gain visibility into end-user experiences by tapping into tools like Real User Monitoring (RUM). With the intelligence gained, you can better optimize your applications and fine-tune them for performance.

2. Optimize the in-store network infrastructure:

Brick-and-mortar networks often leave something to be desired. With their high latency and low bandwidth, they can have a significant impact on in-store web performance, which impacts shoppers' abilities to compare prices and read reviews — and limits overall connectivity and sharing functionality. What's causing these slowdowns? For the most part, it's the network architecture and the type of connectivity available in the store locations. Shoppers are using their devices in your stores — and this is all part of the brand experience. Enable a great experience as customers shop and browse on their own devices, as well as in kiosks or on tablets used by your employees. These channels are all part of your brand experience, so don't leave shoppers, or employees for that matter, feeling frustrated with their in-store mobile experience.



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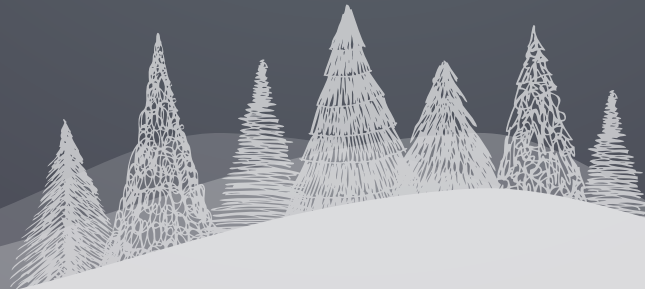
3. Make it blazing fast: Don't make your shoppers wait. Deliver fast, web and app experiences across all traffic conditions and end-user situations. Start by getting content as close to your end-users as possible. The closer the content the faster it will be. For content that can only reside at origin — whether that is your own data center or a cloud provider — ensure that you can accelerate communication between your origin and client. Lastly, look at the application components and see if you can reduce the number of network requests made, the number of bytes delivered, and focus on perceived performance. In other words: how a site can be optimized to accelerate rendering in the browser and hence feel faster to an end-user.

4. Plan for failure: Work with your teams to run site load tests to ensure you can handle peak holiday traffic. In addition, be aware that peak holiday traffic is nothing compared to the amount of traffic that an attacker can direct at your web site in order to knock your site offline. To prepare yourself for this type of attack (called a Distributed Denial of Service attack) consider traffic and request an update from your

network infrastructure team regarding DDoS attack mitigation capacity. Consider upgrading your network firewall hardware, or look into a cloud-based web security solution able to defend against the largest attacks.

5. Keep it secure: Web attackers also will try to capitalize on peak holiday traffic to sneak past web application firewalls in order to steal customer data or merchandise. Now is a good time to ensure that your web application firewall rules are up-to-date. Also consider running a scan of your web site to check for new vulnerabilities, and consider analyzing your false positive rates to ensure that your firewall rules are not denying legitimate users access to your site.

Online retailers continue to face a complex selling environment that is constantly evolving to adapt to customers' wants and needs. With the right resources and preparation, you can ensure a safe and successful holiday shopping season in 2014.



IT'S BEGINNING TO LOOK A LOT LIKE AN ENDLESS AISLE

By Lorna Pappas

Most retailers participating in the 2013 holiday season saw showrooming as black coal in their Christmas stockings. This year they'll respond to the now typical shopping concept with exciting new in-store experiences, such as Endless Aisle shopping.

Large, interactive touch screens and even mobile devices featuring access to "endless" hi-resolution product information seemingly will extend in-store space all the way to the North Pole! As holiday shoppers engage with virtual shelves, store aisles become digital shopping wonderlands that confront showrooming and brand competition head-on.

The newest Endless Aisle and virtual merchandising technologies allow retailers to drop-ship products not available in stores to customers' homes or other locations. Advanced content libraries will go beyond basic product images and specs to focus on real-world product use cases, reviews, lifestyle benefits and more.

Real-time, interactive access to extended brand content, literally at shoppers' fingertips, helps reduce the desire to showroom. Customers have the tools and resources they need to shop

and learn about products on their own, and then can use a "notify a salesperson" feature to request assistance.

Holiday 2014 will *definitely* be the season for Endless Aisle, and not a moment too soon: By 2016, sales influenced by digital are expected to grow to \$1.6 trillion annually, said Maureen Mullen, Head of Research for [L2](#), in a [video blog](#).

A recent [webinar co-hosted by iQmetrix](#) and presented by *Retail TouchPoints* examined the shift toward Endless Aisle and virtual merchandising: "More than 60% of tech-savvy consumers would choose to shop in-store if online services were provided in stores," Alen Puaca, Creative Director at iQmetrix, during the webinar. "By extending shelf space to a limitless number of products and offering access to online product information and content, virtual merchandising is a new and exciting way for customers to shop and experience your brand."



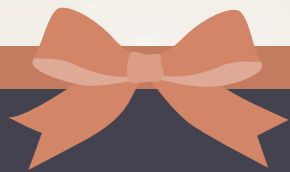


Bringing virtual elements into physical stores provides retailers with added control, flexibility and customizability to the customer experience. In addition, “the tipping point right now for retailers and consumers is that the change is not coming or currently happening — the change has happened already. Consumers are behaving differently. They have established a new norm, but the retailers are still adjusting. I think the retailers still have some catching up to do.”

Retailers that have mastered the mechanics of omnichannel retailing, including Endless Aisle, “will be the clear winners during this holiday season,” stated Jeff Feinberg, Managing Director at Alvarez & Marsal, a global professional services firm. “They will not only be able to

capture additional customers, but also better connect them with actual brick-and-mortar stores. Then, they will use eTailing to enhance the shopping experience, which translates to the ‘upsell of additional products/accessories.’ This creates an emotional connection with the consumer — and a problem has now been solved for the consumer.”

Once consumers see retailers as not only a source to purchase desired products but as true service providers, “that retailer will inspire tremendous customer loyalty,” Feinberg explained. “Add to this the ability of the consumer to price compare, and the retailer’s ability/desire to price-match, and you have the trifecta.”



BRICKS-AND-CLICKS: THE NEW RETAILING STANDARD

Bricks-and-clicks will become the retailing norm of the future, “with every retailer expected to have an online identity as well as a brick-and-mortar presence by 2020,” according to a May 2014 article in *Forbes*. “Nearly 19% of global B2C retail will happen online, with online retail sales expected to reach \$4.3 trillion by 2025, resulting in the emergence of virtual stores, virtual hypermarkets, interactive stores and ‘click-and-collect’ retailing models.”



Wireless Communications Broadens Product Horizons

Wireless Communications, a Verizon Wireless Premium Retailer with 50 U.S. stores, is piloting an Endless Aisle strategy in select locations. Several 32- to 40-inch wall-mounted touch screens provide in-store shoppers with an interactive online catalogue of full brand and vendor inventory.

Now and for the upcoming holiday season, the virtual merchandising solution “allows us to compete with big box retailers,” said Krish Patel, CEO of Wireless Communications, “by providing a wide mix of inventory without actually carrying those products in stock.”

Customers walking into a Wireless Communications store get impatient if they’re not helped immediately, Patel explained. “Now,

if our reps are busy, customers engage with the interactive touch screens while they’re waiting. After a 30-second tutorial, they can start educating themselves about our products, services and various features. It’s a great concept that aligns perfectly with our mission statement and core value, which is to provide customers with an untouchable in-store experience.”

During holiday 2014, Wireless Communications will leverage the Endless Aisle strategy to push holiday promotions by emphasizing products-of-the-week and other key product programs across the digital marketing displays, Patel explained. “The interactive screens also serve as an effective sales tool: Customers can follow along visually as products and services are described. We are now looking to expand this implementation across our organization.”



