

2019 E-COMMERCE  
OUTLOOK GUIDE

16 EXPERTS  
SHARE INSIGHTS  
INTO TOP DIGITAL

*Retail Trends*  
FOR 2019

retail  
TouchPoints®

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## 16 EXPERTS SHARE INSIGHTS INTO TOP DIGITAL RETAIL TRENDS FOR 2019

The saying goes that “What happens in Vegas, stays in Vegas.” By contrast, what happens in e-Commerce **doesn’t** stay within the digital sphere; increasingly, it affects virtually all segments of the retail industry.

The new world of retail is an intersection of digital and physical. An increasing number of e-Commerce pure play companies are seeing the real benefits of moving into the brick-and-mortar realm. But physical retail is getting a much needed update from the next frontiers of technology, featuring AI, voice commerce and visual recognition solutions.

Retailers and solution providers are working to adapt the store shopping experience to the reality that consumers are entering store aisles led by their smartphones. But when it’s time to expand operations beyond U.S. boundaries, companies are embracing e-Commerce, which has broken down borders, making global retailing a practical reality for retailers of all segments and sizes. And even though stores are still where the vast majority of transactions take place, it’s the rare shopper journey that doesn’t include at least one digital touch point.

For this fourth annual *Retail TouchPoints E-Commerce Outlook Guide*, we’ve organized the contributions from 16 industry experts into six categories, to help readers identify what we believe will be the big themes of e-Commerce going into 2019:

- AI/Machine Learning
- Personalization And Customer Engagement
- Next-Generation Technologies
- Global Commerce
- Omnichannel
- The Last Mile

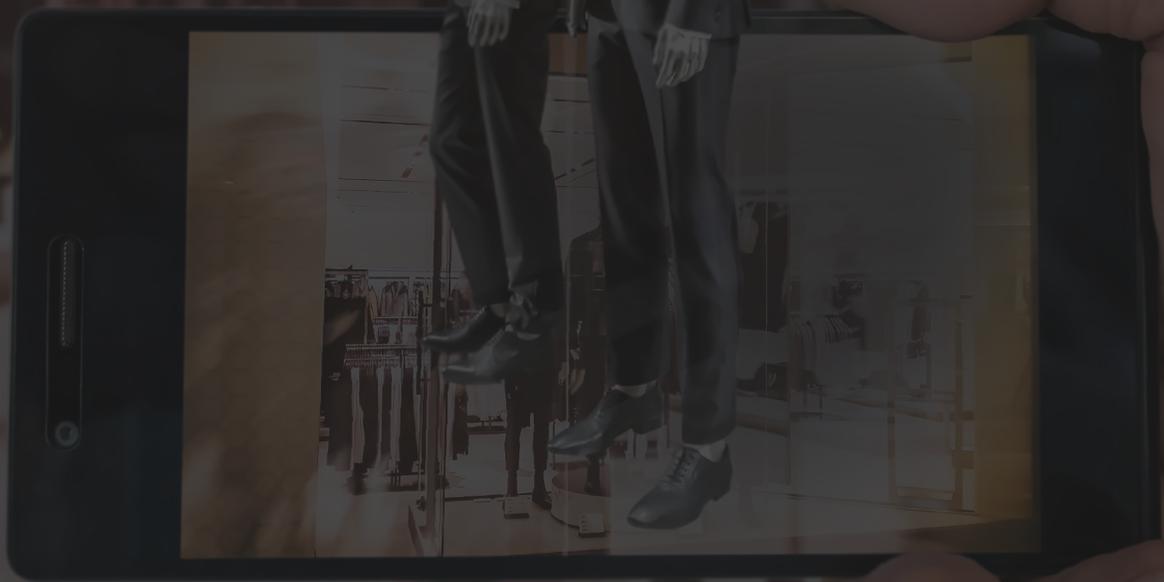
We hope you find the 2019 E-Commerce Outlook Guide useful for the upcoming holiday season as well as for the year ahead.



