Retail Experts Reveal Top Digital Trends And 2017 Predictions
Contents

Introduction 3

RESEARCH ANALYSTS & EXPERTS

A.T. Kearney 5
ERDM 7
The e-tailing Group 9
IDC 12
Kurt Salmon Digital 14
NPD Group 16
RED-LAB 18
RSR 20
Shoptalk 23
Stylus 25
Texas A&M 27

RETAILERS

Chain Reaction Cycles 30
Le Tote 32
Lovesac 34
Touch of Modern 36

About TouchPoints 38

2017 E-Commerce Outlook Guide 2
Introduction

For this second annual Retail TouchPoints E-Commerce Outlook Guide, top industry experts and real-world retailers share their insights into the most vital digital commerce trends, along with their predictions for what 2017 will bring. Only one thing is certain: there will be change, and lots of it — particularly as e-Commerce continues to not just grow but to exert greater influence on other channels, from brick-and-mortar stores to social networks.

These thought leaders recognize that nothing in the digital realm stands still for very long. While the basic challenges facing retailers remain the same, the advent of new technologies — from the Internet of Things to ever-more-ubiquitous mobile devices — create myriad new opportunities to solve those challenges. This guide is designed to help readers find the solutions that fit their needs, as well as the needs of their customers.

Some of the key topics explored in this report include:

- CX (CUSTOMER EXPERIENCE) AND PERSONALIZATION
- AI AND INTELLIGENT AGENTS
- THE RISE OF “CHAT COMMERCE”
- MANUFACTURER BRANDS MOVING MORE AGGRESSIVELY INTO DIRECT-TO-CONSUMER SALES
- INTERNATIONAL E-COMMERCE EXPANSION
- CAPITALIZING ON THE SHARING ECONOMY
- THE BEST WAYS TO LEVERAGE INFLUENCER MARKETING

We hope you find the 2017 E-Commerce Outlook Guide a valuable resource for your holiday planning, as well as for setting a profitable course in 2017 and through the end of the decade.
RESEARCH ANALYSTS & EXPERTS
Five Global Trends Shaping Omnichannel Supply Chains

Omnichannel retail sales have consistently doubled every four to five years since 2001. It’s expected to become a $1.8 trillion market by 2016, and then quickly grow to $7 trillion by 2025. Part of its growth is driven by consumers moving their shopping to online and mobile channels — but this is just one side of the equation. A key enabler is the continued acceleration in supply chain innovation, as retailers seek to make more products available with faster and more flexible delivery options at lower cost.

Going forward, five global trends will influence omnichannel supply chain success in the future:

1. **Blurring Of Value Chains:** As companies attempt to get closer to consumers through omnichannel, the traditional value chain is starting to blur. Retailers are taking on traditional manufacturing roles such as product design and development and product sourcing. Manufacturers, on the other hand, are shifting downstream and taking on retailer roles such as managing the shopping experience (either in stores or on the web), offering merchant-tainment and product informational services, and even brokering actual order fulfillment.

2. **The Rise Of Marketplace:** While the concept of marketplace has been around for decades in forms such as the Sunday classified ads, not until recently has its digital counterpart become a critical retailing channel. Amazon marketplace saw a 25% compound annual growth rate (CAGR), while eBay and FlipKart are becoming the endless aisle option for consumers in emerging markets. Going forward, every omnichannel retailer will need to have a coherent marketplace strategy and corresponding supply chain capabilities.

3. **Strategic Bet On Same-Day:** Scalable, affordable same-day delivery continues to be the nirvana aspiration for retailers. While demand for same-day is still emerging (it comprises less than 2% of U.S. orders, while the UK has the highest same-day penetration at 8% to 10% of deliveries), many retailers are making strategic bets in exploring same-day models. We see four emerging models:

   1. Retailer managed (e.g., JD.com or Amazon);
   2. 3PL owned and managed (e.g., SF Express, DHL, Cainiao);
   3. 3PL crowd-sourced (e.g., Shutl, Deliv); and
   4. Marketplace crowd-sourced (e.g., Google Express).

MICHAEL HU, PRINCIPAL, A.T. KEARNEY

Specializing in supply chain transformation, Michael Hu is a principal in the consumer and retail practice of A.T. Kearney, a global strategy and management consulting firm. Michael can be reached at Michael.Hu@atkearney.com
4. Flexible Network Assets And Flows: In the future, retailers will need to transform their channel-specific, inflexible supply chains into flexible omnichannel flows to push the performance frontier to optimize cost, turns and service tradeoffs. Distribution Centers should have the capability to pick, pack and ship any order regardless of its destination — home, store or another DC. The entire network is multi-tiered. These reconfigured fulfillment assets are powered by one-view inventory and smart replenishment and channel decision systems to enable flexible, dynamic flows.

5. Ambidextrous Role Of Stores: Stores’ roles will change in the future as they operate as nodes both for customer engagement and for close-to-demand fulfillment. From a customer engagement perspective, stores will evolve from their traditional point-of-purchase role to providing a digitally enhanced shopping experience. Imagine physical shelves complemented with digital displays that enable endless aisle showroaming, with mobile technologies to provide frictionless payments and checkout. From a fulfillment perspective, stores have the necessary picking technologies, channel agnostic inventory, and order management capabilities to fulfill same-day and next-day online orders. Getting the right balance between consumer engagement and fulfillment will be critical to transform stores from underutilized asset to a source of strategic differentiation.
Critical Research Uncovers Broken CX And Personalization

Results of new research indicate that CX and personalization are broken. This sentiment is particularly strong among Millennials.

Findings from over 15,000 hours of VoC research interviews conducted by ERDM, for clients including MassMutual, Gilt, IBM, QVC and HP, indicate that much of today’s marketing is perceived as simply blasts of “spray and pray.” CX and personalization need to be completely rethought, because for consumers, especially Millennials, the level of exasperation and irritation is profound.

Here are some representative comments from the VoC research:

- “They aren’t personalizing the things that matter to me!”
- “I want more than just buying history-based emails.”
- “With today’s technology, I expect emails to reflect my interests and preferences.”

Takeaways from the research indicate that traditional transaction/persona/implicit data-based “personalization” does not meet Millennials’ expectations of value and relevance. This is because implicit data-based messaging makes consumers feel as though they are being marketed to — it doesn’t help them make informed and helpful decisions.

To achieve CX innovation, marketers need to deliver far greater value, but this requires more insightful and accurate data.

Per the research, a transformational customer-based framework has emerged, the Reciprocity of Value Equation:

- Consumers are willing to provide deep preference data in exchange for personalized value and engagement.
- In return, marketers must provide “smart” personalization, based on explicit individual preference data. True personalization must be based on more than transactional, overlay and inferential data.
- Marketers need to make the shift to “Human Data,” i.e., opt-in, self-profiled BtoB or BtoC information, such as:
  - Self-described personality type, attitudes, life stages;
  - Issues, needs, expectations;
  - Decision-making process; and
  - Message and media preferences and aversions.