IDC PREDICTS A RETAIL REINVENTION

In 2014, fast-followers will chase the 50 global retailers already transforming store, mobile and e-Commerce channels, supply chains, merchandising and marketing for the omnichannel customer experience,” indicated an IDC Retail Insights report, titled: **2014 Predictions, Worldwide Retail**. In addition, “e-Commerce and store platform replacements that enable mobile, integrated and interactive experiences will support a 10% Compound Annual Growth Rate (CAGR) in commerce investment through 2017.”

6 ENDLESS AISLE BENEFITS FOR HOLIDAY MERCHANDISING

By Christopher Krywulak, President and CEO, iQmetrix

The holiday season, being the busiest time of year for retailers, presents all kinds of challenges: operational, staffing-related, inventory, promotional and more. With the advent of omnichannel shopping experiences and the merging of online and in-store channels, come new opportunities to overcome these challenges. Virtual merchandising technology — often called “endless aisle” solutions — is one of those opportunities for retailers.

According to [Motorola's 7th annual Holiday Shopping Study \(2013\)](#), 61% of in-store associates offered purchase and ship options, highlighting the need for choice and options across all channels.

What Is Endless Aisle?

In simple terms, “endless aisle” describes a retailer’s ability to incorporate elements of e-Commerce into the in-store shopper experience. More specifically, it means introducing interactive touchscreens powered by a sophisticated content management system, which allow the user to browse through a seemingly “endless” amount of inventory, much like they would when shopping online.

The following are six ways endless aisle improves a retailer’s holiday merchandising:

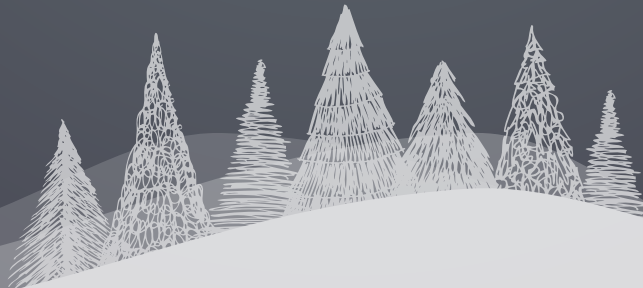
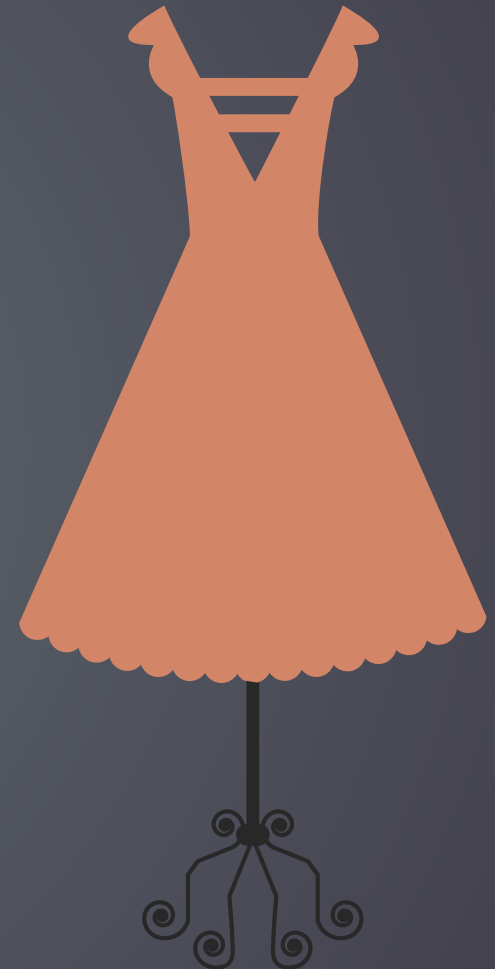
1. Enhance the Customer Experience:

Interactive touchscreens improve the look and feel of a store, create buzz around showcase displays and create an informative and memorable brand experience for shoppers.

- According to the Motorola Holiday Study, “58% of shoppers have a better shopping experience when store associates use (mobile technology) to provide pricing and product availability information.”

2. Reduce Out of Stocks: By introducing virtual inventory, the retailer can extend shelf space beyond what’s available in-store. Even if an item isn’t stocked at that location, the customer can have it drop shipped to the store or to their home.

- Motorola found that “retailers can recover 68% of out-of-stock (OOS) incidents if they... offer shoppers the option to order the items before leaving the store and shipping the items to their homes.”



3. Reduce Perceived Waiting Time: Holiday shopping often means long lines and long waits both for assistance and checkout. Endless aisle touchscreens offer an engaging self-service option to shoppers while they wait and also speed up transaction time — shoppers can narrow their choices before the sales rep comes to assist them.

4. Cope with Reduced Manpower: The self-service option also helps retailers overcome holiday staffing challenges. Customers can peruse merchandise on their own and — much as they would on an e-Commerce web site — view detailed pricing, product, and inventory information, as well as lifestyle features, specs, reviews and more.

5. Introduce a Viable Sales Aid for Staff: Endless aisle touchscreens help sales reps to walk the customer through various stages of the purchase and increase conversions. They also help in training staff on new product, holiday promotions and more.

- The Motorola Holiday Study found that “more than 65% of store associates agreed that they could better serve customers (using mobile) technologies.”

6. Push Holiday Promotions In-Store: Virtual merchandising screens and digital signage make it easy for the retailer to communicate deals and promotions in-store. Using a centralized content management system, holiday promo ads can be assigned to different stores and screens with the push of button.



DATA SECURITY SITS ATOP RETAILER WISH LISTS

By Brian Anderson

With last year's holidays scarred with data breaches at [Target](#) and [Michaels Stores](#), payment security is a primary focus for retailers as the 2014 holiday season approaches — and innovations in technology are making it much easier for them to have their wishes are granted.

“One thing that I think will be significantly different this holiday season compared to last universally will be the way with which retailers monitor their data traffic,” said Jerry Sheldon, VP of Technology, IHL Services. “With respect to the Target data breach there were reports there were internal alarms that were ignored, along with increased data traffic that should have triggered alerts. I suspect that retailers will be watching and be more responsive to internal triggers that data has been compromised. I also suspect that the nefarious element responsible will come up with innovative ways to breach retailers that will highlight vulnerabilities. “

Retailers are now taking a closer look at solutions that offer point-to-point encryption, aiming to fill any security gaps that can cause damage to a brand's image.

“After the security breaches at Target, it has become the de facto that many retailers are saying that they need to have,” said Lynn Holland, VP and General Manager, Retail Payment Solutions, ACI Worldwide. “[Point-to-Point Encryption] is now becoming more broadly available, and the adoption rate will continue to increase.”

Point-to-point encryption is a solution that encrypts card data from the entry point of a merchant's point-of-sale device to a point of secure decryption outside the merchant's environment. This allows companies to reduce chances of fraud, and ultimately increase payment data security.

Another security option for retailers is to implement chip-embedded (EMV) payment cards, which has begun migrating into U.S. merchants and processors payment strategies. This, along with the often complicated task of staying PCI compliant, is bringing data security to the forefront.





“The push to EMV and new PCI standards are starting to create a perfect storm of awareness and a cause for action among merchants,” said Nishi Modi, VP of Product at SecureNet. “Merchants are seeking out partners and technologies that will help them comply with the new regulations and also set them up with solutions of the future that enable them to serve their consumers where they are – online, in the store, mobile or anywhere in between.”

In order to help consumers feel more secure with their payment options, some retailers are giving the shopper control of the payment process — which ultimately helps alleviate stress by cutting out employee interaction. In-store kiosks are just one example of how technology can provide a secure payment method while also offering the shopper control of the transaction.

