2015

OUTLOOK GUIDE

WHAT ARE THE **GREATEST CHALLENGES** FACING RETAILERS IN 2015?

Insights From The Retail Industry's **Leading Experts**

retail TouchPoints™

2015 OUTLOOK GUIDE: WHAT ARE THE GREATEST CHALLENGES FACING RETAILERS IN 2015?

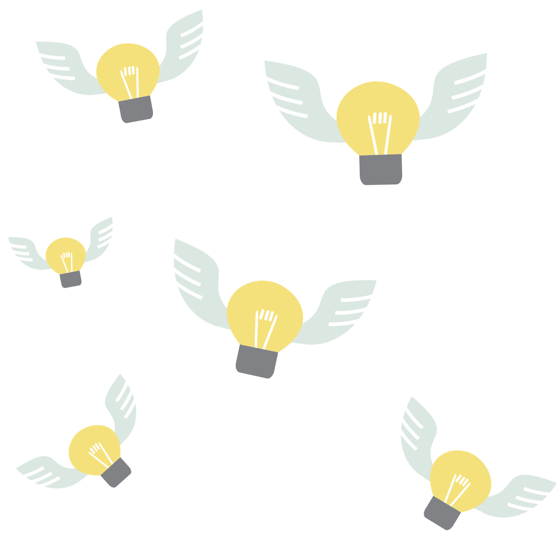
INSIGHTS FROM 15 OF THE RETAIL INDUSTRY'S LEADING EXPERTS

Is 2015 the year for mobile payment saturation? Are retailers really improving the customer experience? What can we expect from advanced personalization initiatives?

These and other questions are asked and answered in the *Retail TouchPoints* ***2015 Outlook Guide***. A total of 15 retail industry experts — including leading industry analysts, consultants and researchers — have shared their expertise and predictions for 2015 and beyond.

This year, we asked some of last year's contributors to reflect on their 2014 predictions before commenting on 2015. You'll be pleasantly surprised at their candor and comments related to past, present and future insights.

Some key topics for 2015 include: Mobile Payment, Personalization, Omnichannel, Pop-Up Stores and improving the Customer Experience. Our experts have contributed tips for executives in all types of retail segments, from specialty and big box to grocery and home improvement.



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4 ACTIVITIES RETAILERS SHOULD IMPLEMENT TO IMPROVE CUSTOMER RELATIONSHIPS IN 2015

Omer Minkara, Research Director, Contact Center & Customer Experience Management, Aberdeen Group

In his research, Minkara covers the Best-in-Class practices and emerging trends in the technologies and business processes used to enhance customer experience across multiple interaction channels (e.g. social, mobile, web, email and call center). His research is widely consumed by senior-level Customer Care, Marketing, Sales and Service executives. Minkara has published numerous industry research papers, which are used by executives worldwide to build and nurture strategic customer engagement programs. He also speaks frequently with global decision makers to discuss their customer management activities.

Terms such as customer experience management (CEM) and omnichannel have been top-of-mind for many retailers over the past several years. This is in response to consumers self-empowering themselves with their increasing adoption and use of technology tools (e.g. smartphones and tablets) to access and share insights influencing their purchase and loyalty decisions.

Faced with shoppers increasingly using digital channels (e.g. web, social media and mobile applications) to purchase products, retailers are challenged with ensuring consistency and personalization of their in-store and digital interactions with consumer groups. In fact, this is the top challenge faced by retail firms within Aberdeen's December 2014 ***Data-Driven Retail: The Path To Maximize The Shopper Experience*** study.

Findings from the same Aberdeen **study** also noted that the consumer purchasing power in the U.S. has worsened over the past several years and as a result, the average annual consumer expenditure has decreased. Considering the globalization of the world economy it'd be appropriate to indicate that retailers in other parts of the world face similar challenges — although we acknowledge that there will certainly be exceptions related to country-specific macro-economic trends.

When retailers' challenge in managing the increasingly digital shopper interactions is coupled with the decline in consumer spend, we have a clear picture. Today's buyers are far more selective when purchasing products and they prefer to allocate their dwindling funds to make purchases from retailers that address their precise needs in a personalized and timely fashion. Retailers that understand this dynamic and use successfully pair data and analytics to yield actionable insights will be the ones that will increase the mindshare and wallet share of consumers in 2015.

Below are four activities we recommend retailers adopt to better meet shopper demands in 2015:

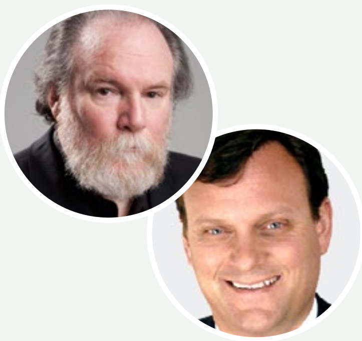
1. **Build a single a view of customer data.** Determine the enterprise systems that capture customer and transactional data in-store (point-of-sale) as well as digital channels. Then use database management tools and work with your IT team to ensure data flows seamlessly across these enterprise systems, enabling employees in your business with a unified view of the customer interactions across all channels.

2. **Use analytics to convert data into insights.** The ability to meet and exceed shopper expectations requires organizations to go beyond simply collecting data. Many retailers are rich in data, but poor in insights. Therefore, it's important to use technology tools such as business intelligence, web analytics and predictive analytics to analyze historical customer data captured across different channels to gauge organizational performance as well as identify changing consumer needs and wants.

3. **Become a real-time organization.** You might already be using analytics to understand historical activity results; however these insights don't help you tailor the current conversation based on consumer needs. Rather, they help to better manage the future interactions, assuming that the consumer is still engaged with your business. To maximize your performance in interactions that take place now as well as the future, we recommend your business to utilize real-time analytics and reporting tools that will facilitate you managing the shopper experience in a more timely fashion.

4. **Don't ignore the back-office.** You might do a great job in creating customer demand however if you don't have the right products at the right places then you won't be able to address this demand. Therefore, make sure to incorporate your supply chain management activities with your merchandising and customer experience management efforts in order to establish a truly data-driven retail program.

BEYOND OMNICHANNELISM: FOCUSING ON EXISTING PLATFORMS LIMITS RATHER THAN DEFINES THE FUTURE OF RETAIL



Ryan Mathews, CEO, Black Monk Consulting and Jim Singer, Partner, A.T. Kearney

Ryan Mathews is the CEO of Black Monk Consulting, a futuring consulting firm specializing in consumer interactions. He is a bestselling author who frequently works with A. T. Kearney.

Jim Singer is a Partner at A.T. Kearney, the global management consulting firm. He is also the head of the firm's New York Office and director of marketing for the Americas. He is the author of A.T. Kearney's bi-annual Social Media Engagement Index, and has written on this topic for Forbes.com, CMO.com and other outlets. He is the author of Five Tools for Managing Future Discontinuities in Strategy and Leadership magazine.

Building an integrated organizational structure capable of working with and through multiple channels is necessary, but not sufficient, to survive and prosper in the hyper-competitive 21st-century retail market.

A century after Gertrude Stein wrote "a rose is a rose is a rose," smart marketers are starting to realize that "a channel is not a channel is not a channel." Call it the paradox of retailing's recent obsession with omnichannelism: Despite their fears, most retailers already have all the channels covered — it's the platforms that will kill them.

There are, after all, only two real channels (places where retail goods and services originate and can be sourced) — physical stores and online. But there are what — at times — seems like an endless number of platforms (ways of accessing and negotiating those channels) — mobile phones, tablets, apps, social networks and what Cisco has branded "the Internet of Everything" — the digital linkages between and among smart objects.

We're not just talking about "smart" refrigerators that restock themselves or smart toilets that monitor your health. Consider the truly "mobile" platform — the car.

In Singapore researchers from the Massachusetts Institute of Technology (MIT) are testing RoadRunner, a system that eases traffic snarls by having cars "talk" to each other through a smartphone-enabled platform and reroute themselves away from congested routes. This October, testing of another car-to-car communication pilot test was begun in Ann Arbor, Michigan as part of the United States Department of Transportation's plan to see that vehicular communications systems are installed in every vehicle on America's roads.

Does your company need a BMW strategy or special tactics for General Motors or Honda? Of course not.

Beyond that, but perhaps just around the next corner, lies what we are calling "the Internet of You" — implanted technologies which will turn the human body into a "smart object" simultaneously and continuously interacting with both the physical and digital worlds. Today this is the exotic and shrouded world of the biohacker, self-styled cyborgs, and grinders.[1] But tomorrow it may be familiar territory to cyber-soccer moms, mecho-millennials, and even a boosted boomer or two.

Just as it is no longer science fiction, but rather science fact, to conceive of a world where cars warn each other of traffic backups, we need to understand that there are already people out there with chips implanted in their bodies that adjust lighting, open doors, and monitor a variety of bodily functions. In fact, it has been more than a decade since the Food and Drug Administration gave Applied Digital Solutions of Delray Beach, Florida final approval to market its VeriChip for medical purposes.

So what is a retailer to do?

Should your company have someone in charge of sales through mobile devices and another in charge of social networks and blogs? Perhaps you should create a vice president of Google Glasses or iWatches or the broader

[1] For more on cyber bio-modification see Julianne Pepitone's July 11, 2014 post on NBCNews.com, "Cyborgs Among Us: Human 'Biohackers' Embed Chips In Their Bodies," accessed on October 21, 2014 at **http://www.nbcnews.com/tech/innovation/cyborgs-among-us-human-biohackers-embed-chips-their-bodies-n150756.**

category of wearable platforms. Possibly you should even consider hiring a subject matter expert on marketing through subdermal implants.