ERNAN ROMAN, PRESIDENT, ERDM

Ernan Roman has been inducted into the DMA Marketing Hall of Fame based on the results companies achieve with ERDM’s VoC (Voice of Customer) research-based CX strategies. Clients include IBM, MassMutual, Gilt, QVC, HP, Microsoft and Norton AntiVirus. His influential blog Ernan’s Insights on Marketing Best Practices appears in Forbes, Huffington Post, CMO.com, CustomerThink, CRMC and Business2Community. He can be reached at ernan@erdm.com and @ernanroman.
Make customers feel heard by asking for feedback at appropriate times, at the right touch points in the customer cycle.

So, marketers must adopt a new view of data, as a way to enrich traditional implicit data (web behavior, inferential, transactional data) with explicit opt-in, self-profiled data.

These examples should help:

**Implicit Data:** Information you've data mined or your customers provided to indicate short-term interests or needs, but not to intentionally indicate deeper or longer-term preferences.

Versus...

**Explicit Data:** Deep, self-profiled preference information that customers themselves provide in a Preference Center or through dialogue boxes specifically for the purpose of having a more personalized experience with the brand. It is not surface level, based on factors such as buying or browsing histories.

**Takeaways to help you implement Explicit Personalization:**

- Enable customers to drive their discovery, purchase, loyalty and overall brand journey experiences. Give customers the ability to explicitly tell you what they like so that you don’t have to guess.

- Utilize information from all channels to grow customer solutions that are proactive and anticipatory.

- Make customers feel heard by asking for feedback at appropriate times, at the right touch points in the customer cycle. Use this feedback to personalize the experience at all touch points.

- Leverage technology to cultivate and nurture relationships with customers. Technology allows for the identification of communication opportunities and potential upsell opportunities.

Smart, explicit data-driven personalization works because it builds engagement, increases order conversion rates, gives a reason for return visits and decreases unsubscribe rates.

Explicit personalization is proactive marketing. It is the ultimate tool for engagement because it enables consumers to customize their experience based on a compelling value proposition. Customers understand explicit personalization. They don’t fear it; they embrace it. But, they want it to be appropriate and they want to drive it.
Connecting E-Commerce To The Store And The Smartphone

In this exclusive Q&A, Lauren Freedman of the e-tailing group reveals her insights into how retailers can bridge the still-wide gap between channels and provide a truly integrated customer experience no matter where consumers shop.

Retail TouchPoints: What are the main factors that have contributed to mobile’s increasing popularity within retail?

Lauren Freedman: It’s really about the same thing that desktop had, in that it’s all about convenience and time savings. It’s the ability to get the price, get the information, be in the store, pick up the product and basically do it your way conveniently. It’s hard to work against that model.

All through the years, everyone will talk about the money and the time savings, but at the end of the day, the convenience always rose to the top.

RTP: What steps can retailers take to ensure they are providing an integrated experience across all channels?

Freedman: That story in a lot of ways is still to be written. You read about it in the press, but go in many stores and you don’t see a lot of it exactly happening. There’s some elements of it. Yes, there are in-store mobile devices in Sephora, and The Home Depot has the scanner, for example, but it’s presently a work in progress. However, it’s a work in progress where you know it’s worth the investment.

Tips for integrating these channels include:

• Think omnichannel all the way from the store locator to BOPIS to the product locator;

• Implement inventory lookup in-store and order placement, including the number of items in stock;

• Understand pricing parity;

• Conduct in-store mapping in large-footprint stores such as The Home Depot or Lowes;

• Use technology such as scanners to locate inventory across the enterprise; and

• Have a 360-degree view of the customer to better ensure a personalized experience.

LAUREN FREEDMAN, SVP DIGITAL STRATEGY & CHIEF MERCHANT, THE E-TAILING GROUP, AN ASTOUND COMMERCE COMPANY

Lauren Freedman is a seasoned 23-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. She 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. Lauren is excited about the opportunity to build a global strategy practice for Astound Commerce, a global systems integration company working with top e-Commerce platforms and a myriad of retailers.
RTP: What advice would you give retailers that are having difficulty bridging e-Commerce with the store environment, or smartphone capabilities?

Freedman: It goes back to the initial point that mobile is here and you need to address it. Look at the data. If you’re getting 40% of your traffic or 30% of your revenue from mobile, you have to be paying attention.

You have to start with the plumbing, which is the inventory transparency. That’s where the smart retailers have invested. Don’t worry about the shiny objects. Can you see your inventory across the channels? To the customers, these are the basics: Do you have it in stock? If you don’t have my size in stock, where do you have it and can you ship it to me? These are the factors that I think are going to drive dollars.

I always say, see what your competitors are doing, look at the best-in-class retailers and how they are addressing it.

Additional tips:

• Inventory transparency is the foundation and starting there would be advised;
• Benchmark the experience against the competitive landscape and those who are best-in-class;
• Invest in systems that support your omnichannel needs;
• Evaluate in-store tools like scanners and order management systems that allow for cross channel access and make a difference when shoppers visit the store; and
• Mobile POS for the ultimate in customer convenience.

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How important are the following cross-channel features?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store locator that includes nearby locations, mapped directions, hours and contact information</td>
<td>57%</td>
</tr>
<tr>
<td>Time frame in which a project can be picked up</td>
<td>50%</td>
</tr>
<tr>
<td>Ability to know that product is in stock but not necessarily the number of units in a given store</td>
<td>46%</td>
</tr>
<tr>
<td>Option to see availability of a product by number of units in a given store</td>
<td>46%</td>
</tr>
<tr>
<td>Ability to see product availability across multiple stores</td>
<td>44%</td>
</tr>
<tr>
<td>Shared cart that allows you to access items from your desktop and mobile activity</td>
<td>38%</td>
</tr>
<tr>
<td>Store mapping with detailed information of where in a store a desired item is found (aisle, bin, etc.)</td>
<td>35%</td>
</tr>
<tr>
<td>Shared wishlist/Saved list from any of the channels you visited</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Astound Commerce 2016 Mobile Shopper Survey
RTP: How must customer service evolve with this connected experience?

Freedman: There’s a real split personality here. There’s the people who get it, and there’s the people who are horrible at it. There’s not a lot of in-between. On one hand, you have people going to these knowledge bases and searchable FAQs. Those are good things, but you still have to have training and competency within the retail environment of the people.

It’s still about training within a good retail environment. If you go to REI, Sephora or Crate and Barrel, you’re going to have a good experience, and that takes training. There has to be knowledge of product. There’s no substitute, so associates have to know the product and the retailer’s policies.

There’s probably only going to be one Amazon and most retailers are only going to be able to do things certain ways. Most of the differentiation is going to come from service and assortment, and you’re likely only going to be so different in assortment in some categories. The smart retailers have realized that service is important to invest in, but it’s not easy to carry out.