“Kiosks are going to be a very popular trend this holiday season,” said Chris Ciabarra, co-Founder and CTO of Revel Systems. “This will be for many reasons, but primarily it will revolve around security and giving the consumer control of the actual payment instead of leaving it in the hands of the store associate.”

Standards, Or The Lack Of...

A lack of industry standards is the main hurdle that many retailers face when researching and implementing these types of payment solutions, according to Holland.

Holland added that “when you have a bunch of people driven by different business drivers and needs, it is difficult for payment standards to be put in place in the industry. Retailers, as well as other leaders in the payments industry, have to be more vocal and promote education in order to get industry standards implemented.”

The payments and retail industry also have to band together in order to have any kind of industry standards put into place. A mutual understanding among industry leaders can ultimately lead to a more secure payment structure for retailers.

“The payments industry needs cooperation all along the payment value chain — from the terminal manufacturer to the payment processing program providers,” said Holland, “It’s a complex implementation, but it would definitely slam the door shut and make the retailer’s payment options secure.”



“LEARNING TO EARN” AND “GIVING TO GET”

By Greg Girard, Program Director, Merchandise Strategies, IDC Retail Insights

The customer stands center stage in omnichannel retail. Earning the privilege of relationships, relevance, and reciprocity with today's informed, discriminating, and willful consumers depends on meeting each one's disposition to granting you rights to their private information in exchange for the opportunity to deliver differentiated value.

Contrary to common wisdom, our recent *IDC Retail Insights Annual Shopper Survey* revealed that only a minority of consumers are openly disposed to the “give to get” exchange of private information for the kinds of guidance dependent on a retailer having access to personal information. While most consumers are comfortable with retailers knowing what they've purchased, retailers have to “learn to earn” the privilege of engaging consumers based on their activities on social network, mobile apps, 3rd party apps, and YouTube — sources of data required for context and personalization based on expressed and inferred interests, plans, affinities, and social communities.

When asked to choose in the abstract, shoppers split about equally into two groups, those who choose privacy over relevancy and those who prefer relevancy over privacy, 53% to 47%, a virtual toss up and odds only a gambling house would take. But by an almost two to one margin, 62% to 38%, more consumers feel that they do not have enough control over what retailers can learn about them.

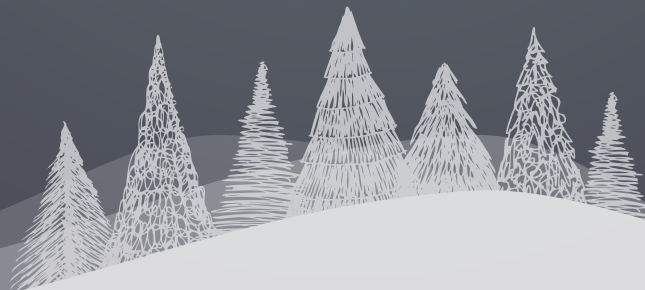
The last stat is worrisome especially in view of the fact that only about 50% of retailers have a formal governance process for managing “give to get” data, creating risks for individual retailers and the industry overall. A few statistics reveal the extent of personal information retailers can access. As reported in the *Wall Street Journal*:

- **3,000+:** The number of shopping tendencies Acxiom measures for every U.S. household
- **700 million:** The number of consumers worldwide in Acxiom databases

- **1,205:** The number of the top 2,150 U.S. web sites where Facebook can track its members
- **2,000+:** The number of times per day a person's online activity is tracked.

Analysis And Survey Results

We looked at nine data types, from items purchased and web site activities, used a “negative to positive ratio” where values greater than one mean that negative sentiments outweigh positive ones — akin to the method news pundits use to handicap politicians, to measure consumers' “give to get” sentiments. Across all shoppers surveyed only two of the nine data types had favorable negative-to-positive ratios of less than one. The remaining seven had ratios ranging from 2.2 (store and web site behaviors) to 4.2 (behavior on third-party mobile apps). Media sites visited, driving patterns, YouTube behaviors, and social network activities earned negative to positive ratios of 3.2 to 4.0.



Consumers segment into three “giving” types — what they will share and four “getting” types--what they want in return. Omnichannel retailers attract each “giving” and “getting” type in different proportions depending on their basis of competition, not based solely on their customers’ age. Among the largest twelve omnichannel retailers those differentiating on service, selling high attachment merchandise, and attracting higher income customers disproportionately attract customers more disposed to “giving for getting”. Those differentiating on value, selling commodity-like products, and attracting modest income customers disproportionately attract customers of the opposite ilk.

Near Term Outlook

In the near term “give to get” will play out within a context five interlocking factors:

- The customer experiences retailers create with the use of customers’ personal information
- Data-security and proper-use safeguards employed by data aggregators
- Development of voluntary industry standards governing the use of personal data

- Acceleration or abatement of the societal trend toward personal data generation (e.g. Wearable sensors), broader sharing, and trading as a currency
- The regulatory environment for collection, distribution, and use of personal data

On the positive side, consumer behaviors associated with “giving to get”, e.g., using five or more connected devices or seven or more apps, are ascendant. Further about three in four consumers trust some non-retail brands, data aggregators such as Google, Microsoft, and Apple included.

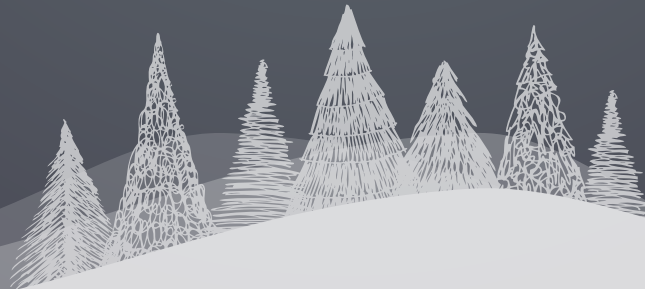
Concluding Thoughts

There are financial and customer loyalty risks in following the common wisdom that your customers are the “give to get” type — disenfranchising customers who prefer privacy. Creating brand and financial value by managing the “give to get” exchange of private information for the right to provide context-sensitive guidance — needs to be managed within the context of the omnichannel transformation of retail: digital transformation of marketing,

commerce, and merchandising, enterprise integration, and fulfillment broadly defined from product ideation to sale and delivery.

Trust in Google presents a paradox--it is the largest data aggregator of the bunch yet it ranks highest among brands consumers trust. In contrast about 50% trusted Amazon, another data aggregator but the only retailer among the brands studied.

From the customer’s perspective it’s a “give to get” proposition; from a retailer’s it’s “learn to earn”. There are green lights for opportunity and bright red lines for danger on both sides of the road.



RETAILERS CAN NOW COMPETE WITH SANTA'S LIST

By Debbie Hauss

For those who believe in Santa Claus, he had it right from the beginning: He knew how important it is to know what people want as gifts for the holidays. While the concept of Santa's magical knowledge may be a fairy tale, today's reality is that retailers now realize they must know their customers on a personal level in order to entice them with the specific products they are looking for.

We're calling it "Personalization" — the new buzzword in retail (although "omnichannel" is still holding its own). But what does personalization mean to each retailer? Personalization can be delivered in a number of different ways for today's retail community, from email or web site segmentation and targeting to tailored SMS messages and offers, and the use of geo-location or beacon technology.

Retailers may want to consider all types of shopper personalization when planning 2014 holiday strategies. Because, the fact is: Consumers now expect retailers to know them as individuals as they move from channel to channel; and they are willing to share their personal data if retailers offer them real value.

The center of many retailers' personalization strategies is mobile technology. "Staying competitive, especially during the peak

holiday season, relies on being able to engage customers at all times, and mobile technology offers retailers an exciting opportunity to do so," said Natalie Kotlyar, Partner in the Retail & Consumer Products Practice at BDO USA. "As retailers employ new strategies such as geo-targeted in-store promotions, as well as fun and interactive social media campaigns, the line between in-store and online shopping becomes blurred, and customers become fully immersed in the shopping and brand experience."