*Adam Blair*

Adam Blair  
Executive Editor

# AI/MACHINE LEARNING





## AI AND MACHINE LEARNING: RETAIL'S UNTAPPED POTENTIAL FOR DIGITAL INNOVATION

Sheryl Kingstone, Research Vice President, Customer Experience & Commerce, General Manager, Voice of Connected User Landscape, 451 Research

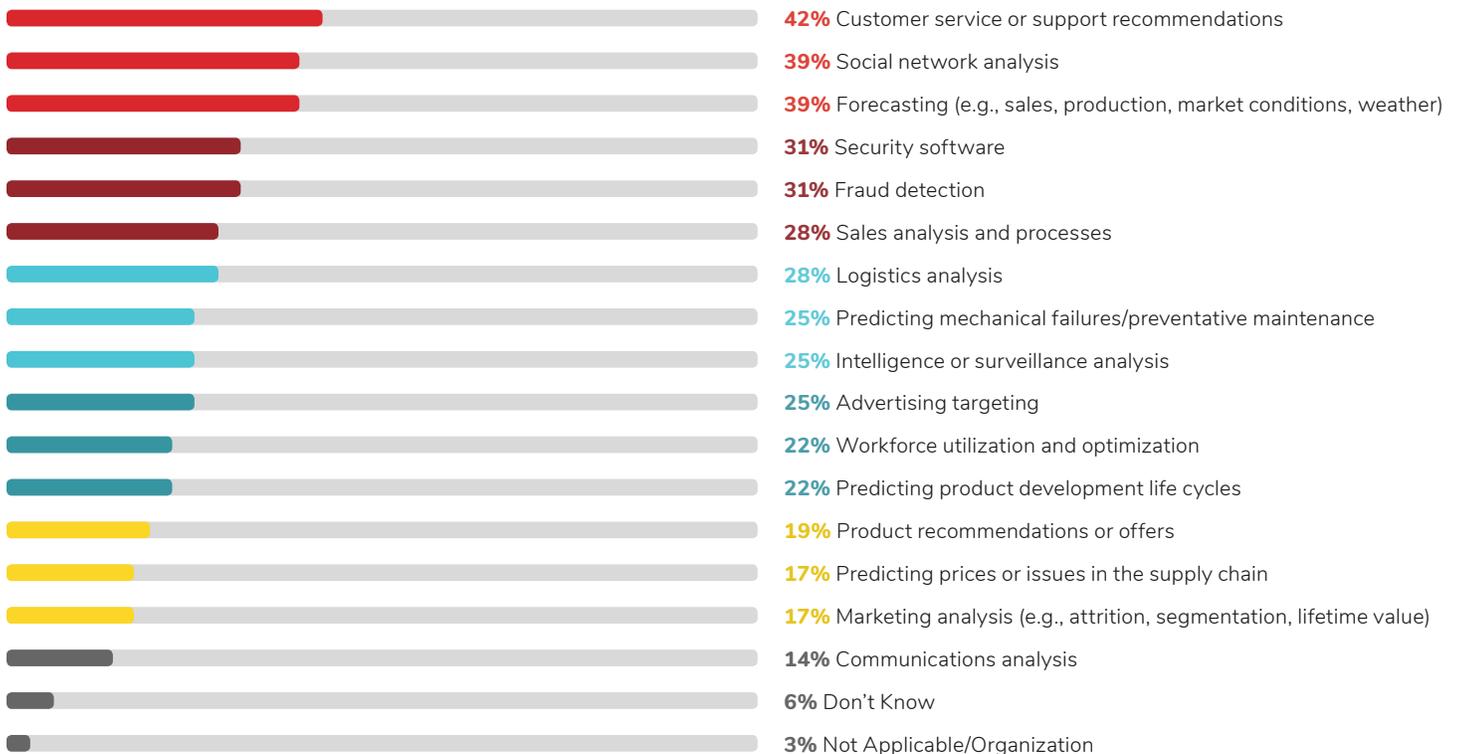


The fact that the digital and physical worlds are colliding is felt most acutely in retail. It's virtually impossible to plan for all potential customer journeys, because each is essentially a non-linear, self-directed interaction, or 'micro moment,' across a customer's channel of choice. Furthermore, the growth in customer data coupled with the maturation of machine learning and AI ensures that retail is well-placed to benefit from new

disruptive technologies that boost efficiency and improve customer engagement.

Our Voice of the Connected User Landscape's 2H 2017 Digital Transformation Survey illustrates a huge potential for how retailers are most interested in exploring advancements in machine learning and AI as potential retail game-changers over the next 24 months.

### Artificial Intelligence and Machine Learning Opportunities in Retail



Source: VoCUL 2H 2017 Digital Transformation



Our survey states that retailers are highly interested in use cases that prioritize operational efficiency and customer engagement.