Additional tips:

• Ability to address customer service via every possible channel;
• Live chat execution;
• Include a clickable mobile phone number on the site; and
• Communication upon order placement with strong details and store information (directions/hours, etc.).

Source: Astound Commerce 2016 Mobile Shopper Survey
2017 will be a pivotal year for e-Commerce. Even as the promise of the Pokémon Go craze quickly wanes, retailers will team with experience design agencies to explore ways to exploit augmented reality (distinct from virtual reality). Experiments inside and outside stores won’t produce clear cut winners, but the year will end with justified optimism that AR will find initial niche applications.

While economic headwinds and tepid performance will stall many retailers’ investments in in-store wireless networks, marketing and store operations leaders will lobby hard for them. Differential investment in store wireless upgrades will set the stage for 2018 when mobile-impaired retailers will see heavier downward pressure on same-store sales than their mobile-enabled competitors.

At least three retailers will jump in behind Macy’s in-store Macy’s On-Call intelligent assistant. It’s already in pilot at 10 stores with a lot more than navigation. While Amazon Echo and Apple Siri aren’t recognized by their users as intelligent agents, retailers will see the intermediation threat they pose, especially from Amazon, as a rationale for putting intelligent agents as a core enabler of omnichannel personalization at scale. Constraints in content management and marketing orchestration systems will be seen as barriers to realization of cognitive benefits and draw investment in these areas.

Conversational commerce will gather momentum, with WeChat in China being the pacesetter, but some consumers will grow tired of the rudimentary functionality of purpose-built chatbots now on messaging platforms such as Skype, Slack, and Facebook Messenger. Thought leaders will draw attention to the potential of natural language processing and the importance of understanding context beyond the narrow Q&A information retrieval, transaction task at hand, and rules-based advanced notification.

Hand-offs to human agents will continue as stop-gap solutions. Second generation cognitive assistance for web site search, going beyond what The North Face and 1-800-Flowers have piloted, will establish cognitive as a foundational technology for conversational technology by the end of 2017.

By the end of 2017 there will be a growing consensus that bots can take on new roles in digital commerce and advertising. The industry will be talking seriously about “bot-to-bot” commerce. While the acronym is already taken, in this version of b2b commerce, note the lower case, consumers will configure their personal intelligent agents with permissions, rules, and filters — or better agents will learn them.
Bot agents will search its consumer’s set of shoppable web sites and return with options of interest, if not purchased items. “Solving intelligence” may become a term of art in e-Commerce. Don’t be surprised if Amazon equips Echo with simple shop-bot capabilities. Retailers and brands will go into NRF 2018 looking for sell-bots.

Finally, new players, telephony carriers in particular, will address security and privacy concerns. Credit card brands might as well. They will evolve new consumer and business services to curate and protect personal data. Deutsche Telekom AG will pilot such a service in Austria in 2017. Carriers will see a revenue opportunity in privacy data custody and curation as consumers’ willingness to pay for voice communications continues its secular decline.
Having been in e-Commerce since it was new, I’m excited for 2017. In the early stages, we saw e-Commerce 1.0, which was essentially discovering if and how e-Commerce can be done. E-Commerce 2.0 was all about software platforms and standardization, and e-Commerce 3.0 is about hardware enablement of seamless commerce everywhere, especially in the home. We saw this start with m-Commerce (e-Commerce enabled by a new device) and over the past couple of years we’ve seen a ton of hardware enter the home, such as the Amazon Dash Buttons and Echo, with Google Home coming soon.

It’s more than the big tech giants though — if we think of the BabyNes baby formula machine that can order more baby formula on demand, or the Samsung Family Hub Refrigerator that lets users know what items they have in their fridge, there are smarter IoT-enabled devices entering homes everywhere. In particular, with the launch of virtual reality support for Xbox (Oculus) and PlayStation (PlayStation VR) along with a variety of competitors, we can expect low-cost virtual reality hardware to enter homes in more significant numbers than ever through the holidays. Virtual reality shopping at home is a natural next step in 2017.

How will e-Commerce’s role in retail expand within the next year?

E-Commerce is still a fraction of total retail sales and we’ll see that continue to grow slowly and steadily based on the current trends. However, as omnichannel capabilities become better integrated into the stores and we see more digital channels influencing or directing online sales (e.g. social, affiliates, etc.), the role of e-Commerce within an organization will continue to grow in importance and complexity. In particular, investment in the e-Commerce infrastructure and platforms to support a more disaggregated retail model (e.g. pop-ups, stores, events, social buying, etc.) will need to expand for brands that want to succeed, since it will be the enabler for the future of non-traditional retail models/channels.

What should retailers improve on the most within their e-Commerce strategies, and how can they carry that out?

There are a number of retailers that think of e-Commerce as another store — not necessarily the biggest store, but a store nonetheless. Strategically, e-Commerce needs to be a brand capability that’s integrated into every facet of the way retailers engage customers. As we think forwardly for brands, e-Commerce, m-Commerce and brick-and-mortar all need to be combined into a holistic customer experience regardless of channel, location or time.
Strategically, e-Commerce needs to be a brand capability that’s integrated into every facet of the way retailers engage customers.

Will present e-Commerce strategies evolve in any way?

Going forward, brands will need to be more thoughtful and targeted about how they serve their specific customer demographics. From a digital experience perspective, the competition online grows every second. Thanks to the commoditization of e-Commerce as a capability due to all the great e-Commerce platforms out there, for better or worse, most e-Commerce sites are starting to all look the same. In order to stand out, retailers will need to be very intentional about their user experience.

Similarly, on the operations side, between free shipping, free returns, ship to/from store, return in store, same day delivery, etc., e-Commerce is being faced with huge investments. Strategically, e-Commerce will need to focus on which investments are the right choices and have the right capabilities for their customers and brand, because the investment options are limitless.

How will e-Commerce and brick-and-mortar channels continue to coexist/integrate going ahead?

There are a lot of omnichannel possibilities that everyone is looking at going forward, which will be capabilities the evolving retail industry and consumer are starting to expect any and all stores to have. One particular area that will be interesting is analytics: as we start to integrate engagement, purchasing and inventory across stores and e-Commerce, the foundation for predictive, actionable analytics for regional, store, customer and individual product levels will become really powerful.

As we think of the challenges facing brick-and-mortar stores and the shrinking of retail square footage, store assortments will need to shrink and become better representations of hyper-local preferences, therefore evolving into customized physical extensions of the greater e-Commerce infrastructure.
Due Diligence In E-Commerce Acquisitions: What’s Invisible Can Guide Value

Recently Vauhini Vara wrote in the New Yorker that in acquiring Jet.com, its buyer was getting little more for its $3 billion investment than the potential five-year hire of Marc Lore, Jet’s Founder and CEO. Considering Lore was barely out of the gate with this enterprise, this deal has certainly raised an inquiring eyebrow or two. Industry analysts must assume that Walmart believes Lore’s Jet is genuinely capable of giving Amazon a run for its money. And while I understand Ms. Vara’s logic, is Walmart getting something besides Marc Lore?