Kotlyar shared an example: “For instance, a potential customer could be enticed by a social media campaign at home that prompts them to visit a retailer’s brick-and-mortar location. Once at the location, the retailer could geo-target the customer’s position in the store and send a personalized email or text message offering a convenient discount for the very item that they are considering buying. Such tactics not only help boost in-store traffic and conversion rates, but they also offer a smooth and well-orchestrated path to the purchase, which is the retailers’ ultimate goal.”

Will Beacon Technology Be The Breakout Personalization Strategy?

It’s no secret among most retail executives that beacon technology has been the talk of the town since the NRF Big Show in January. And Forrester Research has been at the forefront analyzing the potential capabilities of beacon programs. “Empowered buyers demand a new level of customer obsession,” explained Adam Silverman, Principal Analyst at Forrester Research and author of the 2014 report, titled: **The Emergence Of Beacons In Retail**. “Beacon technology is a core part of the retail transformation.”

Forrester explains the potential of beacon technology this way: “For consumers, beacon technology allows for enhanced experiences that are contextual based on location. For

retailers, beacons unlock additional customer insight and targeting capabilities that drive both revenue and improved service.”

So will we see a pickup in beacon implementations during the 2014 holiday season? Well, retailers such as Tesco, Kenneth Cole and Whole Foods already are experimenting with it; and digital coupon marketplace **RetailMeNot** recently entered into an agreement with mall operator General Growth Properties, in order to test new strategies including beacon programs in its 120 locations across 40 states.

Personalizing Inventory & Merchandising

Having the messaging right is only part of the total personalization equation. Retailers also must be able to deliver on the personalization promise. More than half (54%) of retailers are realizing that they need to “create tailored, specific, precision merchandise assortments for customer segment and channel,” noted Bob Heaney, Research Director, Customer-Connected Value Chains for Aberdeen, in reference to the 2014 report, titled: **Rethinking Merchandise Optimization in the Customer-Connected Era**.

“Different customer segments and channel preferences will directly impact which products/assortments to feature and make available, and when to place them in stores or digital storefronts,” Heaney explained. “This raises

concerns, and places pressures on pricing, mix and gross margin. All these vying considerations give rise to the tradeoffs that companies must address to optimize and rethink merchandising.”

It all comes down to harnessing Big Data, added Heaney. “Without a plan to harness and manage this new structured and unstructured data, the company will be hampered by inefficiencies of transaction processing, merchandise placement and gross margin erosion. Addressing proliferation requires the ability to gather, store and process massive quantities of transactional data and to integrate/optimize it via analytics. It requires the ability to store and report on results as well as analysis to predict and forecast trends by segment and customer channel. Harnessing Big Data is the first step on the journey to optimization.”



PERSONALIZATION: 3 THINGS YOU MAY BE DOING WRONG

By Zimm Zimmerman, Vice President, Personalization, Merkle

You've planned your merchandise. Your marketing campaigns are ready. The holidays are upon us. Are you prepared to deliver a personalized experience to all of your customers — across all channels? You might want to pause and double check a few simple strategies that will help improve your customer relationships for the holidays and beyond.

1. Product Recommendation Is Not Personalization

Product cross-sell and up-sell are not personalization, especially during the holidays. They focus on previous searches, current search or similar/associated items; however, it's the holiday season. There is a very good chance that consumers are shopping for multiple people, and if they are not, they are most definitely thinking about it.

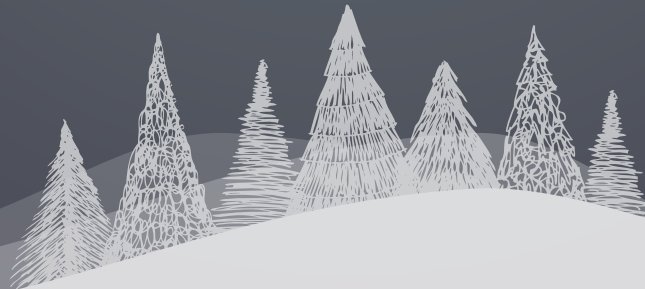
If you already have a relationship with the customer, then you should have a clear understanding of their hobbies, interests, and purchases. With this knowledge, it's time to integrate product recommendations into the customer journey and personalization.

To get started: Update your campaign responses so that they recognize and alternate products according to the customer's immediate needs. As shoppers browse throughout the site, product recommendations change according to the most recent search, click or interaction. Where product recommendations stumble is when they only match the purchase to previous purchases.

2. Missing Thresholds And Frequency Caps

A non-response to retargeting, email or up-sell is still a response. While it is beneficial to provide them simple reminders of the product through emails and retargeting, these reminders can become annoying to shoppers.

To avoid negative responses, retailers must identify the threshold of response to purchases for each form of communication and set frequency caps. For example: Consumers' threshold for email is likely to be 3 to 4 times, while the threshold for retargeting is somewhere



between 5 and 9. By respecting the threshold for each channel, retailers can develop a respectful relationship with customers. This also provides the means to discuss another product, service, or offer with that shopper. The holiday season is about free time, changing ideas, and impulse buys for shoppers. The last thing retailers want to do is spend an excess amount of time and effort retargeting last week's idea for a person's gift that has already been wrapped.

3. Move from Blasting to Interactive Campaigns

You've spent the entire year building your campaigns for the holiday season, but are the campaigns merely a set of dripping email blasts? You can do better.

Customers are waiting to hear from you; however, they are not interested in everything you have to offer. Leverage your email analytics so as to increase customer engagement. For example: If a customer doesn't open an email, it may not be the right message. Keep the content and try a different subject line. If they customer opens the email - but doesn't click through, then move onto the next product. Each email provides a host of learnings, and your campaigns can change according to these learnings. You have time before the holiday

season, so review your campaigns. Any blast and/or drip campaigns should be redesigned into interactive customer conversations.

There is so much noise and distraction hitting your customers during the critical holiday season. The best way to stand apart and win your customers' wallet share is through personalization. Not only will these strategies help you during the holidays, but they will help build loyalty and advocacy throughout the year.



JINGLE BELLS, DOES LOWEST PRICE SELL?

By Lorna Pappas

Consumers will be making their lists, checking them twice and starting their holiday shopping with this thought top-of-mind: “Where can I get a good deal and still receive great, personalized service?”

As retailers make plans to attract consumers and their holiday dollars, they also have some principal concerns: “Will my promotions and pricing strategies win customers but protect margins, optimize inventory, defend me from competitor counterattacks and still deliver great service and customer experiences?”

Retail pricing is a complicated matter: It includes “precision at the most granular levels — across stores, customer segments and channels,” noted a 2014 retail study, co-sponsored by Deloitte, titled: ***Omnichannel: Rethink, Reshape, Revalue***. However, “insights gleaned from measuring differences in demand across customer segments as well as differences in customer behavior across channels allow retailers to develop a tactical framework for setting prices.”

To address concerns and develop tactical frameworks, retailers are embracing a variety of pricing strategies to win holiday dollars, including:

- ✓ Dynamic pricing;
- ✓ Price discovery and transparency;

- ✓ Price matching; and
- ✓ Name Your Own Price.

As the **Wal-Mart** Stores’ “every day low price” model has been threatened by dollar store chains, grocers and online retailers — the mega-retailer announced an amplified online price matching strategy in June 2014.

Over the next few months — and just in time for the holiday shopping season — Wal-Mart will expand the **Savings Catcher** price matcher tool from seven markets to nationwide. The tool also will include thousands of additional products available for price matching. More than 80,000 grocery and household products initially were included in Savings Catcher when it launched in early 2014. The competitor price matching tool now is accessible from the Wal-Mart mobile app.