Of course we're exaggerating. Or are we?

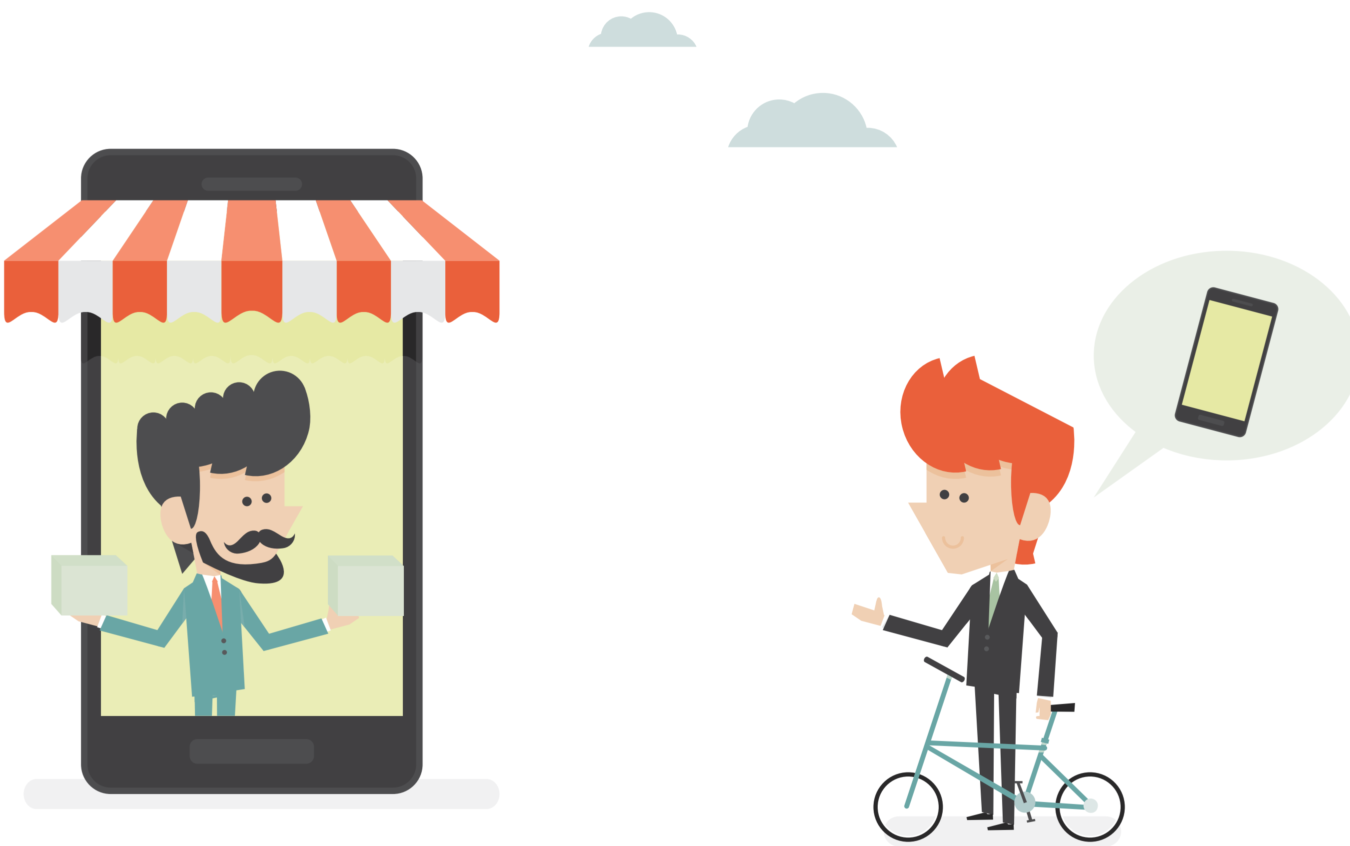
Remember our initial distinction between real channels — the physical and the digital — and the platforms used to access those channels. All organizations need to ensure the seamless integration of their brick-and-mortar stores and online presence. And yes, each platform does have unique characteristics and requires an equally unique set of strategies and tactics.

Engagement, for example, may be the correct approach to social network platforms while mobile platforms might benefit more from impersonal software interfaces that help locate a customer in space and time.

But the bottom line is still relatively simple.

Going forward retailers need to have organizations that are channel agnostic. Customers, after all, think in terms of need satisfaction, not channels, platforms or devices. How items or services are sourced will always be subordinate to getting the product or service they want.

While the number of platforms available for conducting transactions isn't infinite, it might as well be. Retailers have to get out of the mode of playing catch-up with each and every new technology and then standing around congratulating themselves on being on the cutting edge of change as a dozen new platforms emerge out of the shadows.



TRENDS FOR 2015 (AND HOW OUR TREND PREDICTIONS DID LAST YEAR)

Robert Passikoff, Ph.D., Founder & President, Brand Keys, Inc.

Robert Passikoff is a speaker/thought leader on engagement, loyalty and predictive metrics. His best-selling book, ***Predicting Market Success***, provided marketers with a 21st century perspective on loyalty. His new book, ***Branding In The Digital Age***, will be published in 2015.

When it comes to the future, it's been said that there are three kinds of marketers: Those who let it happen, those who make it happen and those who wonder what happened. To help more marketers end up in that second group, as we do every year, Brand Keys collected loyalty and engagement metrics from over 100,000 consumers to identify 14 trends we predicted would emerge.

Not all of the 2014 trends specifically applied to retailers, of the nine that did, all nine showed up on research radar and retailers' bottom lines.

Consumers Expect More: For all categories, expectations grew by 5% this year. It was 16% for retail brands.

Brands Are More Important: In a national study, 70% of consumers were more likely to buy on brand, not dollar.

Brands Will Get Emotional: Decision-making is more emotional than rational at a ratio of 70:30. If you doubt that just look at how luxury retailers market.

Targeting Becomes Personal: Online retailers increased sales by knowing customer interests and concerns, enabling them to extend additional offers from product portfolios.

Digital Done Right: Up to 60% of adults don't go an hour without checking their smartphone or tablet.

Mobile Will Optimize: 20% of retailers offer location-based apps — up 7% from last year.

Video Becomes Mainstream: In the past year, 40 department stores produced and released at least one shoppable video.

Integration Intensification: Traditional and social have integrated. In two years, the value of social shopping will double.

The Funnel Flattens: The purchase funnel turned into the path-to-purchase, which has turned into a more-linear multi-path-to-purchase.

Additionally, here are the 15 critical trends that we predict will become brand realities in 2015:

1. **Everyone Of A Kind:** Consumers will crave more customized and personalized products and experiences. This will be fueled by...
2. **Magnified Human Technology:** Digital and mobile in all forms will fuel the sense of empowerment and possibility for individual consumers.
3. **Real Brand Engagement:** Marketers will link "engagement" to how well the brand is perceived versus their category's ideal. Counting friends or "likes" won't cut it.
4. **The Everything Expectation:** The ability for brands to measure real, unarticulated and constantly expanding emotional consumer expectations will provide significant advantages to engage, delight and profit.
5. **Real-Time Becomes Real Important:** Increased real-time expectations will spread to areas of product availability, delivery and customer service, all becoming more important influencers in purchase decisions.
6. **It's Still The Brand, Stupid:** Increased consumer expectations will be accompanied with products and services perceived as commodities. Brands will need to differentiate and stand for something meaningful, emotional and important to consumers.
7. **Category Is King:** To engage smarter, high-expectation consumers, brands (including retailers) will need to be smarter about category-specific emotional values that they can leverage and believably own.
8. **Brands Will Continue To Get More Emotional:** Successful brands will identify emotional values and utilize them as a foundation for meaningful positioning, differentiation and a foundation for authentic storytelling.

9. **Non-Fiction Storytelling:** Storytelling is fine, but the stories brands tell must reflect real consumer values as well as category realities that meet consumers' believability criteria. Otherwise, marketers may end up entertaining consumers, but they won't end up engaging them.

10. **The Closing Of The Showroom:** The consumer will use five or more online sources to facilitate actual purchase decisions, reducing reliance on traditional brick-and-mortar. But having identified that trend…

11. **High-End Shoppers Expect High-Tech Shopping Experiences:** Retail will see a seamless transition from human-only service to digital assistants and virtual valets. Watch for more RFID, beacons and touchscreens to supercharge the shopping experience.

12. **More Multiculturalism:** As ethnic groups grow, brands and retailers will integrate a sense of culture and culture-specific brand experience with all forms of outreach.

13. **Online Authenticity:** As the Internet of All Things matures, consumers will expect greater personal and purchase data security, which will become a confidence builder for online sources and the brands using them.

14. **Dead-On Digital:** Brands will shift their digital platform question from "should I be here?" to "what should I do now that I am here?" Success will link to contextual relevance, not just outreach.

15. **Going Native:** Content marketing will continue to become a specialty unto itself. Tools like the Digital Platform GPS will optimize placement and resolve issues related to native advertising, digital delivery platforms and shorter consumer attention spans. Metrics will move away from counting the number of views, sharing and likes toward, real engagement.

CUSTOMER CENTRIC ENGAGEMENT: AN OMNICHANNEL PERSPECTIVE

Bryan Amaral, CEO and Principal Consultant, Clientricity, LLC.