I’d like to posit that Walmart isn’t Walmart for nothing, and wouldn’t splurge on Jet.com at an apparently over-the-top price without solid underpinnings. Even if this deal appears risky on the surface, you can be sure that they did their homework on Jet.com. Any potential buyer is going to do their due diligence process, and Walmart is certainly no exception. When it comes to acquiring an e-Commerce company, typical areas of due diligence inquiry will include a deep look into supplier relationships, inventory management, customer support, revenue breakdown by supplier, product and customer, refunds, chargebacks, and that all-important web traffic — where it comes from, its composition, and how much of it translates into sales.

In a case like Jet.com, what constitutes that web traffic? They’d want to look long and hard at the company’s customer base, and trends surrounding it. Here’s where the due diligence in this area really gets interesting. Walmart needed to assess a customer base that is purely online. That’s hard to do. What does Jet.com have that’s better than Amazon? Why does Jet.com have such intrinsic value to Walmart?

Well, considering that Jet.com buyers are more likely than other online buyers to have incomes greater than $150,000 a year, that’s a nice juicy demographic off the bat. You begin to see how Walmart might value the acquisition of this customer base. Moreover, only one-fifth of Jet.com buyers have also purchased from Walmart.com in the most recent six-month period. So in buying Jet.com’s customer base, Walmart stands to add an entirely new and unique buyer demographic to its own. It starts to count less that Jet.com has yet to make a profit — they have an audience that Walmart wants.
They say when you buy a company, you’re buying its people. Equally true when you buy an e-Commerce company is that you’re buying its customers.

One of the points of intersection between Walmart and Marc Lore is their mutual insistence on low prices. What are Jet.com shoppers buying? Our Checkout Tracking data also shows that compared to non-Jet.com buyers, Jet.com buyers spent more of their online dollars in the most recent six months on baby products, pet supplies, home and kitchen products, tools and home improvement, and health and beauty products. The brand assortment in Jet.com customers’ basket also spoke volumes.

That’s valuable information to a company that’s considering buying a year-old startup to be the engine of its online business. The knowledge of where else Jet.com customers shop, what they’re buying, and yes, their demographic composition — this is all indicative of why Jet.com’s customer base is valuable to Walmart.

Companies looking to acquire e-Commerce entities, rather than build the capability from the ground up, would do well to understand, from the get-go, the customers these potential acquisitions have. Are their customers already your customers? What are their demographics? Where else are they spending? What does their basket look like across other retailers in all channels?

They say when you buy a company, you’re buying its people. Equally true when you buy an e-Commerce company is that you’re buying its customers. If you ask the right questions, the data can point you the right way. In this sense, all of these questions can — and should — be part of the due diligence process.
The Perfect Storm Of E-Commerce Change

The next five years of retail will be one of the most turbulent periods of change since the formation of chain retailing in the early 1900s. Though the past century has, without a doubt, had major periods of change — the modernization of the U.S. distribution system in the 1950s, the introduction of the barcode in 1974, the massive efficiency improvement in the supply chain in the 1990s — we are just now poised for the true impact of a “perfect storm” in disruption.

First, we are entering an era where, for the first time, human beings have fully internalized the use of digital technology as a function of their day-to-day lives. Until recently, computers were a “thing” that were used for special purposes. But now, we’ve reached a tipping point where the overwhelming majority of people — up to 100% of adults in some countries — have embraced and use smartphones daily, giving them an expectation of instant access to people and information, anytime and anywhere.

Second, for the past 20 years, retailers have largely treated online and e-Commerce as a “channel,” focusing on creating stand-alone web sites that sell goods that are delivered to a customer at home. But last year, in 2015, we hit a watershed as an industry, with an estimated 50% of total retail transactions being influenced by the web. This number is growing far more rapidly than “online sales,” forcing retailers to confront the need for a new hybrid experience that blends traditional silos into a unified, customer-led, interactive shopping process crossing both digital and physical elements.

And third, retail as an industry is poised to escape the cruel trap of “retail math” that has plagued the deployment of technology into physical stores since the 1980s. Technology in stores had to be “retail hardened” and was often prohibitively expensive to deploy chainwide. The raw cost of technology has been plummeting, both dramatically reducing the cost of “traditional” tech (a sub-$50 Amazon Fire 7” tablet can run Citrix, giving store associates an instant on-floor connection to back-end retail systems...just sayin’!) and creating new types of technology like sensors and at-the-edge data analytics.

JIM CRAWFORD, PRINCIPAL, RED-LAB

As principal of the Retail Experience Design Lab (RED-LAB), Jim Crawford has spoken at dozens of retail industry events and worked with retail and brand clients all around the world. Jim has held senior design leadership positions at Chute Gerdeman and Gensler, and through his strategic retail experience consultancy Taberna Retail, he has worked with numerous other design firms and served on the editorial advisory board of VMSD Magazine for several years. His past experience includes being a retail analyst for Forrester Research and Retail Forward, as well as senior technology executive positions with Intel Corporation and SAP Retail.
To keep customers happy, retailers will need to rethink the shopping process, everything from the role of web and mobile to the very purpose of stores.

So what does this mean for retailers?

Make no mistake, this is uncharted territory, and unlike previous waves of innovation, we can't simply look to segment leaders like Walmart or Amazon for a playbook to imitate. Successfully navigating the collision of digital and physical retailing will require retailers to embrace two new types of thinking: next-generation experience design, and next-generation retail metrics.

To keep customers happy, retailers will need to rethink the shopping process, everything from the role of web and mobile to the very purpose of stores, and holistically design shopping experiences that embrace the shopper seamlessly through every touch point: at home, on the go, and in the store.

And to keep shareholders happy, retailers will need to look beyond foot count and POS data, embracing next-generation analytics throughout the retail experience, not just online. This is perhaps the most profound aspect of the future of e-Commerce: the massive availability of information about how a customer engages online is about to shift into the “real world” as well.
Steve Rowen, Managing Partner, RSR

Steve Rowen is a Managing Partner at Retail Systems Research (RSR), an industry market intelligence firm that helps retailers make more strategic decisions about the role of information technology in their enterprise, and helps solution providers better meet those needs. He was one of the first analysts to cover customer data security’s impact on retail, environmental sustainability within the industry, video’s impact on loss prevention and store operations, and emerging trends in e-Commerce, mobile and social. Prior to his work as an analyst, Steve served as Senior Editor for multiple retail publications, including Extended Retail Industry Journal, Top of the Net, and Retail Systems Alert Monthly.

RSR has been tracking retailers’ e-Commerce strategies for more than five years. During that time we’ve seen interest in a major platform refresh, the introduction of mobile and social as e-Commerce considerations, as well as convergence — where retailers increasingly view mobile and other non-commerce online activities in the context of their overall “digital” strategy, with their e-Commerce platform as the centerpiece.