While some retailers focus heavily on competitors’ prices, others are showing no pricing strategy progress. The Retail Systems Research (RSR) report, titled: ***The Pricing Paradox: Maximizing Margin In A Promotion-Driven Environment***, confirmed that retailers in the “Laggard” category lacked a strategy for meeting pricing objectives.



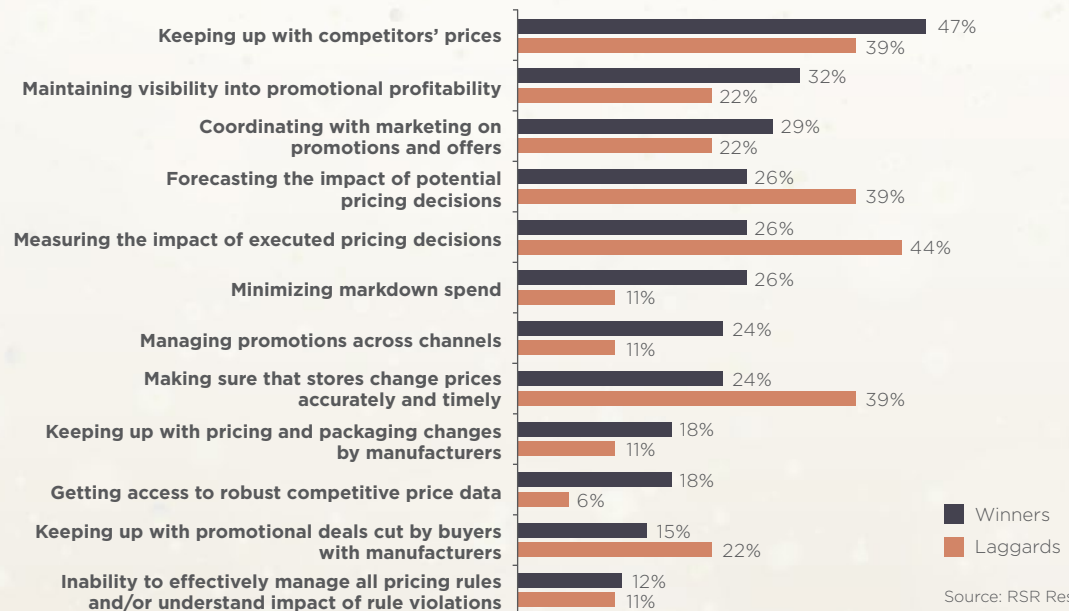
Laggards “worry that their customers will revolt against changes in pricing strategies, and use the excuse of ‘conflicting IT priorities’ to justify lack of progress,” the report noted. “On the other hand, Retail Winners worry about inhibitors that impede implementation of a pricing strategy, rather than the lack of one.” (see chart)

In fact, the annual RSR pricing report indicated that the new No. 1 operational challenge for Retail Winners was keeping up with competitors’ prices, although most had access to robust competitive price data. This may be a reaction to price matching initiatives, such as Wal-Mart’s Savings Catcher tool.

Instead of a range of percentage-off holiday savings and overlapping “loyalty” discounts for using stores’ proprietary cards, “I would

RETAILERS’ INTERNAL PRICING STRATEGY CHALLENGES

Operational Challenges



AN ANALYST’S HOLIDAY WISH FOR RETAILERS

Paula Rosenblum, Managing Partner of Retail Systems Research, offered the following advice for retailers during the 2014 holiday season:

My wish for U.S. retailers is that they slow down the frenetic pace of promotions this holiday season. I also recommend that they forecast the impact their price changes may have, then analyze their effectiveness after the fact. Too many retailers are unable to do either.

We, as an industry, have trained consumers to exhibit very bad behaviors. While I understand that the consumer frenzy over promotions cannot change in a day, I do believe that we can gradually — perhaps over the next two to three years — start weaning shoppers from this addiction.

While it is also my fantasy that the U.S. can return the holidays, especially Thanksgiving, to a time of gratitude at home with family and friends, I recognize I am in the minority, and could never hold back that tide.

challenge retailers to try harder to develop their most compelling pricing on key items,” stated Dick Seesel, Owner of Retailing In Focus. “Sometimes less is more; this strategy might have the added benefit of forcing merchants to narrow their holiday assortments.” As holiday retailers promote aggressively to take market share from each other, “the question is whether these promotions have reached a point of diminishing marginal returns.”

For the 2014 holiday season, price discovery will play a key role, according to Greg Girard, Program Director, Merchandise Strategies, for IDC Retail Insights. “Holiday retailers will use B2B price discovery and revenue management optimization to the greatest extent yet. Opening price point door busters will still gain the lion’s share of consumers’ wallets. But B2C price discovery will play a new role in 2014.”

Price discovery services and news accounts that show some retailers increase average prices for the Gray Thursday to Cyber Monday weekend “will play a role in shaping consumers’ perceptions of deals throughout the holidays,” Girard asserted. “More consumers will receive personalized promotions with curated products and discounts through email, social media and e-Commerce sites.”



SMARTFURNITURE DELIVERS ON CONSUMERS’ PRICING DESIRES

SmartFurniture is an online furniture retailer focused on personalized, curated, design-on-demand products. The company, which offers numerous variations for a single product, markets thousands of customized SKUs that average \$700 a piece.

The retailer’s goal is to provide exemplary service and a unique way to customize high-ticket products so pricing becomes a secondary concern. However, to engage price-sensitive customers and compete against lowest price, SmartFurniture employs a limited-time, Name Your Own Price strategy for selected products.

“The focus of our brand is service and customization, but when pricing is critical to a customer, we give that shopper a way to

personalize price, too,” stated T.J. Gentle, CEO of SmartFurniture. “We have learned that special pricing, especially during the holiday season, helps people pull the trigger on buying. Name Your Own Price is a tactic that provides the opportunity for us to open a dialogue about what customers want to pay.”

The customized pricing solution, provided by PriceWaiter, leverages an in-place SmartFurniture customer service team that reviews shoppers’ pricing offers. A team member personally responds via email with product suggestions and counteroffers. “We opted against an automated price negotiation engine,” Gentle explained, “because personalized responses from our customer service associates add a human element that builds on our brand’s message of great personal service.”

During the 2014 holiday season, SmartFurniture will tackle shopping cart abandonment with emails highlighting the Name Your Own Price option. A pop-up window, also new for the holidays, will address exit intent by enticing shoppers to use the customized pricing tool.

“One of biggest takeaways of our holiday promotions is that everyday low pricing is not a winning formula for us,” Gentle noted. “Holiday shoppers are ready to spend and need to feel like they’re getting a ‘win.’ From a tactical standpoint, the idea of a limited time offer or an exclusive, customized pricing deal seems to convert better for us than always having the lowest price possible. In fact, I personally believe that if pricing is at the center of your holiday retail strategy, you’d better start looking for another business.”

IT CAME UPON A MIDNIGHT CLEAR: FAST, ACCURATE AND EASY TO RETURN

By Lorna Pappas

During this year's holiday season, shoppers will demand the convenience of ordering and receiving products from their channels of choice. Retailers must be ready with accurate end-to-end fulfillment, delivery and returns technologies that assure convenience and satisfaction. They must optimize product distribution from the DCs to stores and homes; stores to homes; online to stores and homes; and other combinations that uphold the omnichannel promise.

While it is important that retailers facilitate these more convenient order delivery practices, merchants also should on becoming more profitable in light of these practices.