Clientricity is a retail and retail technology consultancy focused on omnichannel customer-engagement, retail strategy, management consulting and selection, development & implementation of retail technologies. Amaral is an accomplished retail executive, visionary customer-centricity entrepreneur and Clienteling, Loyalty, Mobility and CRM expert with more than 30 years of retail and retail tech experience. As CEO of Retaligent and ImageWare Technologies, and as VP of Mobile Clienteling and Personalization solutions at Symbol Technologies (Motorola), he's led strategic, transformational consulting engagements and designed/implemented next-generation customer-focused solutions for global retailers.

Technology has transformed commerce in ways we couldn't have imagined a decade ago — for consumers, retailers and vendors alike. Looking ahead to 2015, the pace of innovation and retail reinvention will continue to accelerate. Faultless execution of an omnichannel **customer-centric** strategy is essential for keeping customers, gaining market share and enhancing profitability.

At the center of that strategy is the realization that disruptive forces of technology have put the consumer in charge — ably armed with social reviews, competitive pricing, local availability and other mobile enabled capabilities. In an "always-on" world, as much as 50% of sales are being influenced by digital interaction. Customer-centricity puts the customer at the nexus of retail strategy, a welcome change after years of depersonalized store formats and inattention to customer satisfaction. In 2015 we'll see savvy retailers finally starting to master their new reality, cutting through the hype and deploying the best new customer and associate-facing solutions, supported by enhanced business practices and training approaches. In the year ahead, we'll see more industry leaders implementing programs that measurably improve top line sales, increase associate productivity, while delivering a better customer experience built on a relevant persistent dialogue with their customers.

Today's connected consumers expect the brands they shop to intimately understand their needs and want be engaged consistently across all channels with personally curated content. To maintain customers and gain market share, retailers are exploring ways to connect with customers using data and "demand signals" gained at every customer touch-point to assess intent and deliver a personalized differentiated experience. If retailers hope to execute successfully on this new agenda, they will need to quickly integrate and synchronize every aspect of their entire retail enterprise with a comprehensive customer centered infrastructure and selling culture. Delay and customers are likely to defect to a competitor with better service or more thoughtful engagement strategies.

SEEKING CUSTOMER-CENTRICITY

While it's become a popular catch-phrase, retailers are grappling with the fundamental operational and cultural shift necessary to achieve true enterprise-wide customer centricity. 21st Century retailing requires the traditional retail model be turned on its head. Instead of executing strategies against a portfolio of products and hoping to find customers, today's customer-centric leaders focus on a portfolio of loyalists, providing curated products and services that meet their distinct individual needs. A winning customer-centric strategy means 1) Designing engagement practices that *take absolute responsibility for a customer's satisfaction throughout the entire want it, buy it, use it experience* and 2) Deploying relationship enhancing technologies tools that translate individually articulated customer preferences, lifestyle information and product knowledge into high-value shopping experiences.

Unfortunately, many retailers still look to point solutions for a quick fix. In the year ahead, we hope to see more retailers develop an all-encompassing customer engagement methodology with the goal of aligning the corporate, marketing and online vision with exacting in-store execution. Enabling this brand differentiating vision at the store-level means retail associates have mobile access to rich customer and product information and innovative sales tools to meet ever-demanding customer expectations. Without mobile-empowered associates, retailers can expect unpredictable service levels, unrepeatable customer experiences, dissatisfied customers leading to diminished store performance.

THE TECHNOLOGY ENABLING CUSTOMER-CENTRICITY

Underlying any successful customer-centric initiative is a robust retail technology platform. At its core is a multi-dimensional customer, transaction and product database, providing a 360-degree view of the customer. This repository is comprised of data from POS, product inventory, merchandising, credit marketing and e-Commerce. Integrating back-office BI, campaign management and digital marketing tools with in-store clienteling, loyalty and product recommendation solutions can transform this underlying data into actionable knowledge.

Armed with the right tools, retail marketers and store operations can partner to identify new multi-channel campaigns and deliver highly-relevant personalized offers directly to customer devices via mobile beacon technology or prompt associates to take specific actions via clienteling.

THE CUSTOMER-CENTRICITY PLAYBOOK

- ***DEFINE:*** *Define and institutionalize operational best practices ensuring consistency across the brand franchise. Think about the customer journey and optimize for maximum value.*
- ***UNDERSTAND:*** *Analyze customer buying behavior. Identify opportunities to create personalized value propositions and promotions targeted to specific customers using favored channels (online, mobile app, store).*
- ***TAKE ACTION:*** *Deploy mobile clienteling, loyalty and assisted selling tools that support operational best practices and integrate with e-Commerce, marketing and operational platforms. Invest in change management to transform the organization and inspire associates to leverage customer and product data during every client interaction. Develop innovative workflows with intelligent self-service technologies and smart phone apps that approximate expert assistance.*

DOES THE RETAILER WHO PROMOTES FIRST, WIN? NOT ALWAYS

Jim Dion, Founder and President, Dionco

Jim Dion is an internationally known consultant, keynote speaker, trainer, author and one of North America's leading experts on consumer trends, retail technology, selling and service, retail merchandising and operations. He started his retail career in 1964 in a men's wear store in Chicago. From 1975 to 1980 he was employed by Sears Canada in Retail Management. He was promoted to Buyer, Jeanswear and was responsible for buying and marketing for 68 retail and 958 catalogue stores. In 1980 he became National Sales Training Manager for Levi Strauss. From 1985 to 1988 he was Executive Vice President of Gilmore's Department Stores in Kalamazoo, Michigan, where he repositioned a 106-year-old chain in a highly competitive retail environment. He has authored the retail selling manual, titled: ***Retail Selling Ain't Brain Surgery, It's Twice As Hard***. In addition, he has co-authored ***Start And Run A Retail Business*** for Self-Council Press and is the author of ***The Complete Guide To Starting And Running A Retail Store***.

In *Retail TouchPoints'* 2014 Outlook Guide, I noted that many retailers would strive to grow their businesses by joining the race to the bottom. Meaning, that they would focus most on lowering price, leaving customers skeptical of what an every day price was and how valuable a discount really was.

Consumers not only have the ability to use their smartphones to track pricing and promotions, but the process also is becoming more social. They're going to Facebook and are commenting about prices and deals, and are becoming more skeptical about what regular price is and whether discounts and offers truly are fair.

We definitely saw hints of skepticism during the holiday season, when retailers became more aggressive with their "holiday creep." About three years ago, we saw Black Friday move into Thursday night, when Wal-Mart said they would open stores on Thanksgiving evening. Then Target and others followed shortly behind. In 2014, retail marketers asked how they could get an edge over competitors and decided to start their promotions even earlier in the week.

There's a belief in the retail world that he who promotes and gets to the consumers wallet first wins. So that's what a lot of retailers are trying to do now. On the web, they have sophisticated algorithms that look at pricing by the second. They're moving up and down and adjusting it based on demand and what competitors are doing. And in the brick-and-mortar world, retailers are bound by traditional advertising and are always thinking about and trying to beat their competitors by even a day.

Retailers are all trying to get ahead of each other, and are responding by providing deeper and deeper discounts and are doing so earlier and earlier in the holiday season. And they're doing so almost to the point of absurdity. They're not going out with a consistent message to the consumer, they're going out in panic mode, with guns blazing.

REACHING A PRICING AND PROMOTIONS TURNING POINT

In my opinion, 2014 was the year retailers jumped the shark on holiday advertising. Consumers were saying if these deals are available on all other days, why should we buy now and not just wait to get a better deal?

The 2014 holiday season was a real tipping point for retailers. They realized that the consumer always wins. Consumers held off to get the best price and, in turn, retailers discounted even deeper, which always leads to no or very low margins.

In a way, I believe 2015 will be a transitional period for retailers. While some retailers will continue to double-down on discounting, others are going to focus on investing in the customer instead of trying to stay one step ahead of the competition. Investing in the customer means having a really great loyalty program and recognizing how important it is to keep your customer close to you.

It can no longer be just about price, price, price. Retailers need to realize what they're saying to their consumers and what their customers are hearing. If they're constantly going out with pricing and promotion focused messages, there will be no happy ending for them.

The retailers who are going to thrive in 2015 are going to look at their entire promotional calendar and messages, and they're going to realize there's a better way to communicate with customers other than focusing on price. Retailers need to find other ways to differentiate.

I always point to The Container Store as a shining example of a retailer that has invested first and foremost in its people. In the end, this creates a great experience for the customer. If brick-and-mortar is going to survive, it's going to survive based on the quality of the people in the store.

In addition, I think more retailers are going to explore ways to invest in store technology to better understand the customer experience. In-store analytics solutions allow brick-and-mortar retailers to have access to that type of data that only online retailers had access to. The more retailers can understand their customers, the better off they're going to be.

Customers are in the driver's seat. If we don't understand their motivations and psychologies, we're going to be in trouble.

CREATING A FULFILLING OMNICHANNEL EXPERIENCE IN 2015 AND BEYOND

Eric Feinberg, Senior Director, Product Strategy, Answers Cloud Services

In his position, Eric Feinberg works with product, delivery, sales and marketing teams to ensure Answers Cloud Services brings innovation and operational excellence to its offerings. Since joining ForeSee in 2004, he has contributed to the organization's strategic growth, particularly providing leadership around mobile solutions. Feinberg is an elected board member of the Digital Analytics Association (DAA) and an adjunct professor of mobile marketing at the University of California, Irvine Extension.

There are a variety of different trends emerging in the retail landscape that will take full shape in 2015. These trends include:

- Optimizing the omnichannel fulfillment experience
- Bridging the associate-consumer communication gap
- Identifying and personalizing unique shopper journeys
- Understanding the impact of consumer-brand dialogue

ADDRESSING THE ASSOCIATE-CONSUMER DISCONNECT

The biggest thing customers are going to demand in 2015 is increased fusion between the online and offline worlds. The need to create an integrated experience will materialize as fulfillment options like buy online, pick up in-store and even same-day delivery proliferate.