Digital convergence has not yet been achieved — it takes only a stroll through a retailer’s online touch points to see how disconnected their digital strategy really is. However, the intent is clearly there.

As it relates to what stands in the way of their seizing more of these opportunities, retailers have two main operational problems: getting varying channels to work together, and optimizing the ways inventory is deployed across these channels (Figure 1). Everything else pales in comparison.

Figure 1: On the Move
Top Three E-Commerce Operational Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinating with other channels to create a seamless brand experience</td>
<td>49%</td>
</tr>
<tr>
<td>Optimizing inventory deployment across all channels</td>
<td>48%</td>
</tr>
<tr>
<td>Understanding and accommodating how different consumer segments engage with us</td>
<td>38%</td>
</tr>
<tr>
<td>Cost effective shipping and fulfillment</td>
<td>36%</td>
</tr>
<tr>
<td>Creating customer segmentations to deliver targeted discounts and promotions</td>
<td>35%</td>
</tr>
<tr>
<td>Identifying and enabling typical customer journeys across channels</td>
<td>32%</td>
</tr>
<tr>
<td>Optimizing websites for different form factors (mobile, etc.)</td>
<td>24%</td>
</tr>
<tr>
<td>Coordinating price and promotions with other departments</td>
<td>23%</td>
</tr>
<tr>
<td>Have not yet defined what a differentiated online experience looks/feels like</td>
<td>15%</td>
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Source: RSR Research, February 2016
No significant progress can occur until inventory information is reliable — and information can be shared across internal teams with confidence.

By performance, these numbers are only exacerbated. As many as 58% of Winners (not pictured) report optimizing inventory across channels as their top inhibitor. And Winners drive the coordination issue as well: 54% say that coordinating with other channels in an effort to create a seamless brand experience for the consumer is a top operational challenge. What is even more telling is how quickly both of these issues have risen in prominence in just the past 12 months (*Figure 2, below*).

A year-over-year comparison shows that inventory and channel coordination have leapt to retailers' focal points in just the past year. What can we take from this sudden rise in interest? That retailers are becoming deadly serious about creating the seamless customer experience they've been talking about for years now: the deeper they get into “action,” the more glaringly apparent it becomes that inventory and inter-departmental cooperation need to be dealt with. To put it bluntly: no significant progress can occur until inventory information is reliable — and information can be shared across internal teams with confidence.

One of the most significant challenges for Winners is the e-Commerce platform's ability to be updated in a timely fashion (36% vs. all others’ 24%). Clearly they are playing a different game. While average and lagging retailers bemoan legacy solutions for being too steep a challenge to overcome, Winners have been steadfast at working towards the future. Now they want to press the “go faster” button. It is a clear indicator of just one more way they’ll soon pull away from the pack.
For retailers to provide an enhanced digital (and cross-channel) experience to consumers, they are going to need a streamlined technology platform.

The Way Forward

As vital as it is to know where retailers perceive their own internal challenges, it is equally important to gauge how they plan to get over these matters. As you can see below in Figure 3, retailers increasingly see “one platform to rule them all” as the way forward.

Indeed, when viewed directionally from 2013 until today, nearly all of the options put forth gain momentum with time. Retailers recognize that if they are to provide an enhanced digital (and cross-channel) experience to consumers, they are going to need a streamlined technology platform, more coordination with stores, and an executive who owns the customer relationship across channels — the lot of it.

Figure 3: One Platform To Rule Them All
Three Ways To Overcome Inhibitors

Investment in a streamlined technology platform or infrastructure

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More coordination with stores

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An executive tasked with owning the customer relationship across all channels

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More coordination with marketing

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More education of executive leadership on digital opportunities

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Solutions that don’t burden our IT department

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Implementing a modern e-Commerce platform

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Case studies/success stories in my vertical

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Hot Commerce Trends
In 2017

It’s no secret that mobile and omnichannel have been the biggest areas of retail investment for the last few years. But it’s also important to note that commerce is shifting in other ways. Here are six things that have been happening in recent years and promise to continue into 2017:

1. More brands are going direct-to-consumer. While wholesale isn’t exactly dead, one of the biggest shifts in retail over the last two decades is the number of once-wholesale brands now selling directly to shoppers either online, in stores or both. I estimate that about one-fifth of e-Commerce alone is from brands selling directly to shoppers. This extends across expected categories like apparel and consumer electronics, but what’s surprising is that we are also seeing forays into retail from unexpected players like Penguin Books, which just opened its own bookstore in Puerto Rico, and P&G, which is now selling Tide pods in a subscription model through its Tide Wash Club.

2. Chat commerce is becoming a new way to buy. Talk of distributed commerce (e.g. buy buttons on Pinterest) continues to capture the imagination of retailers but chat commerce is its newer, cooler cousin. It gained attention from success stores in Asia (e.g. WeChat) but then Facebook pushed it forward with some chatbot enhancements to Messenger earlier this year. But the real opportunities are from startups with unique value propositions who see themselves as variants of flash sale businesses. Two of my favorite examples are ReplyYes and Peachd. In a nutshell, these companies text offers to shoppers and customers can quickly text back a quick affirmative response to buy an item.

3. Retailers are growing through acquisition. Retailers have historically grown by opening new stores. Only occasionally have stores grown through acquisition or rollup strategies. Even less common is acquiring online pure plays to grow. Yet this is exactly what we are seeing happen more frequently. Cases in point: GameStop acquired ThinkGeek; Unilever acquired Dollar Shave Club; and Walmart acquired jet.com. In some cases, it is about acquiring IT talent, but in other cases it is about incremental customers, new markets or brand expansion of growing products or offerings.

Sucharita Mulpuru is one of the country’s leading authorities on retail, shopping and mobile commerce. She is the Chief Retail Strategist at Shoptalk, and for the last 10 years, she was the Lead Retail Analyst at Forrester Research, where she focused on e-Commerce and the intersection of technology and commerce. At Forrester, she authored more than 50 research papers on the topics of online and multichannel retail, and is frequently cited in leading media outlets such as CNBC, The Wall Street Journal, Fortune and The Financial Times. Prior to Forrester, she held senior positions at Saks Fifth Avenue, Toys “R” Us and The Walt Disney Co.
Retailers surveyed said that social media was one of their fastest growing and largest customer acquisition sources, even bigger than paid search.

4. **Social commerce is finally becoming relevant.** The latest State of Retailing Online survey, an annual study executed by Shop.org and Forrester Research, surfaced that social media marketing may finally be a viable force in retail. Retailers surveyed said that social media was one of their fastest growing and largest customer acquisition sources, even bigger than paid search. Admittedly, much of that is Facebook, which has much greater usage and utility than any of the other large social networks, but retailers are nonetheless finally reporting growth in traffic and sales from social sources. No doubt this is due to the copious amounts of brand data that these ad platforms are able to gather to better personalize marketing messages.