Last year, retailers were "heavily focused on offering free online shipping and convenient return policies," explained Natalie Kotlyar, who is a partner in the Retail & Consumer Products Practice at BDO USA. "While both offerings contributed to increased sales, they also resulted in higher returns and processing costs for many retailers. Retailers will be revisiting these tactics as they determine how to reduce their exposure to these costly issues while at the same time enticing consumers with easy and attractive offerings."

After the widely reported shipping breakdowns close to Christmas 2013, "it's clear that many retailers need to work on their behind-the-scenes executions," stated Dick Seesel, Owner of Retailing in Focus. "Start with the premise of under-promising and over-delivering, not the other way around. From there, make sure that the logistics are in place — such as e-Commerce fulfillment centers, freight carriers and ability to handle web and mobile traffic — to provide a seamless execution. Finally, move faster, as many national chains are doing, to use brick-and-mortar store inventories to fill e-Commerce orders on a more complete and timely basis."

A record number of retailers will be utilizing store inventory to fulfill holiday orders this year — and for good reason, stated Marshall Kay, a Principal at RFID Sherpas, a retail consultancy: "A 2014 report by Kurt Salmon analyzing the 2013 holiday season found that shipments sent from stores reached their destination in 2.8 days, compared to 6.9 days for shipments emanating from distribution centers."



Inventory accuracy has a direct impact on the profitability of ship-from-store programs, Kay noted. “When orders get bounced from one store to the next and multi-unit orders are needlessly split, retailers get hurt in three ways: Shipping costs rise, payroll hours are wasted and delivery speeds suffer.”

In addition, many retail executives “privately concede that their current systems do not provide the level of accuracy needed to confidently

introduce in-store pick-up programs,” Kay added. “Competitors offering this amenity during holiday 2014 will have a distinct advantage.”

For example, **Toys “R” Us** has implemented in-store pick-up that allows consumers to collect their orders in as little as one hour.

“It’s all about a seamless, frictionless experience for our customer, so that ability to make the payment online, go into the store, scan the product, get

the product, be out of the store in minutes, is very important,” said Fred Argir, Chief Digital Officer for Toys “R” Us, in [*The Record*](#). The story also stated that a former executive at the toy retailer “began saying several years ago that the company’s future depended on turning its 800 stores into online fulfillment centers to combat online retailers.”

Best Buy and **Walmart** also adopted similar ship-from-store initiatives, according to [a recent article from Retail TouchPoints](#).



LONG TALL SALLY'S CUSTOMIZED TRACKING SITE CREATES THE VISIBILITY CUSTOMERS DEMAND

Long Tall Sally, a specialty eTailer with 24 stores in the U.S. and UK, has enhanced omnichannel fulfillment flexibility with a global distribution system integrated with a dispatch visibility platform from Newgistics. The strategy increases Long Tall Sally stock availability by automatically dispatching orders in a ranking format.

Orders first flow through a dynamic sequence of dispatch points, including DCs and stores, in an order controlled by Long Tall Sally. The system is used in combination with a Newgistics delivery service, which includes delivery reports and a customized tracking web site. As soon as orders are dispatched, customers receive tracking information that links to the Long Tall Sally web site for complete shipping visibility.

“The No. 1 fulfillment capability our customers value most is full visibility of shipments,” stated Kyle Pindar, North American Operations Manager for Long Tall Sally. “By providing dispatch information via email and our web site, we have seen a significant decrease in the number of shipment inquiries coming into our call centers.”

Last year, Long Tall Sally experienced “minimal issues with transfer and dispatching of holiday purchases, due to the order management system,” said Pindar. “We’re seeing a lot of reward in this integrated approach.”

For holiday 2014, the retailer is incorporating an ordering deadline matrix as well as an express return module to enhance holiday shopping convenience.

“Long Tall Sally’s main prerogative for the 2014 Christmas season is to offer best-in-class product, delivery and customer service,” Pindar explained. “We aim to provide customers with everything they desire while meeting our own internal expectations.”

Both retailers ship orders to stores closest to customers, then have the items picked, packed and delivered locally. “Best Buy could generate an extra \$5.8 billion in sales and \$168 million in profit during 2014 by shipping online orders from Best Buy stores,” according to a source quoted in the article.

The Home Depot is in the process of opening three new U.S. direct fulfillment centers to offer a same-day shipping option to customers.

“We want to allow shoppers to place orders by 5pm and choose a one-hour delivery window,” said Mark Holifield, SVP of Supply Chain for The Home Depot. In addition, “customers will be able to receive real-time delivery updates via their mobile phones.” The new direct fulfillment centers represent “one of the largest investments we’re making in interconnected retail.”

While shoppers value fast shipping, they also like free: In an infographic [published by Retail TouchPoints](#), Pitney Bowes found that shoppers actually preferred free shipping (77%) to fast shipping (19%). Similarly, a study by Walker Sands found that consumers would be more likely to purchase products online if they shipped for free (80%) versus if they were delivered within one day (66%).

A May 2014 report from StellaService, titled: [How Leading Online Retailers Deliver Premium Experiences Across Shipping & Returns](#), indicated that retailers still have “significant work” to do to improve even basic shipping and returns processes. Based on 2,855 orders placed with 125 leading online retailers, StellaService examined what separates the best delivery and returns experiences from the rest of the field.

“Ultimately, it’s all in the details,” the StellaService report indicated. For example, “the top performing retailers consistently communicate the status of deliveries and returns, and make the process as easy and convenient for shoppers as possible.” StellaService also studied the level of retailer commitment to quality packaging materials and presentation. (See sidebar for more details.)

The big story this holiday season will be “omnichannel fulfillment flexibility, especially following last year’s final holiday push delivery snafus,” stated Leslie Hand, Research Director at IDC Retail Insights. “Sunday delivery in the weeks before the holiday will become a premium option. Retailers also will get creative with promotion-based fulfillment options, seeking to work with the leading carriers to ensure fulfillment satisfaction.”



KEY FINDINGS FROM THE STELLASERVICE SHIPPING & RETURNS SURVEY

In a study conducted from October 2013 to March 2014, StellaService analysts placed 2,855 orders with 125 leading online retailers to measure the quality of the shipping and returns experience. Key findings include:

- **Shipping:** Of the 2,855 orders placed, 24% failed to meet the criteria for basic shipping. Package fit and damaged packages were the main causes.
- **Returns:** Of the 2,720 returns, 58% failed to meet the criteria for basic returns. Nearly one third (35%) of orders arrived with a prepaid return label in the box, and 85% of those labels were adhesive.
- **Setting The Bar For Returns:** Barneys New York was the only retailer to achieve a perfect score for premier returns.
- **Industry Leaders For Shipping:** Mr Porter, Ralph Lauren and Tory Burch led the pack for premier shipping.

YOU HAD ME AT FIRST CLICK: OWN THE SHOPPER LIFECYCLE FROM CLICK TO RETURN

By Elizabeth Hunter, VP, E-Commerce, Newgistics

When gifting (and returns) is at an all-time high during the holiday season, the methods in which retailers handle each important part of the e-Commerce lifecycle are critical. As retailers strive to become increasingly omnichannel, this means taking a seamless approach to the consumer experience through all available channels or risk losing shoppers to the competition.

This year, consumers will rely more heavily on a mix of different channels than they ever have before. In fact, according to Forrester Analyst Sucharita Mulpuru, by the end of this year, combined tablet and mobile sales alone are expected to total \$114 billion. This number will reach \$293 billion by 2018.