In this day and age, shoppers want instant gratification for the product they're buying online. They want it as soon as possible. To ensure success, in-store employee training will be key.

In fact, I'm hearing more and more about how the customer and employee experience collide, especially from VPs of e-Commerce. There's currently a significant gap between what the employee is trained to do and what the customer demands. This results in a disconnect between employee satisfaction and customer satisfaction. VPs of e-Commerce have no choice but to depend on their store ops counterparts to fulfill the dream and expectations they're creating with capabilities like buy online, pickup in-store, and they're not.

We're going to see more data points regarding this topic, and the industry will be publishing more of these insights. For example, Answers is evaluating employees in retail stores, and then speaking with consumers of these same locations at the same period. Then, we'll start to link when both employee and consumer satisfaction are high, and whether that leads to business growth and higher average order value.

It all comes down to training and educating employees about the consumers who walk into the store. It's not a fair fight when a customer has high expectations and an associate doesn't know to address them.

UNDERSTANDING AND ENGAGING AT DIFFERENT STAGES OF THE CUSTOMER JOURNEY

As consumers' omnichannel browsing and buying behaviors continue to evolve, the idea of mapping the customer journey will become more prevalent through the end of 2015.

Retailers are trying to discover where and when consumers are engaging with them and why. Although some are making moves, not enough are doing it currently. Every company is going to need to be great at that by the end of 2015.

The retailers that are a little ahead of the game are already engaged in journey mapping, but the next step for a retail marketer is to deliver segmented marketing strategies that speak to different units of that customer journey.

This ties to the concept of understanding how consumers engage with your brand, and the different ways dialogue takes place throughout the buying journey. For decades, retailers have invested in the voice of the customer (VoC). But a natural extension of this concept of listening to the consumer voice is the idea of consumer-brand dialogue, which is a real and measurable thing.

The consumer-brand dialogue describes the three separate conversations happening simultaneously in the marketplace: consumers talking to brands, brands talking to consumers and consumers talking to each other about those brands and their products.

For retailers to be successful, they have to recognize that the consumer-brand dialogue exists and that there's only so much they can control in the decision-making process. After all, consumers don't only talk to consumers on the retailers' web sites. They do it on social media and elsewhere.

SINGLE TRANSACTION ENGINE: NEXT BIG WAVE IN POS

Jerry Sheldon, Analyst, IHL Group

In addition to having a Bachelor of Mechanical Engineering and a Masters Degree in Mechanical Engineering from Georgia Tech, Sheldon also has an MBA from the University of Miami with a specialty in Marketing and Marketing Research. He brings 16 years of business experience in engineering and management through assignments with Pratt Whitney - United Technologies, Georgia Tech School of Mathematics, and Milliken & Company. In his previous employment he was managing a stress testing laboratory on the Space Shuttle engines. In the field of retail technology, Jerry has researched and authored analyst reports on Mobility, Price Optimization, POS Software and Hardware Systems, Printers, and WFM Solutions. Jerry also provides the development expertise and analytics that go into IHL's Sophia Retail Technology Database, Worldwide POS Vendor Database and our Retail IT Spend model.

The next big wave in POS is the move toward a single transaction engine — ultimately the morphing of the e-Commerce platform with the store POS/mPOS. As customers continue to engage across multiple channels and platforms, retailer recognize the need to respond in a cost-effective manner with a single business logic that can both be used across multiple platforms and with the flexibility which allows consumer to engage as they wish.

Most vendors have yet to provide this single integration as very few offer solutions across multiple channels. but we anticipate this evolution will rapidly accelerate. With the large number of vendors in the e-Commerce space, a single transaction platform is one of the single largest drivers toward consolidation.

One of the underlying drivers for retailers is that they continue to find data becoming siloed at the store, online, and catalogue as these channels have often grown up in a very disconnected and disjointed manner. This is obviously a big disconnect. Prudent retailers would want to make sure that their next POS application has the flexibility as consumers will buy through multiple channels. As retailers explore their transaction architecture moving forward, we expect this to be a very strong option for consideration. The result will yield a transaction engine that is both more flexible and more powerful.

Closely related to this is enterprise order management (EOM). With enterprise order management being the central hub for orders independent of the channel an order originates from, it is the foundation for a true omnichannel transactional environment. The challenge the vast majority of retailers faced as they began to march down the road toward omnichannel retailing was their EOM systems were non-existent or at best inadequate. Our internal research suggests that the next couple of years will offer tremendous opportunities in the EOM space. With effective EOM systems in place the foundation, or heart of the transactional enterprise will be in place to accept the necessary building blocks on which to expand.

One can easily imagine that 2015, in retrospect, will be dubbed the year of payments within retail. Apple Pay rolled out in late 2014 with elements of both a bang (from a PR perspective) and a relative whimper (when you consider volumes within the overall transaction volume landscape). Purportedly, 2015 will finally be the year that the retailer consortium MCX will finally roll out CurrentC, joining the already crowded space that includes Google, Amazon and PayPal.

One thing I can say with confidence is that if CurrentC does not focus first and foremost on giving consumers what they want, instead of MCX trying to define customer behavior, MCX will not succeed. MCX can be successful by trying to incentivize tender preference, but if they totally try to circumvent the established credit card networks, failure is inevitable. The underlying fact at work in this dynamic is that depending upon which source you believe, between 50% and 75% of all Americans live paycheck to paycheck, meaning credit is king. If they can't pay on credit, if a single bump in the road occurs economically, the economic wheels fly off very quickly.

Frankly, I love IKEA's approach of a 3% discount on debit card purchases. If I choose to pay with credit it is business as expected when I go to checkout, but pay with debit and IKEA saves some, but I do too — we both win. That is choice and that is what resonates with the buying public.

It is a long said adage, but the customer is king. Why shout from the rooftops about customer-centricity, and then blow it at the point of purchase? Time will tell, but the good money is on consumers getting their way.

To highlight what I think reflects successful customer-centricity around mobile payments offered by Carman Wenkoff, CIO of Subway, at the recent Money 20/20 conference:

- Planned acceptance of Apple Pay;
- Planned roll out of their three year effort of partnering with Softcard (formerly ISIS), a mobile wallet application that is a joint venture between AT&T, T-Mobile and Verizon; and
- Rolling out their own mobile application which will accept any form of card payment.

What's to like about this three pronged strategy — everything actually! It is platform independent, carrier independent, phone independent and customer centric. It says pay how you want to pay, and reflects a strategy that says the customer is king. It also reflects the type of approach that successful retailers will take, both in payments and in general, that will succeed in the years to come.

PAYMENT 2015: PROXIMITY AND PRIVACY

Gary Schwartz, CEO, Impact Mobile

Over the past 11 years, Gary Schwartz has played a leadership role in the mobile industry as CEO of Impact Mobile, Inc. and author of ***The Impulse Economy and Fast Shopper, Slow Store***, published by Simon & Schuster, Atria Imprint. He is presently writing his third retail book titled ***The Anatomy Of The Phone***. In 2002, Schwartz ran the first cross-carrier short code campaign in North America. In 2006, Schwartz founded the mobile committee for the Interactive **Advertising Bureau** and has worked to publish literature such as the ***Mobile Buyer's Guide***, helping to extend the digital buy into mobile (for which he received an IAB award for industry excellence in 2009). In 2010, Schwartz was elected as the Chair of **MEF North America** with a remit to develop a mobile commerce practice to service brands, retailers and content owners (for which he received a MEF award for industry excellence). He was recognized in 2013 as the "Mobile Commerce Evangelist of the Year."

Like the forecast of 2014, 2015 is much the same: A continued trend towards minimizing digital payment barriers and driving data insights.

However, the dust has far from settled on in-store mobile payment. PayPal, Google Wallet, SoftCard and ApplePay: It is doubtful that mobile consumers could be more confused with their checkout options. So for 2015, I expect that the year will be full of payment hype and smoky mirrors.

MCX position is a good example of the power posturing in this emerging channel. The flood of interest in services around ApplePay is a testament to Apple's marketing muscle.

Apple intends to compete directly with the incumbent payment providers in the cloud by virtualizing the identity and credentials. It hopes that this will be as an expansive market as Steve Jobs' Internet device was seven years ago. And Apple has the financial muscle to become a bank. MCX will continue, and has every right, to be alarmist, as do the incumbent Visa and MasterCard leviathans.

(There is no secret why Apple put its name in front of the Apple Pay service and not another "I." Not just a "I" incremental revenue maker.)

Ultimately, I feel that Apple Pay end game is in cloud-based checkout. Retailers such as Target are presently steering tender to Apple in their app and ultimately there is more chance of finding Apple Pay on **www.target.com** in the near future than its bricks-and-mortar POS.

2015 PROXIMITY

The New Year's reality check is that we need to walk before we run. Before we nail payment and data we need engagement and trust. The real battle for the retailer is how to develop strategies to engage their erstwhile mobile consumer.

Where cross-screen and cross-screen measurement was a focus in 2014, proximity will be a large part of 2015. Many ad networks are incorporating iBeacons and Wi-Fi beacons into their network modeling. Lat/Long data will drive CPMs up in the marketplace.

Why? Because proximity makes for targeted contextual engagement which drives between 19% and 22% conversion in retail trials. This is a huge increase over the standards single digit results in other digital campaigns.