5. **Brands are experimenting with their stores.** Retailers are realizing that they must differentiate their physical stores where possible. GameStop has taken the approach of diversifying space within its stores, bringing in different categories like collectibles and mobile phone sales. Luxottica, the parent company of Sunglass Hut, has a number of flagship stores around the world that incorporate features like pop up galleries that showcase anything from local artists to other brands. Starbucks is launching its large-format Roastery stores to support the theme of “coffee as theater.”

6. **Companies are getting better at using retail data.** Retailers have been great at using copious amounts of POS and shopper data over the years. We are now seeing data innovation to support real-time pricing decisions online and at times in stores, smarter supply chain logic to ensure that products get to shoppers quickly, cheaply and efficiently (often by shipping from stores), and improved attribution to match remote and store shoppers.
Beacons, Bots And The Future Of Personalized Experiences

**SHANNON DAVENPORT, HEAD OF U.S. ADVISORY, STYLUS**

Shannon Davenport is Head of U.S. Advisory at Stylus, where she works with global brands and creative agencies to identify future market trends and cultural shifts that are likely to impact their businesses. Her client list includes well-known brands like Procter & Gamble, Macy’s, Mattel and Marriott. Shannon’s ability to translate and apply learnings from one industry to the next comes from her extensive experience across different sectors — from food and fashion to retail and marketing.

Personalization is a hot trend in the retail industry. But have you ever felt like different organizations have different definitions for this term?

At Stylus, we define personalization as an interaction or experience that’s completely tailored to a single person. However, I believe that there are different levels or tiers of personalization. It could mean allowing consumers to customize their own products, or it could mean online retargeting or using the right algorithm so that consumers are seeing the right products based on the things that they like.

Regardless, personalization is something that consumers now want and expect from the brands they buy from — especially Millennials and Gen Z consumers. They expect experiences, offers and even inventory to be tailored to them, whether they’re surfing online or in stores. They want sales associates to know what they purchased in the past and what offers or promos they respond to.

Moving into 2017, retailers need to continue to think of how they can better translate data into business opportunities in both the physical and digital retail environment. That’s where beacons, mobile promos, interactive packaging, in-store smart technology and RFID will play an important role — they will be the connecting points between the digital and physical worlds, and will help deliver this data between channels.

Here are some of the trends that I think have really matured during 2016 and will truly come to a head in 2017:

**Mobile Apps:** Of course, mobile apps have been around for years, but this year we’ve seen maturity in new, interesting areas. Most of all, retailers are trying to think of ways to make their apps more valuable for consumers and more integral to their everyday lives. For example, Sephora does a great job of giving consumers reasons to download the app — like giving them access to an augmented reality tool that allows them to try on lipstick or eyeliner from the store. In-store shoppers can also scan products and instantly view online reviews for that item. Other brands like Chick-fil-A, Dunkin’ Donuts and Starbucks are adding mobile ordering to their apps so users can digitally place their orders and skip the line when they get to a location. These brands are giving people a really good reason to download the app and keep them intrigued by integrating rewards, loyalty points and other features.
AI and chatbot services are taking consumer data, purchase histories and preferences, and using them in intelligent, real-time and scalable ways.

**Beacons:** It seems like retailers still use beacons very cautiously and are trying to not over-alert consumers who are opted in. Although we've been talking about beacons for a few years now, it is taking a lot of time for retailers to determine what types of offers to send and how frequently. It's a really tricky balance that retailers need to figure out. **Barney's** has a beacon-powered flagship store and their whole approach is to make sure consumers are aware of what they're opting into, and making sure they don't blast them with messages too frequently. Once you download the Barney's mobile app and opt into the experience, you reap a lot of benefits. When you leave the store, Barney's will even send suggestions for places you can go to have a cup of coffee or a nice dinner. The retailer is turning its app into a neighborhood guide of sorts.

**AI & Chat Bots:** This is a really exciting, emerging area of personalized customer service and experiences. Macy's recently unveiled a new mobile web tool, called “Macy's On Call.” In a nutshell, the new tool is an AI-powered platform that consumers can communicate with using their mobile devices. They simply ask questions (about products, services or facilities) and instantly receive a customized response. **Kik** is a social network that provides a similar experience for digital shoppers. Brands create Kik accounts and have their own dedicated chatbots that answer consumers’ questions in real time. Kik is very teen-oriented and a lot of brands are playing with it because it gives customers more control of the brand interaction. Facebook Messenger even allows brands like Everlane to use chat bots to engage with customers. Although all of these trends present great opportunities, the AI and chatbot space is especially intriguing. Why? Because these services are taking consumer data, purchase histories and preferences, and using them in intelligent, real-time and scalable ways. AI and chatbots can get people into stores or get them to engage with mobile apps.

It will be interesting to see how this particular trend evolves over the next year and ignites the new era of retail personalization.
Expanding Globally As An E-Commerce Business

Global e-Commerce is growing at a fast clip. By 2019, global business-to-consumer (B2C) e-Commerce will hit $3.5 billion, according to eMarketer estimates. Internet connectivity, smartphone ownership, and mobile device use are surging all over the world. By some estimates, Asia-Pacific is growing the fastest at over 35% a year. China and India, which account for nearly 40% of global population, contribute a major share of the growth. With the promise of 4G access for nearly 90% of the Indian population by 2017, the e-Commerce stakes in India have gone a notch higher.

While global e-Commerce opportunities are expanding at double-digit rates and providing unprecedented access to a vast worldwide customer base, they also highlight differences in online needs, preferences, and behavior across countries. For example, automobile parts and home goods are most popular online among Russian consumers, while books and DVDs are bought most online in Australia. Furthermore, consumers may buy from different e-Commerce channels or sites in different countries. For example, over three-fourths of Chinese consumers tend to buy from e-marketplaces.

Buyers all over the world are becoming increasingly technology savvy and are using several digital tools, including search engines and social media, to discover products and prices, transact, return goods, and engage in conversations. The degree to which they use these tools varies across countries depending on the local culture, customers’ technology sophistication and platform availability.

The roles of social media, comparison shopping and mobile chats also differ significantly across countries. According to a study of 12,000 consumers in 12 countries by Pitney Bowes, 62% of shoppers worldwide rely on search engines, with Japanese and UK consumers expressing a high preference (70%); about 44% directly visit retailers’ web sites, with U.S. consumers being the highest (52%).

Business-to-Business (B2B) e-Commerce is much greater than B2C e-Commerce. Frost and Sullivan predicts that global B2B online sales will touch $6.7 trillion by 2020. Much of this business occurs through online marketplaces, procurement networks and other e-Commerce platforms, including electronic data interchanges (EDIs).

Successful global e-Commerce companies of the future will be those that understand the evolving nature of Internet technologies and customer preferences across the world, research the differing needs and practices of consumers across different countries, and formulate and execute long-term strategies.
Global firms need to go beyond the basics and adapt to cross-cultural differences as well.