Returns: The Forgotten Touch Point

With more touch points to consider, many retailers are struggling to cover them all with one branded shopping experience. Returns, for instance, are a key part of the shopping lifecycle, but have always had a negative connotation for

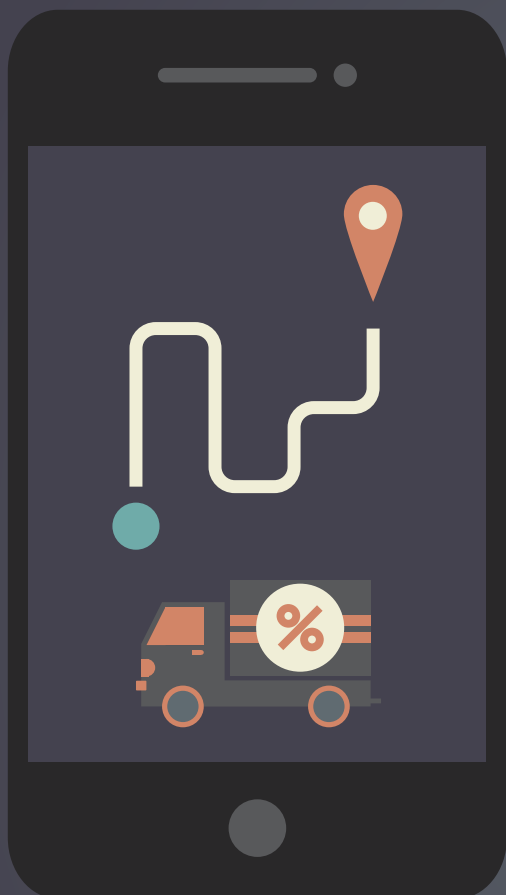
retailers and, as such, are not always considered part of the omnichannel mix. But what if you could create a return experience that was so pleasant and well-received it resulted in another (possibly larger) sale? By maintaining brand control throughout the entire shopping experience, retailers will be at a competitive advantage and will have the opportunity to convert one-time holiday shoppers into brand loyalists. Here are a few things to keep in mind with the holidays approaching:

1. Own the returns process: Many retailers choose to completely outsource the returns process. By doing this you are giving up ownership over a crucial part of the customer experience. Bringing in the experts to help with technology is one thing, but you should still own the process – it allows you to manage customer service and maintain the branded experience that keeps customers happy and loyal.

2. Make the process simple for consumers:

Prepaid labels and multiple shipping options go a long way when it comes to customer satisfaction. An uncomplicated process reduces “trunk time”— the days a return sits in the car until your customer has the chance to take it to a courier. This is critical to satisfying and retaining customers, and not only because it saves them from going out of their way. The sooner they return or exchange a product, the sooner they’ll visit for their next purchase. This could be the difference between a quarterly customer and a monthly customer.





3. Utilize cross-channel communication:

Keeping your customers informed through the touch point of their choice (whether that is their mobile device, desktop, etc.) is crucial if you are looking to be truly omnichannel. It also eliminates customers' worries about the whereabouts of their return, credits and exchanges.

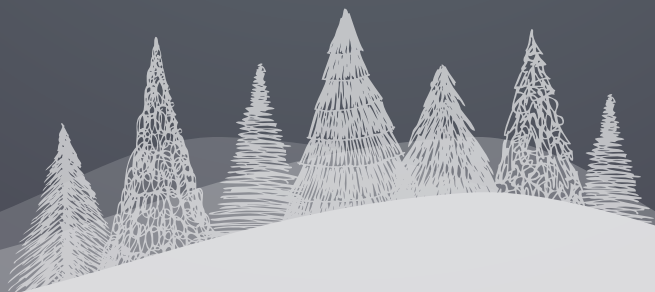
Clean Boutique, an online retailer that sells natural and organic products that keep people healthy, is a great example of a retailer that was able to move its bottom line by owning the returns process as part of its omnichannel strategy. The retailer is now able to own the customer experience from the first click on its web site — all the way through returns. They now ensure orders are delivered in 3–5 days, reducing internal package preparation time 25% and saving up to 25% per parcel on shipping costs. Clean Boutique passes the majority of that savings along to its customers to drive more sales.

Now Put It All Together...

Omnichannel is the arguably the most frequently used word in the retail industry, yet retailers of all sizes are still challenged by providing

omnichannel experiences. In fact, according to the Forrester report, *Customer Desires vs. Retailer Capabilities: Minding the Omnichannel Commerce Gap*, many consumers have been left frustrated by a lack of consistency between shopping experiences online and in retail stores. One of the key findings from the study showed that siloed legacy IT is a significant barrier to meeting the challenge of omnichannel — 35% of retailers cited a lack of technology spanning e-Commerce, mobile and the store as a barrier to success.

Retailers must break down these barriers from the initial click on an e-Commerce site through fulfillment, delivery and returns and be sure that every shopper touch point is covered all the way through to the returns process. One way to do this is to find a technology partner that covers every single touch point in the shopping process rather than using disjointed, piecemeal solutions. There is still plenty of time to make these crucial decisions before the holidays, but you better get started now!



SPREAD HOLIDAY CHEER WITH SOCIAL MEDIA

By Alicia Fiorletta

Shoppers will be basking in the holiday cheer this year with help from their favorite social networks.

Whether consumers prefer to browse their Facebook timelines, Pinterest boards, Twitter feeds or Instagram streams, one thing is for sure: Social will be a key source for gift ideas and inspiration during the 2014 holiday season.

More than two thirds (64%) of consumers tap into social media at least once a day on their computers, and 47% of smartphone owners visit social networks on their devices every day, according to **Nielsen**.

Consumers' desire to share products, recommendations and deals via social networks evidently escalates during the holidays. Most (65%) consumers said they used Facebook, Twitter, Pinterest and other platforms to find the perfect gift during the 2013 holidays, according to **Crowdtap research**.

Through a poll of 1,400 male and female shoppers, Crowdtap also confirmed that of the consumers researching products on social, 67% went on to purchase an item.

To reach consumers on their favorite social networks, retailers are implementing a mix of social media, social good and social commerce

strategies, according to Adam Pressman, a partner in the retail and strategic IT practices at A.T. Kearney, a global management consulting firm.

"Overall, we've seen strategies that focus on engaging and connecting across customers have been quite successful," Pressman said. "It is much more than just having a presence on social media; it's having a plan to engage."

Each social network has valuable features and capabilities that can help retailers add value to the holiday shopping journey. Pinterest offers inspiration, while Twitter creates a seamless sharing experience and Instagram can help generate buzz. But of all social networks, Facebook influenced the most gift purchases (39.3%), followed by Pinterest (19.7%), Twitter (14.4%) and Instagram (9.8%), according to the Crowdtap survey.

Because consumers are visiting a variety of social to address different needs, retailers need to expand beyond standard price- and offers-based messaging to capture eyes and dollars this holiday season, explained Kyle Wegner, Associate Director of Digital Strategy at The Integer Group. "There is so *much* chatter and competition that value will not come from price messages, but solutions-based content. Don't think about a socially driven, quick and dirty price promotion, but a five-second drink recipe instead."





But that doesn't mean price pressures will be completely eliminated. The ongoing desire to find must-have gifts at the best prices will create a "race to the bottom," which will present many challenges, especially in gaining and retaining consumer trust," Pressman noted. However, driving engagement and generating personal connections can help deepen trust and "provide other considerations as part of the purchase process."

Moving forward, retailers will offer greater levels of personalization, as well as tailored content and products, Pressman noted. "As consumers continue to get inundated with content, making things more relevant and easier to process will be differentiating."

Social Engagement: Let It Grow, Let It Grow, Let It Grow!

Social networks empower retailers to connect with thousands, even millions, of customers in real time. While Facebook, Twitter, Instagram and Pinterest seem like opportune channels to disseminate offers and coupons, retailers also can tap social networks to stretch their creative muscles and create fun, cheerful campaigns.