Retailers want to:

- **Scale Responsiveness:** 42% of retailers are interested in improving customer service and support recommendations. Retailers can leverage chatbots to provide automated, personalized selling or VIP support experiences on-demand via messaging apps such as Facebook Messenger, Twitter DM and WhatsApp. Customers can receive personalized product recommendations along with express shipping selected, and color and size already accounted for; they can pay and track shipping status all within the confines of an automated digital conversation. If escalated to a customer service representative, recommended responses help expedite resolutions to improve engagement and lower operational costs.
- **Engage Socially:** 39% want to harness the power of social network analysis. Customers value experiences, and those experiences often come in the form of social interactions. Selfies, social feeds, chats and influence stats grab consumers' attention, who in turn share their personal encounters. Machine learning can help retailers uncover insights from a deluge of social data. Data plays a powerful role in improving digital innovation. Machine learning technologies help retailers scale because human interpretation and execution alone can miss contextual clues.

- **Operate Efficiently:** 39% of retailers are also looking to improve forecasting. Efficiency of the operating model is everything in retail. The ability to pick up on small drivers of change at the very earliest stage, and then finesse operations in response to those changes, is what makes for a well-oiled retail machine. We know that a small modification of a product or service can provide competitive advantage. A minor alteration in the layout of a store aisle or commerce web site can drive marginal increases in sales. The slightest rerouting of a pick list to speed delivery can reduce shipping costs.

With the explosion in new types of physical, digital and blended experiences, the battleground is quickly evolving with customers expecting intelligent, immersive and pervasive experiences — all personalized to their own changing context.

“ 39% of retailers want to harness the power of social network analysis. Machine learning can help retailers uncover insights from a deluge of social data.



## AI SYSTEMS ARE PREPARED TO LEARN — BUT ARE WE READY TO TEACH THEM?

Vish Ganapathy, Managing Director, Accenture

Karen Voelker, Global Lead, Customer Innovation Network, Accenture

Artificial intelligence (AI) could transform retail beyond recognition — but only if teaching is part of the rollout strategy.

Today's retailers touch base with their customers well beyond their physical stores. No longer confined to malls and Main Street, they need to meet them wherever they live, work and play in the integrated marketplace: in their homes, in their workplaces, in their cars and in their hands.

### Garbage In: Garbage Out

This explosion in connected devices and customer connections is creating huge volumes of digital “exhaust” that retailers can analyze for buying trends, consumer desires and patterns of behavior. But to harness it effectively, they need a new breed of AI system — one that can identify and extract the signals that are meaningful from those that are just noise.

But to see AI systems as the one-stop-shop solution for successful analytics would be misguided. Before organizations can extract and exploit insights, they need to “teach” their system using high-quality data. Low-quality data means the AI system produces distorted, inaccurate results that risk harming the business — instead of helping it. So retailers have everything to gain from putting their datasets through rigorous vetting and cleansing processes before they're deployed.

### Go Small, And Set Homework

Knowing where to roll out the AI system is also critical to the education process: ask it to manage multiple disciplines at once, and you lose your focus. The most successful implementers identify a specific business pain point — it could be customer- or employee-facing — and train an AI system to address it.

Online groceries retailer **Ocado**, for example, had to find a way to process customer queries rapidly and effectively — even when

there is a sudden deluge — and keep its customers happy. So it introduced **advanced AI software** that categorizes customer emails and provides customer service representatives with summaries and priority tags.

But first, Ocado did the groundwork. Before implementation, it put the system through an extensive “training program,” where it learned from millions of past messages to ensure its email vetting processes were accurate. The result? The system successfully processes thousands of customer emails every day.

### Learning On The Job

AI systems are not just being deployed by exclusively online retailers like Ocado, however. **Target** and **Walmart**, for instance, have both been experimenting with aisle-roaming robots that learn “on the job.” These autonomous units move through stores scanning barcodes to identify misplaced or out-of-stock items.

The AI that drives the robots learns to become more efficient over time, which means productivity rates will climb further still.

### Create Star Students

Retailers that commit to training their AI systems for specific tasks gain a competitive edge. And, critically, because retail tends to use a number of fragmented, disparate systems, the sector is well-suited for optimization by fully trained AI.

From automating back office processes to inventory and fulfillment systems and the supply chain, AI has the potential to transform retail.

Just like students without teachers, however, AI systems without any initial instruction lack direction, and the retail industry gets less back. But put in the time at the beginning, give the systems the right material and teach them to identify what is truly valuable, and the sector has much to gain.



## HOW TO SMARTLY EMBRACE AI: A PAY-IT-FORWARD APPROACH

Scott Anderson, Senior Consultant, FitForCommerce



The noise level around Artificial Intelligence and Machine Learning — from 1:1 personalization to robots in warehouses — is already deafening. Here's a cheat-sheet on how to cut through the noise and plot a path to implementing AI while minimizing your risk and optimizing your investment.