Companies’ global e-Commerce strategy will also have to take into account the omnichannel shopping practices of customers all over the world. Adapting websites, apps and other e-Commerce initiatives to the local language, currency, taxes and shipping is a must for all global e-Commerce firms.

However, global firms need to go beyond these basics and adapt to cross-cultural differences as well. Their supply and distribution chains have to be strategically designed, keeping in mind economies of scale and scope, response agility, and customer service needs and capabilities. This calls for a proactive long-term strategy, investing in capabilities, infrastructure and local expertise.

While there is no single blueprint for success, firms will have to be willing to experiment, learn, and quickly adapt to the fast changing global e-Commerce landscape.
Segmenting Customers To Maximize Relevance (And Revenue)

MARK LILLEY, HEAD OF E-COMMERCE, CHAIN REACTION CYCLES

Retail TouchPoints talked to Mark Lilley, Head of E-Commerce for Chain Reaction Cycles, to discover how the online retailer uses a wide range of analytical tools to segment customers based on transactional history and how they interact with the e-Tailer’s web site.

Retail TouchPoints: Chain Reaction Cycles has become known for its personalization capabilities. How do these fit into your overall goals as an e-Commerce marketer?

Mark Lilley: Our overall goal is to use data and analytics to make better e-Commerce marketing and engagement decisions. For a long time we’ve used data to measure and understand our digital channels, i.e. how customers are getting to our site. Over the last two years, we’ve invested a lot of time in user experience and trying to understand customer behavior. We do that via voice of the customer, onsite behavior analysis, usability testing and running a robust conversion optimization program. We want to drive our e-Commerce roadmap based on identifying and solving user problems, resulting in happier customers and increased revenue.

RTP: What are some of those key user goals?

Lilley: User goals can range from finding delivery information, checking a voucher, or simply browsing, but our main focus is to help customers find the products they want and need. Understanding site movement from homepage to product listing to product and throughout checkout helps us identify where a user problem may exist, and we then work to fix or improve it.

RTP: You have a large product catalog and your customers have a wide range of skills and interests — everything from casual road bikers to serious mountain bikers and racers. What have been some of the most productive ways you’ve found to segment your customer base?

Lilley: We are a global business and our first segment is always country, followed by device. We have different product restrictions by country and need to ensure the site is serving the correct price in the correct currency and language. We are continuously experimenting with the level of granularity required to make sure we help customers without isolating them from other offers or categories. For example, targeting customers by gender, by sport, going further and focusing on compatible parts for the bike they previously purchased, etc.
Our goal is to be as relevant to the customer as possible without limiting the scope of the site.

We are constantly working on improving product recommendations throughout the site and trying to maximize the ease with which a customer can re-purchase a repeat buy, e.g. nutrition and brake pads.

There are products like that, which a customer will buy within 15 seconds, but in contrast a shopper doesn’t buy a bike as soon as they hit our web site. It’s a luxury product, so typically a shopper will come back, drill down, look at images, watch a video — they will get themselves to a place where they’re willing to spend a few thousand dollars. If we’re building a good experience with the customer each time they visit, through marketing and transitions through the site, we can hit our micro-goals along the way. Ideally they will ultimately purchase the bike and then make all their subsequent purchases — accessories, apparel, nutrition, etc. — from us.

**RTP:** *It sounds like you have many different ways to segment your customer base. Is there a risk of segments becoming too narrow?*

**Lilley:** Yes, our goal is to be as relevant to the customer as possible without limiting the scope of the site. A customer has the ability to move between segments in real time on our site, which helps to reduce the risk of becoming too narrow. But it still remains a constant question of how granular do you need to be to provide a great user experience and benefit commercially.
How Le Tote Is Capitalizing On The Sharing Economy

Over the past few years, "the sharing economy" has become a common trend in the retail industry. The rise of disruptive organizations like Airbnb and Uber is contributing to the sharing economy's inevitable explosion. In fact, the industry is set to reach $20 billion globally by 2020, according to Juniper Research.

While some consider "the sharing economy" to be a threat, brands like Le Tote have turned it into a business opportunity.

Le Tote is an online-only fashion rental service. Visitors start the experience by taking a simple style quiz, which helps Le Tote build a customized “closet” of outfits and accessories. For a monthly fee, consumers receive different outfit boxes. They can wear and immediately send back items in order to receive a new box, but they also have the option of purchasing any items they don’t want to give up.

Throughout this process, Le Tote collects extensive data on every customer and uses it to further personalize and improve experiences. In this Q&A, Lauren Miller dishes on some of the latest e-Commerce trends and how the brand uses data and advanced algorithms to improve business results.

Retail TouchPoints: How would you describe your target consumers’ digital path-to-purchase? What recent consumer trends or shopping patterns do you believe have impacted consumers the most?

Lauren Miller: Our target consumers, especially Millennials, are increasingly choosing to spend their money on experiences. Couples are asking for massages during their honeymoons instead of cookware. Car sales are down and we see more and more people opting to stay in other people's homes rather than hotels. When they are at home, they're renting small apartments and closet space can often be tight.

This consumer is also thinking more about the environmental impact of how she consumes and increasingly turning to resale. While the overall e-Commerce market grew 14% last year, apparel resale grew an astounding 82%.

Though fashion subscription is still a new idea for most, we think these trends play to our advantage.

RTP: How are mobile and social helping your e-Commerce business thrive?

Miller: We launched a mobile app to increase engagement and have found that customers using the app stick with the service longer and submit more product ratings than the average desktop-only customer. Our mobile web traffic started to eclipse desktop traffic this year so we've become a mobile-first company by necessity.
We use customer data to personalize the experience, from the items included in her tote to the email she receives in her inbox.

Our community engages most with social content that comes from them. We asked five members to join us for our summer lookbook photo shoot and used that content in our boxes, in email and throughout our social channels. Our customers share photos of themselves wearing Le Tote items and we include those “style shares” on the product details page.

**RTP:** How are you using data and analytics to connect with online shoppers in a more one-to-one fashion?

**Miller:** When customers join Le Tote they tell us about themselves and we learn more about their style and fit preferences with every tote. We use this data to provide personalized clothing and accessory recommendations.

We use customer data to personalize the experience, from the items included in her tote to the email she receives in her inbox. Our algorithm looks at the 10-day forecast for every customer and recommends items based on her local weather. We recently ran an email campaign based on the customer’s work environment and saw a significant boost in engagement.

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

**Miller:** I think the desire for access over ownership is really exciting and am encouraged by the rising interest in “re-commerce.” Both trends have already led to big disruption in retail and lay the groundwork for mainstream consumption that is more sustainable.

And in terms of category trends in e-Commerce, I think it’s interesting how e-Commerce is shaking up the world of intimates — specifically bras and socks. Adore Me seems to have cracked the nut on using social, especially Pinterest, to drive growth. Stance Socks has been fueling its growth through collaborations with celebrities like Rihanna and James Harden. Who knew bras and socks could be so fun!
MIKE MAJLAK, MARKETING SPECIALIST, LOVESAC

Mike Majlak is a Marketing Specialist at Lovesac, where he heads the brand’s social and PR strategy. As a wide-spectrum marketer, Mike also manages Lovesac’s agency partners and works with influencers, celebrities and athletes to create campaigns that drive brand awareness and understanding. His ability to cultivate strong ties to macro-influencers has led to award-winning influencer partnerships that have achieved measurable business results.