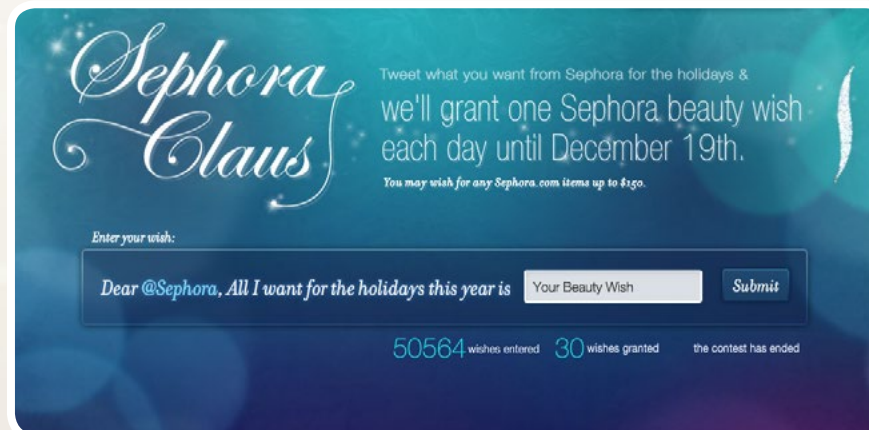
As retailers embark on their holiday marketing journeys, following are a list of best practices from experts and thought leaders in the social space:

- **Know your purpose:** "Don't just do [social media] because you can," advised Laura Davis-Taylor, SVP of Omnichannel Experience at The Integer Group. "Do it because you should. Make sure that shoppers care about what you do and that it's not just noise."
- **Deliver on expectations:** To ensure social posts don't turn into noise, retailers also should design their campaigns and tactics based on shopper expectations, Davis-Taylor explained. "Depending on the segment, they will have different views the role social media has with shopping. Many men don't care much about social for shopping ideas — but most women do. However, men love fun, entertaining content that engages them, and that in and of itself can lead to positive shopping behaviors."
- **Go viral:** Remember Kmart's "Jingle Bells" commercial featuring muscular men adorned in boxers? Of course you do! The retailer took a fun, creative approach to grab the attention of TV viewers. The campaign was so successful, it spread like wildfire on YouTube and social media. JCPenney even participated in a [**snarky exchange**](#) with the retailer via Twitter. But that wasn't Kmart's first foray into viral marketing: The retailer saw extreme success with its [**"Ship My Pants"**](#) campaign.



- **Embrace user-generated content:** By encouraging customers to share photos and feedback via social, retailers can learn more about their shoppers and use these insights for future campaigns. “User-generated content is an enormously undervalued holiday strategy that taps into the way people are already interacting with social media and with each other on social media,” said Grace Ehlers, Millennial Consumer Analyst at The Robin Report. “Help them help you with your holiday campaign by charging them with developing the creative and be the curator of a brand experience that happens organically. Then, partner with social networks like Klout that specialize in influencer groups to make sure your message gets the kind of traction it needs.”
- **Get customers buzzing with social contests:** Retailers such as **Sephora** and **Whole Foods** use contests to encourage customers to engage with their brands during the holidays, Pressman reported. “Sephora’s ‘Sephora Claus’ is a great example of how a Retailer linked Twitter and a contest to create buzz and engagement, while also learning more about what their customers were excited about. Whole Foods also enabled engagement with their ‘Glitter and Gravy’ contest in which users could post their holiday tips to Pinterest boards and the winners received gift cards.”

- **Connect your touch points:** The “My Kind Of Holiday” campaign from **Target** helped drive traffic from social networks to the retailer’s web site. The campaign, which extended across various channels, including TV, radio, in-store and catalogs, inspired customers with stories from guests about their favorite holiday traditions. Customers could even share their own stories using the #MyKindOfHoliday hash tag on Twitter.



BOOSTING HOLIDAY RESULTS WITH IMPROVED EMPLOYEE TRAINING

By Brian Anderson

The holiday season is a vital time of year for retailers to ramp up their workforce management (WFM) strategies. With last year's in-store holiday sales reaching **roughly \$500 billion in sales**, according to the National Retail Federation (NRF), it is a critical time to prepare store associates for spikes in store traffic from Gray Thursday to Christmas Eve.

These days, retailers are focusing on motivating employees to provide the best, highly personalized and memorable customer experiences. "More organizations are thinking about the customer experience more as an attraction than as a shopping experience," said Chip Bell, Founder and Senior Partner at The Chip Bell Group. "Many retailers are now asking themselves: 'If Disney were running our stores, what would the outcome look like?' Taking a page out of Disney's playbook, retailers are now training employees to play more of a cast member role in the brand experience instead of training them to be just another sales associate."

Part of the challenge around providing the best in-store experience revolves around an increasingly educated and tech-savvy array of customers. Consumers research and compare products and prices before even stepping foot in the store — especially during the holidays

when they're strapped for time and are eager to check off their holiday shopping lists. In fact, 65% of holiday shoppers stated in an **Accenture report** that they would webroom during the 2013 holidays, browsing and researching online before going to the store and purchasing their desired product.

This consumer empowerment has motivated more retailers to educate store associates through advanced training programs and comprehensive selling solutions. To meet and exceed the expectations of savvy shoppers, associates' ability to understand products and service offerings has become "more important than ever before," according to David Harouche, President of Multimedia Plus. "Consumers walking into the store have high expectations that associates are knowledgeable about the products and services that they are selling. Making sure that the associate will be able to relay that information to customer is key to success in the holidays."

Holiday shoppers also are expecting an uncomplicated experience, receiving instant access to the tools, resources and information they need to find the product they want, at the best price.





“Since customers are now expecting a more effortless experience, retailers have to equip their associates with the tools they need in order to provide that experience to the customer,” Bell said. “Retailers have always focused on offering an effortless service, but consumer standards are ramping up — so the workforce has to be prepared for it.”

Seasonal workers require the same amount of training as part- or full-time employees. However, the demand for more workers during the holiday shopping season often leaves new training initiatives on the backburner.

Technology, such as tablets and other mobile-based programs, allows retailers to maximize their training dollars by keeping employees on the sales floor while they are in training.

“Companies are learning that they do not have to pay for additional payroll time by taking employees into the backroom and having them watch training videos,” Harouche said. “Instead, new employees can have effective, ‘in-between customer training’ during the busiest shopping months of the year.”

Guitar Center Engages Associates With Gamification

Guitar Center uses gamified sweepstakes and competitions to encourage employees to go the extra mile during the hectic shopping season. While individual rewards programs can boost employee productivity, store-related contests are designed to promote teamwork and consistency throughout the store.

“Brand-wide contests that involve the entire store have shown great potential in bringing associates together and building team spirit,” said Alex Khamudis, Director of Store Labor at Guitar Center. “Task-oriented contests that keep employees competitive — along with the right incentive — can greatly enhance store operations during the busiest times of the year.”

The holiday season can be a stressful time of year for retailers and consumers as well as store associates. Therefore, retailers need to craft engagement strategies that not only create a fun environment for employees, but also encourage them to work harder. Depending on whether a retailer pays hourly, salary, or even commission, employees still need to stay interested, enthusiastic and productive.

“We are a commissioned environment; so the biggest incentive our employees gain out of increasing their productivity is a bigger

paycheck,” Khamudis said. “I think more pay is clearly the biggest motivation, but there are various other ways retailers can leverage contests to keep the workplace fun and competitive at a stressful time.”

Ultimately, employees will be more motivated if they feel they are a part of a larger, thriving community. Retail managers who actively listen to the employees shows appreciation, and this appreciation is what will give the retail workforce an upper hand when the holidays come around.

“The important thing to remember is that people care when they share,” Bell said. “If you can get your employees involved in the brainstorming process of new ideas or strategies, their involvement will make them feel a part of something much bigger — which boosts employee productivity and happiness.”





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