Even UBER is positioning itself as a proximity-based marketing network. The UBER/Diageo partnership is its first foray into hyper-local proximity engagement. WAZE and other map-based solutions are investigating POI activation. Look for more location networks in 2015.

Ultimately, mobile marketing is not about mobile technology it is about understanding where the mobile consumer is and developing a relevant proximity engagement strategy. If a retailer can get into this (Focker's) circle of trust, the store has a direct channel to the consumer.

There are two ways for the store to connect to the digital consumer:

1. iBeacons connected to App and more importantly app notification.
2. Wi-Fi Beacons connected to a direct phone opt-in with messaging notification.

Mobile apps continue to be a challenge. Driving an install base is costly and invariably comes with a lackluster ROI. Aside from banks and other daily utilities, retail apps tend to underperform.

Using Wi-Fi beacons for many retailers may help expand their proximity engagement strategy without the need for an app download by tethering the mobile phone number or email to the device's unique identifier (MAC).

2015 PRIVACY

Jules Polonetsky at the Future of Privacy Forum (FPF) in DC will continue to have a busy year. Although analogue security cameras tracked shoppers for years for some reason digital data spooks the consumer. Norms are changing and the FPF and their partners The Wireless Registry have rolled out Mobile Location Analytics standards, opt-out databases and beacon non-spoofing services. Jules and team are there to placate jittery regulators and help the market self-police.

What is appropriate and delights one consumer will bother another. Driving explicates opt-in to the Wi-Fi beacon or iBeacon and then segmenting and targeting communications based on proximity to location is essential. This targeted loyalty channel will drive results.

For 2015, think of ways to deduce clicks and simplifying any mobile campaign. Strategies that capture attention (through the media clutter) secure trial, advocacy and more loyalty is essential.

To do this, trust is a crucial variable. While overblown as a topic in Washington DC, marketers needs to think about privacy. Mobile marketing solution needs to be 1. Simple; 2. Trusted; and 3. A source for value to optimize saving at checkout.

ROADBLOCKS ON THE RACE TOWARD OMNICHANNEL RETAILING

Mark Larson, Global Retail Sector Leader, KPMG LLP

Well-versed in the forces and trends shaping the future of the retail industry, including consumer behavior, social media, mCommerce, globalization, cloud technology, sustainability, and regulation. Responsible for leading KPMG's retail industry practice, across the firm's three service lines — Audit, Tax, and Advisory — in the U.S. and across three global regions working with clients in the UK, France, Germany, Netherlands, Spain, Sweden, Australia, Singapore, Thailand, Japan, Brazil, Russia, India, China, South Africa, Canada, Chile and Mexico.

In today's retail environment, the phrase "customer is king" has never been truer. When price alone is no longer an assured differentiator, the experience must win out. Superior service, convenience, personalization, speedy delivery, and choice are what drive every sale and secure repeat business. In response, retailers, large and small, are turning to transformative technology and business model innovation to build omnichannel environments which seamlessly serve the empowered consumer, in-store, online, and on-the-go.

The stage and maturity of omnichannel evolution varies among retailers. Organizations that adapted well to the rise of e-Commerce, customer mobility, and other disruptions of the last decade are showing some early signs of breaking away, while others are still near the starting line. All of them, however, recognize the critical importance of having an omnichannel business model and strategy. Despite the associated costs, it has become an industry standard and an imperative for organizations.

Nevertheless, executing an omnichannel strategy does not come without its trials. In selling the "any product, anytime, anywhere" promise to customers, retailers are putting immense pressure on internal organizations, leaving no room for inefficiency in any business process. Many retailers are finding a host of practical and logistical challenges they will need to overcome to achieve the level of technological, operational, workforce, and risk management sophistication necessary to integrate customer interactions across channels and deliver the extraordinary, friction-free shopping experience consumers now expect.

KPMG views "omnichannel" as a wholesale evolution of the retail business and operating model. With more choices and empowerment than ever, customers are sharpening their expectations for the kind of experience that will attract and keep them. How well a company is positioned to cope and compete in this evolving market landscape will be determined by how well they adapt their conventional business practices and incorporate new capabilities.

Many business executives are overwhelmed with the change implications and the new course they must chart for success. In order to execute omnichannel strategies which help them curate a collective experience to attract, engage, retain and gain customers, businesses must focus on five areas which are critical to getting started, and which must mature over time:

1. **Integrating mobile with brick-and-mortar**
   Before investing in mobile technology, develop a strategy that is supported by an in-depth understanding of how your targeted customers use mobile devices. The focus of a mobile-enabled store should be serving the customer, however retailers should not overlook how mobile technology can elevate back-end operations. Make sure the mobile strategy is flexible and scalable to keep pace with constant advances in technology.

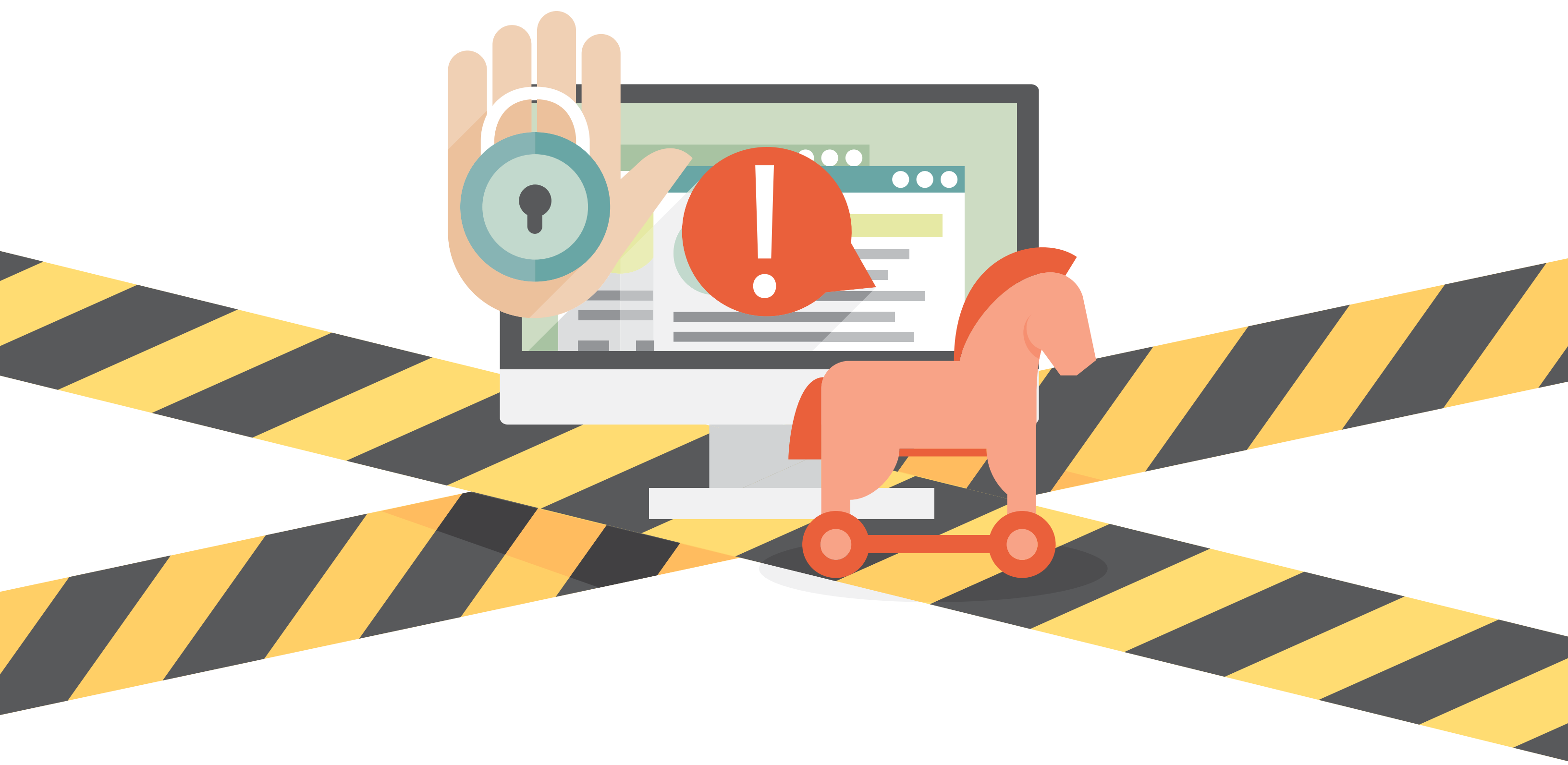
2. **Winning the war for talent**
   Focus on recruiting the right talent with the right skills, and invest in internal training programs that develop customer service skills. Use technology to empower frontline associates to have more effective customer interactions, and rethink your incentive and reward policies to encourage an omnichannel selling focus.

3. **Enabling data-driven decision making**
   Invest in data analytics and business intelligence talent. Put procedures and processes in place to share data and integrate analytics across channels and business functions. Capitalize on big data technology and cloud technology to increase supply chain visibility.

4. **Unifying pricing across channels**
   Establish a base product price that is consistent across all channels. Use data analytics to make smart pricing decisions and react quickly to competitive and customer trends. Offer channel-specific promotions to reward-targeted customers.

5. **Managing cyber risk**
   Put control over cybersecurity decision making and allocation of resources to deal with cybersecurity in the hands of leadership. Consider partnering with on-call expert forensic teams and outside counsel to mitigate potential exposure of a data breach. Establish governance measures such as awareness-training for key staff and detection measures such as data mining and a well-rehearsed response plan when an incident occurs.