Social Spend Shifts Toward Influencer Marketing

It’s no secret that social helps drive traffic to .com sites. And with geo-targeted ads and technology like beacons continuing to heat up, social networks are also driving traffic to brick-and-mortar stores.

Up to 78% of the American public is now registered on at least one social network, so gone are the days when social media was considered a fad or a channel used only by younger demographics. If you’re not using paid social to drive traffic and conversions on your web site, you’re being left in the dust by those who are.

But what if you don’t have hundreds of thousands — or even millions — of dollars to spend on driving shoppers from social to your store? That is where influencer and referral marketing come in.

Influencer Marketing

Although adoption of influencer marketing is still relatively slow, its effectiveness is becoming more known. On average, brands have received a return of $6+ for every $1 they spend on influencer marketing. Some brands even claim that influencer marketing is driving 2X more sales than paid ads.

Between 2015 and 2016, Lovesac has taken part in hundreds of influencer partnerships — many which were built through an influencer “snowball effect” that occurs when friends of current influencers experience the product based on their peers’ recommendations. The program has yielded clicks costing an average of one-fourth of a penny, and has led to wildly efficient traffic compared to cost per click (CPC) on social and digital. These clicks have led to heightened awareness and education at the top of the funnel, creating intrigued prospects who will continue their journey online or in-store.

A recent partnership with YouTube superstar Roman Atwood drove our largest one-day traffic-to-site in company history. In a video blog on his popular YouTube channel, Roman unboxed our cloud-like Sacs, and took time to explain the product and why it was going to be a great fit for him and his family. He also linked directly to Lovesac.com in the video description. In the hours after the video went live, we saw more than 20X the average number of concurrent users on our site. The video currently has over 4.2 million views and to this day continues to drive brand awareness and traffic to the site.
Whether it’s influencers or customer advocates, there’s no doubt that 2017 will be a year of letting other people amplify your brand messaging for you.

Through post-purchase surveys over the following week, we found that many conversions were attributed directly to the Atwood video. We also discovered that the video had a positive impact on brand awareness. Lovesac plans to more than double its influencer partnerships budget in 2017. That way, we can keep up with the more than 84% of marketers who plan to run influencer campaigns over the next year.

Referral Marketing

Talk about age-old marketing techniques. Rewarding current customers for converting prospects into customers is definitely nothing new. What is new, however, is how good companies have gotten at automating and scaling the process. With the help of companies like Extole, brands are optimizing their referral programs to generate extremely positive ROI and increase overall awareness.

Referral stats read like a marketer’s dream: 92% of consumers trust referrals from people they know. People are 4X more likely to buy a product when referred by a friend, and 74% of consumers identify word-of-mouth as a key influencer in their buying decisions. In 2017, Lovesac plans to expand on an already-established referral program. We encourage customers to share their love of Sactionals with friends and family and, in turn, reward them for their advocacy.

Whether it’s influencers or customer advocates, there’s no doubt that 2017 will be a year of letting other people amplify your brand messaging for you. When done right, this amplification will lead to a more qualified consumer hitting the shopping pages on a retailer’s site.
In this exclusive Q&A, Touch of Modern co-founder Jonathan Wu reveals how mobile is carving out new shopping journeys, particularly in the emerging discovery commerce segment.

**Retail TouchPoints:** How would you describe your consumers’ digital path-to-purchase? What recent consumer trends or shopping patterns do you believe have impacted consumers the most?

**Jonathan Wu:** Right now, we are seeing a great dynamic between our online and mobile presence. In many cases, we will see a new digital path-to-purchase where our customers are checking out our new products online at a computer, but then checking out on mobile. With the small form factor of mobile, we are seeing simplicity in the design for discovering and purchasing products, and we believe that simplicity is driving popularity to use mobile as a new simple way to purchase online is being viewed more and more as a way to research products.

**RTP:** What role is e-Commerce currently playing in your retail business? How do you believe it will change or evolve over the next 12-18 months?

**Wu:** The core of our business is e-Commerce. Because we have no brick-and-mortar part to our business, we are strong believers that e-Commerce will continue to grow over the next year.

**RTP:** How are mobile and social helping your e-Commerce business thrive? What tactics and investments have you found to be most successful? What do you plan to invest in moving forward?

**Wu:** Investing in mobile early has been critical for our business. When we launched Touch of Modern online in 2012, we quickly followed it up with a native iPhone app and native Android app. Today, mobile accounts for more than half of our business. Similar to how mobile has evolved the industry for casual gaming, we believe that mobile has also given an opportunity for casual shopping, for the urban commuter who has 10 minutes to check out our new and exciting products and to upgrade part of their lifestyle with a Touch of Modern.
Our product arrangement is based on an algorithm that considers the popularity of a product from its views, purchases and engagement.

**RTP:** How are you connecting with online shoppers in a more one-to-one fashion? What personalization tactics have been most effective?

**Wu:** As we continue to grow, personalization will be a core initiative to help us deliver the best experience to our customers. We have a patent-pending image optimization software that dynamically updates images within our email content throughout the day based on popularity. Our email delivery system learns behavior from our customers about when they like to receive our emails, and adjusts to deliver at their convenience. Over the next year, we will be working actively on our product recommendation and personalization engine, to learn from our customer browsing and purchase preferences to help discover and feature new items specifically based on their taste.

**RTP:** How are you embracing data and analytics to make better e-Commerce marketing and engagement decisions?

**Wu:** Touch of Modern takes a data-driven approach towards its marketing and merchandising strategy. For our marketing, we are constantly testing every assumption about the business to let our customers and their behavior drive our product decisions — from how to design landing pages to which products we give prominent features to in our checkout flow, everything is tested using an in-house proprietary A/B testing framework. On the merchandising side, our product arrangement is based on an algorithm that considers the popularity of a product from its views, purchases and engagement. Retail is a unique blend of art and science; the art comes from the hand curation in the products we feature and the science comes from the analytical methodology in terms of the customer experience in buying that product.

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

**Wu:** One of the most exciting trends in e-Commerce emerging is the split between the utility of buying something you need and shopping for something that you might not know you want. While Amazon is a great resource to buy things that you are looking for, such as a vacuum cleaner, you are seeing many new companies emerge to become the authority of where to shop and discover innovative up-and-coming products. Similar to the software movement where the cost of producing software greatly dropped, you are seeing a similar wave in products where it is much easier to innovate and produce a new product. Because of this, there are more and more new products hitting the market that are hard to discover, which creates opportunities for discovery commerce.
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P: 201.257.8528
info@retailtouchpoints.com

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