The path to omnichannel implementation will be different for every retailer, given the unique needs of their customers and their businesses. A recent KPMG survey and report — the ***2014 Retail Industry Outlook Survey*** — indicates that retail executives are wholly focused on getting omnichannel retailing right. While the industry has made significant progress, many organizations are still lagging behind customers' expectations due to the challenges of implementing a truly integrated omnichannel business model. Regardless of where they are in the process, one thing is clear — retailers have acknowledged the shopping habits of today's consumer and they are making transformational changes to embrace them.



A BRIGHT FUTURE FOR POP-UPS IN 2015 AND BEYOND

Melissa Gonzalez, CEO and Founder, The Lionesque Group

Melissa Gonzalez is CEO and Founder of The Lionesque Group, pop-up architects™. She is the retail strategist responsible for dozens of successful pop-ups from companies like boohoo.com, Marc Jacobs and J.Hilburn, and author of ***The Pop-Up Paradigm***. Gonzalez is an active guest blogger on pop-up and immersive retail strategies and presents at conferences across the country. She has been awarded the Wall Street Journal's Donor of the Day and as one of the Top 12 Amazing People to Know in Fashion Tech in New York City.

Over the past five years, we have seen brick-and-mortar retail truly evolve. From permanent to temporary stores, retailers today have to be even savvier about how they connect with their customers.

These customers are overly inundated with options, information and "deals." And, at the end of the day, these customers crave human interaction. It's one of the main reasons why pop-ups are so powerful: They provide a ton of opportunity for face-to-face contact.

As the emergence of online, mobile and physical commerce continues to evolve so do the possibilities for retailers to create immersive experience for their customers. Technology is changing the way retailers and brands can interact with new and existing customers. And, it's enabling brands to learn more about their customers' interests in new and exciting ways. Retailers are learning more about engagement metrics and actions taken by shoppers on social channels in addition to standard sales data.

While the evolution of technology is enhancing the digital intelligence in a physical space, the key is to success is understanding that although the tools continue to emerge, you need to be sure to utilize the proper tools and tactics for your target audience.

Here are a few trends we're most excited about right now:

Augmented Reality is where some elements actually exist in a physical space, while others are accessed via your phone or other form of hardware. You have seen this with companies like BaubleBar working with Perch Interactive to extend their merchandise offerings; Warby Parker are masters at this with their virtual Try-On technology to select the ideal glasses for your face shape; and it's beginning to flourish within the beauty industry, as retailers implement apps that help you match your skin tone with concealer and foundation colors.

Shoppable Windows have been implemented by a variety of fashion retailers. Kate Spade used them for a pop-up in New York City, where customers could walk by the store and see from the outside window all the products being offered. Rebecca Minkoff did this in the Westfield San Francisco Centre via connected glass, mobile technology and digital payments in partnership with eBay. Shoppers were able to enter their phone numbers into the glass and receive a text message to complete transactions on their mobile phones.

Print Of Demand is a very new, up-and-coming concept. Just imagine inventory management challenges being solved because you can create products based on real-time, in-store demand? It's happening. In 2014, Amazon announced the first Amazon 3D Printing Store where customers could shop among 200 unique products that could be 3D printed on demand and shipped immediately. And this is just the beginning.

Pop-ups allow for a larger level of experimentation than permanent locations do, and lend themselves well to the incorporation of emerging technology trends. However, while a pop-up shop may be short in duration, the planning is not and the potential cost of the time it takes can be high if you don't properly plan.

Always start with a quick "pop-up" hack before planning your activation and before you are seduced by piling on technology because it's today's hottest trend. Ask yourself:

- What are your top three goals?
- Who is your target customer demographic?
- What is your company's brand promise?

It's an exercise that takes time but it's the foundation necessary for any activation.

REIMAGINING THE CUSTOMER EXPERIENCE WITH SMART STORES

Laura Davis-Taylor, EVP of Customer Experience, MaxMedia

Laura Davis-Taylor is the EVP of Customer Experience at MaxMedia, a next generation digital brand experience firm. Helping clients turn customers into passionate brand advocates for over 20 years, her mantra is that insight informs customer experiences and foresight pushes innovation. Laura's experience is multi-faceted, ranging across brand planning, digital marketing, store design and customer experience design.

Last year, I shared my encouragement that retailers were breaking paradigms and rethinking how to service and support their customers while also finding more ways to be uniquely valued.

It's been a good year for seeing yet more progress manifest. Same-day delivery has become a reality. Apple has opened the door to easy pay by phone. Angela Ahrendts inspired us all with what she did with Burberry, then gracefully took a seat at Apple to do more of the same. New store formats such as pop-up shops on wheels and train container retail gave us a reason to get outside. And omnichannel finally started becoming more than a marketing cliché. Innovation is the new retail darling and experience design is its muse. So what's next?

2015: THE YEAR OF THE SMART STORE

For years now, we've been talking about the blurring of the physical and digital worlds. Because of technology, we shop the second the thought occurs to us — anyhow, anyplace. This has changed how we, as consumers, expect to be served in physical store environments.

Web shopping has spoiled us rotten. We like how easy it is to search and find what we want or need. We like that the site often knows us intimately and serves up the perfect ideas and suggestions as if by magic. We've gotten into a groove of getting inspirational ideas not by category and price, but by cheeky themes and occasions. (Think "The Perfect Little Black Dress To Make His Jaw Drop.") And we like that we can be sure that whatever we're pondering is the best option at the best price as screened by the best resources.

Retailers know this reality, but the challenge is that making these things work in the brick-and-mortar store is really challenging. It's not virtual — it's physical.

When Cisco coined the term "Internet of Everything," they opened the door to not only a new way of thinking, but also a new way of living. Put simply, it is "the intelligent connection of people, process, data and things."

Now think about this definition through a store lens. If we soon have physical things that are IP-enabled and are able to interact with shoppers as they shop (regardless of path), and snap into an intelligent, networked cloud, we're knocking down a ton of experience barriers. Why? Because all of this will make it possible for our physical store to have elements as flexible and responsive as a virtual store. Stores could become "smart," and attuned to the people, activities and transactions at every unique location and engagement point. This could happen on a macro and a micro level. Some examples:

- **One person near a single, intimate screen:** When a shopper is in proximity to a screen, the device could tap into the cloud and pull up content specific to the user's preferences and purchases.
- **Many shoppers near a display:** When the store is busy with many shoppers near a display, the store could intelligently ping the profiles of those on the floor and present "take over moments" on all store screens that best match overarching average interests.
- **Integrated operational and sales data:** From first time visitors to loyal fans, stores could automatically measure how operations impacts every segment of the customer base to ensure the best conversion tactics are employed.
- **Intelligent surfaces:** Wearables aren't just for wrists — they are also becoming part of surfaces, lighting and more. Surfaces and fixtures will soon be able to sense emotions and activity while cameras track visceral responses, adjusting to best support the moods, energy and sound levels at any moment.

All of this, be it customer data, transactional data or behavioral data, can live within the larger data cloud and auto-optimize across all channels — including the store — in real time.

RETAILERS NEED TO BUILD TRUST BEFORE CONSUMERS WILL ACCEPT MOBILE PAYMENT

Pam Goodfellow, Principal Analyst, Consumer Insights Director, Prosper Insights & Analytics

As Principal Analyst and Consumer Insights Director for Prosper Insights & Analytics™, Pam Goodfellow possesses more than a decade of expertise in consumer behavior related to the economy, retailing and spending plans. She is editor of the monthly Consumer Snapshot and a contributor for Forbes.com. She is a frequently quoted "voice of the people" spokesperson on issues relating to consumer insights and marketplace changes.

Each year I've contributed to the *Outlook Guide*, it seems that the consumer trends I've discussed center on and around three themes: Mobile, social and technology. Indeed, technological advancements have aided and altered the way consumers communicate, receive information, and approach the buying process. Last year, I discussed the rising importance digital in consumers' world and retailers' omnichannel imperative, two topics that continue to be a focus for both retailers and consumers.

One only has to look today's trendsetters, Millennials (born 1983-1996), to get a glimpse of tomorrow's trends. The youngest generation continues to rely on the digital experience — whether it is online, on their mobile devices or through social media networks — as an extension of their everyday world. While their older counterparts are slower to adopt such trends, they are increasingly jumping on the proverbial bandwagon. During the 2014 holiday season, for example, 56% of holiday shoppers anticipated shopping online this year. While Millennials and Gen X-ers (1965-1982) were the generations most likely to do so, at 61% and 60% respectively, growth in shopping this channel compared to five years ago was highest among Boomers (1946-1964) and the Silent generation (1945 and prior).

LOOKING FORWARD

Without a doubt, consumers' shopping experiences have been marred over the past year or so by the data breaches that rocked several prominent retailers and will likely continue to shape how they approach spending headed into 2015. Whether they were directly impacted or not, consumers overall seem to be taking a more prudent approach to making sure that their personal financial information remains secure, taking actions which include limiting interactions with affected retailers, watching their credit and financial reports more closely, and paying with cash or credit more often instead bank account-tied debit cards.

Among holiday shoppers in 2014, one in five (19%) indicated that the recent retailer data breaches were "somewhat" or "very" likely to affect how they shopped and paid for their holiday merchandise; this figure rose among Boomer (22%) and Silent (23%) generation shoppers. However, younger Millennials (14%) and Gen X-ers (17%) were less likely to be cautious, perhaps because they have more established ties to the virtual world, which makes them more inclined to "accept" the risks — as well as the advantages — of living in an increasingly digital society. Younger shoppers simply have a higher level of trust in this rapidly evolving arena.

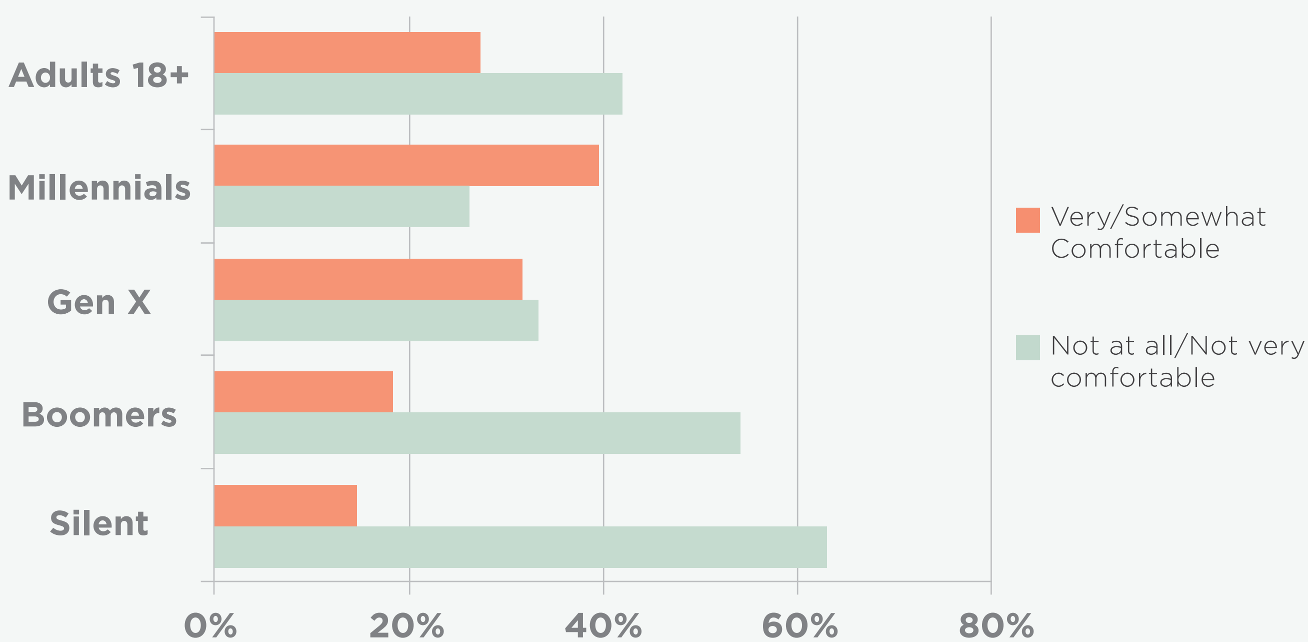
For 2014, one of the newest and most talked about advantages of digital was, of course, mobile payment, the opportunity for consumers to forego swiping their plastic cards in favor of tapping their mobile devices to provide payment to merchants. On the outset, one can clearly see the convenience benefit of the mobile wallet, but it again requires a certain level of trust among consumers — trust in the ability of a third party, such as Apple Pay or Google Wallet, to keep consumers' payment information secure. This is nothing against Apple or Google, but in a year plagued by data breaches and potential exposure to financial fraud, consumers seem understandably wary of voluntarily entrusting their personal information beyond a "need-to-know" basis.

After Apple Pay was announced this autumn, Prosper asked smartphone and tablet owners about their comfort level with potentially using their mobile devices to pay for transactions at store check-out counters. Of these consumers, just one in four (27%) felt "somewhat" or "very" comfortable with using their devices to pay, while two in five (42%) were "not at all" or "not very" comfortable. Not surprisingly, Millennials were the generation most likely to view mobile payment positively. Gen X-ers were on the fence, while the Boomer and Silent generations were both firmly entrenched in the "not for me" camp. *(See chart)*

For now though, even the youngest generation seems a bit slow to make the move toward actually using their mobile devices to pay. As of November, fewer than one in ten Millennial shoppers (8%) planned to use their smartphone to pay for a holiday purchase compared to about 6% of holiday shoppers overall. Expectedly, anticipated use of devices for mobile payment at store checkouts declined as age increased: Gen X (6%), Boomer (4%) and Silent (3%).

Should we reconvene a year from now, I would expect these figures to increase. However, time will tell how rapidly shoppers will actually adopt mobile payment as part of the buying process. A resurgence of trust in payment security would probably go a long way with consumers, though.

HOW COMFORTABLE WOULD YOU BE USING A SMARTPHONE OR TABLET DEVICE TO PAY FOR A TRANSACTION AT A STORE CHECK-OUT COUNTER?



Source: Prosper Insights & Analytics™

MOBILE PAYMENTS IN 2014: MANY CLOUDS, BUT STILL NO RAIN

Paula Rosenblum, Principal Analyst, Retail Systems Research

Rosenblum is recognized as one of the top analysts in the retail industry and was selected as one of the "Top 50 Retail Influencers" by Vend. She also writes a weekly blog for Forbes magazine. She formerly served a retail analyst at AMR, Aberdeen Group and RSAG. Paula spent over 20 years as a retail technology executive and CIO. She works with Wall Street analysts and industry trade associations on a regular basis and is involved with charities that support human growth and development.

This past year saw the introduction of Apple Pay along with the iPhone 6. One thing is certain: Apple knows how to make a splash. The technology was introduced with great fanfare, and the usual air of Apple exclusivity.

Upon introduction Apple Pay was only accessible with personal cards issued by the top five banks (Capital One, Chase, Wells Fargo, Citi and Bank of America) and American Express. PNC Bank and other second tier banks were added later. The air of "specialness" was only marred by minor inconveniences and worked very well. Still, usage data is hard to come by. Lots of people (including me) have used it at least once...but not a whole lot more than that. Given that "only" 10 million people have Apple Pay enabled devices as of this writing, penetration is likely still quite low.

Bitcoin remains a niche payment technology. The IRS ruled that it should be taxed as "property," eliminating ambiguity and paving the way for additional Venture Capital investment, but growth seems to have stalled and it remains a minor footnote in payment methods.

LOOKING AHEAD: INVENTORY MANAGEMENT GETS SEXY

We've been predicting that 2015 would be the year that omni-channel moves from the customer-facing side to the supply chain. Treating inventory as a shared asset is not just a way to "save the sale." It's also a way to get a better return on overall inventory investment.

For the past several years, respondents to RSR's merchandising benchmark studies have consistently cited under-performing inventory as a top-three business challenge more frequently than out of stocks. This is counter-intuitive, but nonetheless shows where priorities lie. And now, at last they have a real opportunity to satisfy both customers and investors: Using Distributed Order Management (DOM).

DOM isn't new...my partner Nikki Baird and I wrote our first analysis of the opportunity in 2009. The part that is new is seeing the opportunity as bigger than just avoiding lost sales. And the intelligence that must be baked into the applications continues to get more sophisticated.

For example, it doesn't take that much intelligence to fill an order from the nearest location to the customer that placed it, but that might not be the smartest long-term decision. If it's October, and a customer in Tampa, Florida wants a bathing suit that's out of stock, it would seem most logical to fill the order from a store or warehouse in St. Petersburg (for example). But in fact, the best opportunity to maximize profit would be to fill the order with inventory located in colder climates. Bathing suits become very niche items in the winter and are just considered "cruisewear"... except in places like Florida, where they are staples.

Making those kinds of decisions without human intervention are critical to extracting the most profit possible from every category of merchandise.

We're also likely going to continue to see an uptick in "near-sourcing" — especially for replenishment. It is just too hard to get a completely accurate read on demand months before actual selling dates. The result is the same as we described above: Either unproductive inventory, or out of stocks and dissatisfied customers. Fast fashion retailers like Zara and Forever 21 have shined a light on the value of rapid responsiveness. Companies like Gap are starting to respond by replenishing closer to the point of demand.

CHINA TAKES CENTER STAGE AS A VOLATILE MARKET

We have talked about China as a low cost sourcing country (LCCS) for years, but only recently have recognized the somewhat stunning buying power the country has built up. Its middle class is already larger than the U.S. population!

Alibaba.com promises to continue its march across the China landscape, although thus far, with the exception of its B2B services, I just don't see it making an impact on U.S. retail. Its first U.S. site, 11 Main, emerged boring and overpriced at best. While Jack Ma, CEO, has grand plans, I believe his focus will remain on China for the near term.

The somewhat volatile Chinese economy will continue to have an impact on the luxury market. Retailers must deal with sometimes onerous regulations and fluctuations in both currency valuation and economic conditions.

FIVE MAJOR SHIFTS THAT WILL SHAKE UP THE SUPPLY CHAIN

Lora Cecere, Founder, Supply Chain Insights

Lora Cecere is the Founder of research firm **Supply Chain Insights**. The company is helping supply chain leaders pave new directions. As a prolific writer, Lora is the author of the enterprise software blog **Supply Chain Shaman**. Cecere's weekly posts are read by 5,000 readers. She also writes a blog for Forbes and is a LinkedIn Influencer. Her co-authored book, Bricks Matter, published in December 2012, and her new book Metrics That Matter published in the fall of 2014.

Last year in the 2014 predictions, I included the need for digital business and the collaborative economy to coalesce to define new business models. As I write this article, UPS is delivering packages through collaborative applications using the trunks of cab drivers in San Francisco.

When I was in London a few weeks back, I witnessed that click-and-ship capabilities continue to proliferate in major mass-transit systems in large cities. New business models are redefining last-mile delivery so that the shopper can have items anytime, anywhere and in the way that they want. For most supply chains, this is revolutionary because retailer aspirations for supply chain management have always exceeded capabilities. For example, only 57% of retailers today have a perpetual inventory signal (PI Signal). Inventory status is fundamental — and foundational — to drive change through supply chain and, in turn, embrace the digital economy.

As we move into 2015, the pace of change will accelerate. With slowing growth and channel shifts, changes in the supply chain will be the backbone of new business models. We expect five major shifts:

1. **Digital Business Drives Growth.** Digital Printing, Internet of Things, Cloud Computing, Telemetry, Mobility and Cognitive Computing all will define supply chains that can sense; just not respond. This will enable test and learn capabilities that will redefine the traditional merchandising and allocation processes. The supply chain will be defined outside-in from the shopper back to accelerate inventory turns and drive growth. In these new business models, e-Commerce will redefine last-mile delivery and multi-tier networks will be critical to enabling multiple-party available to promise drop-ship programs.

2. **Services Will Eclipse Products As The Store Is Redefined.** For many retailers today, their stores are a white elephant: An expensive asset that is no longer meeting the need. As companies redefine the role of the store, there will be a focus on new forms of services to drive shoppers to the store. Whether it is a clinic within the local CVS, or a groomer within the nearby Petco, or a cooking class within Tesco, slowly the store will be a hub of services and learning. These new forms of services will drive the sales of products.

3. **Embracing The Each.** For the traditional supply chain, this means change. The company will need to get good at shipping the each and managing returns. There will be a scramble to redefine warehouse management and logistics systems to enable multi-tier order fulfillment and collaborative logistics. This change will be greater than the third-party logistics providers can support; and as a result, the retailer will need to invest in redefining logistics. The good news is that with the evolution of cloud-based solutions, and new forms of mobility, the cost and ease of implementation improves. Companies will no longer be held hostage to long warehouse management implementations that are inflexible and cannot adapt to change.

4. **Rise Of Coopetition.** In 2015, coopetition increases. Retailers will also see more competition from manufacturers; and manufacturers will see more competition from retailers. The industries blur as both attempt to build customer-centric supply chains outside-in.

5. **Doing Different Better.** While the last decade has focused on everyday low cost and efficient retailing, in 2015, the pressure will be on doing different better. This includes localized assortment, customized merchandising and localized offers. These tailored programs will be a challenge to manage in today's supply chains. To meet the challenge, companies will increase spending in analytics, cognitive computing, as well as test and learn capabilities.

The heat is being turned up. The old definition of retailing is being redefined. The supply chain is an important enabler.

DEFINING TRUE BRAND CONSISTENCY

Lauren Freedman, President, the e-tailing group

Lauren Freedman is a seasoned 20–year e-Commerce veteran, author of It's Just Shopping as well as a recognized and respected figure in omnichannel retail. She has a passion for merchandising that she has parlayed as president of the e-tailing group, evangelists for merchandising and customer service best practices. Her company's annual mystery shopping and merchant surveys provide a comprehensive overview of cross-channel commerce, setting industry standards while simultaneously highlighting best practices. Freedman founded the e-tailing group in 1993 after an extensive career as a buyer/merchandiser and her company has evolved to be one of the premier e-Commerce consultancies. They advise retailers on merchandising, strategy and customer experience best practices while simultaneously developing thought leadership and go-to-market strategies for top technology companies.

Consistency of shopping experiences is vital to shopper satisfaction. Based on a September 2014 MarketLive/e-tailing group Holiday Survey, consumers indicated that consistency is ideal in most every circumstance. They're particularly interested when it comes to pricing as the top three aspects where it is ideal include product pricing, free shipping and general promotions. There is a comfort in knowing that retailers provide such consistency as there is never a concern when making a purchase in any of their channels. If potential differences exist, it's important to note potential discrepancies online where product page notation is optimal.

True brand consistency often starts with the look and feel and then moves into the merchandising that supports the brand experience. As an example, I was recently driving by an Athleta store in my neighborhood whose windows reflected their current "Cosmic Orange" campaign. When I signed on to their website to check on product availability at that store, the same campaign framed the homepage. This attention to detail is what it takes to provide an integrated brand experience. Best practices also include leveraging email to reinforce these same messages.

Similar features and functionality should also be part and parcel to that experience though tweaking for mobile can be expected if it better supports the technology. One might sign on to Sephora's mobile site where the creative may be tailored to mobile but the shopping reflects their traditional merchandising tactics. Beauty brands are prominent as is their store locator and a visual depiction of Beauty Insider, their frequent shopper program. Additional merchandising can be seen in their Quick Links section that reinforces "What's New, Bestsellers, Sale, Hot Now and the always popular gift card. Consumers are well educated to the nuances of the shopping experience where a visit to any channel or across channels should yield more positive performance based on consistency of execution.

CONSISTENCY IDEAL

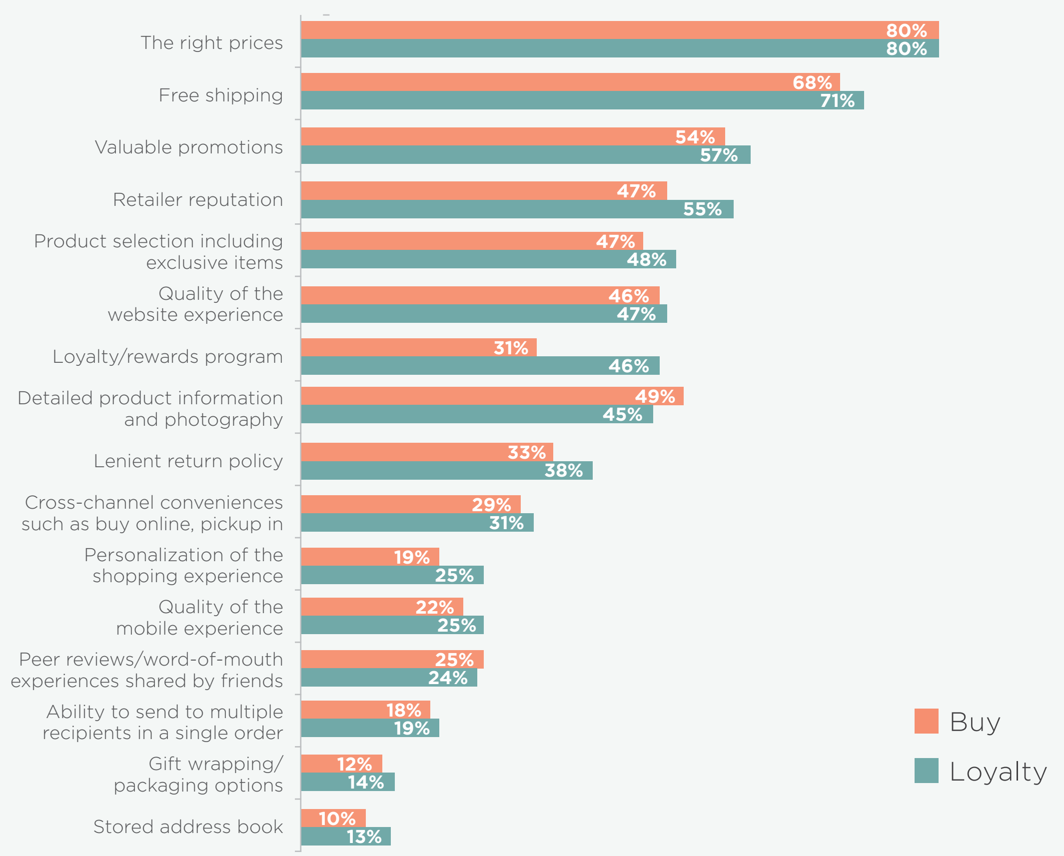
APPROACHING LOYALTY WITH TECH-SAVVY SHOPPERS

Loyalty is one of those areas that would appear to be easy to tap in to the consumer psyche yet often is construed as being based of rewards program. It's essential to move beyond this narrow notion and look at not only what makes shoppers buy the first time but remain loyal over time. When asked in our previously referenced Holiday 2014 research what ultimately makes you loyal to a given retailer, 1,000 consumers shared aspects that "always" come in to play. When contrasting loyalty against the single purchase, retailer reputation, and especially loyalty/rewards programs, are most impactful as shoppers select their favored retailers. It's also interesting to note that a lenient return policy delivers a risk-free opportunity that reinforces convenience and customer-centric shopping.

Other factors of note that are "always" important to almost one-in-two shoppers include detailed product information and robust photography along with the quality of the website experience. Of course product selection goes without saying and it's somewhat surprising that it isn't higher on this list. One other area that we should have included was customer service as other research we've conducted finds this in the forefront of retailer selection.

Retailers must think holistically and provide a well-merchandised and skillfully branded experience across all channels where assortments are relevant and prices are right for their brand and category. This will solidify their reputation and position them for repeat visits. It's a bonus for shoppers to be rewarded but an important differentiator in shopper selection. Delivering exemplary service is sure to start shoppers on life-long relationships with preferred retailers, the foundation of loyalty.

NOW THINKING ABOUT WHAT ULTIMATELY MAKES YOU BUY/LOYAL TO A GIVEN RETAILER, HOW OFTEN DO THE PREVIOUS FACTORS CONTRIBUTE TO BRAND LOYALTY?



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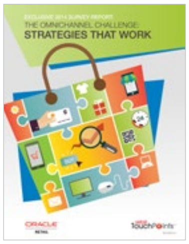

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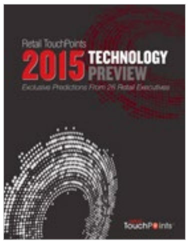

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