**Step #1:** Choose a starting point that lets you start small but follows a roadmap of steps that build upon each other. A clear example is digital marketing and merchandising; there are many disjointed customer journey touch points that could be tackled one by one, but that might ultimately be powered by a single AI-driven platform. There are several such platforms to evaluate — each unbundles the touch points, so you only pay for what you use.

**Step #2:** Get your data house in order. AI-driven systems consume and derive their “intelligence” from leveraging massive amounts of data. Dirty data will lead to lousy results — at scale. (There are AI tools to help you clean and enhance your existing data, too.)

**Step #3:** As you build your roadmap, be sure to define how you're going to measure success at each step. This is the key to controlling cost and risk along the way, while generating the ROI that will pay for each step on the roadmap. By engineering this sort of pay-it-forward roadmap, you will face vastly less internal resistance to your experiments.

“ Get your data house in order. Dirty data will lead to lousy results — at scale.

**Step #4:** As a corollary to Step #3, design your roadmap with the input of as many stakeholders as possible — marketing, merchandising, finance, etc. This not only informs your core requirements, it lets you sequence your roadmap to explicitly benefit the participating stakeholders. Their support for your program, along with a self-funding implementation, will get you past unforeseen pockets of resistance down the road.

**Step #5:** Do not forget to include HR as a core stakeholder. There is a very strong career development component to introducing AI to your business. There is also a very high level of anxiety among employees regarding fear of being replaced by a machine. Take this very seriously.

**Step #6:** As you evaluate technology providers, be sure that they have developed a workable human/machine interface. Avoid “black boxes” and only embrace those that offer analytic transparency and the ability to manually set “boundary conditions” on the machine's decision-making. Every human decision-maker has a boss to whom s/he is accountable. The machine can be no different.

**Step #7: DON'T DELAY.** The sooner you start, the more rapidly your ROI will compound.

**Bonus Tip:** Use the phrase “machine learning” in meetings and presentations. “AI” is more ambiguous and is definitely more threatening to the stakeholders you're going to care about.

A woman with her hair in a bun, wearing a light-colored jacket and a scarf, is walking through a modern, brightly lit interior space. She is carrying several colorful shopping bags (white, orange, purple) and looking down at her smartphone. The background features large glass windows and yellow structural beams. The entire image is overlaid with a dark, semi-transparent filter.

# PERSONALIZATION AND CUSTOMER ENGAGEMENT



## PERSONALIZATION'S NEXT HURDLES: 'FOLLOW THROUGH,' LINKING OFFLINE AND ONLINE DATA

Q&A With Natalie Kotlyar  
Leader, National Retail & Consumer Products Practice, BDO



**Retail TouchPoints (RTP):** How do you define the next phase of e-Commerce personalization? How will it differ from the current phase?

**Natalie Kotlyar:** I'd say personalization is key, and a trend everybody has been picking up on and talking about for quite some time now. I think the next step in e-Commerce personalization is really taking [personalization] to the next level, and what I mean by that is really getting to know your customer. It's not going to be just in acquiring the customer, but really sustaining and keeping them.

I think the next phase is going to be how to **follow through**. For instance, if a customer makes a purchase, you touch base using that original purchase as a follow-through — do you need a replacement, or here is another category related to that. I think it will be a more involved and all-encompassing touch point, more so than you even have now.

Lots of clients and customers today are demanding this, and retailers need to understand and embrace that to really create that personalization that is very poignant to the customer. Today's customer expects that each interaction and each experience with them is going to be personalized more than ever before.

**RTP:** If it's successful, what will this next phase of personalization bring to retailers? To shoppers?

**Kotlyar:** I think to retailers it's pretty simple. It should increase their conversion, which I think is one of the key aspects everyone is looking at. That will be based on increasing loyalty. As I mentioned before, customers are very fickle, and there really isn't a lot of loyalty.

Customers are looking for the best product, the best price and the most convenient way to shop. If you create that personalized experience where they feel that you are showing them the love, showing them that you're interested, providing them with valuable personalization — and I underscore **valuable personalization**, not just **throwing a lot of information at them which is not personalized** — I think that will create loyalty and that in turn will create conversion, perhaps even at higher price points.

**RTP:** How can retailers use customer data to improve the customer experience?

**Kotlyar:** It would be great if they could link online and offline data. It would be great if they could also link the shopping experience and the online data they're getting to any brick-and-mortar or offline shopping data they have. Marketing data is also key.

**RTP:** Are there any particular shopper data points retailers should be focusing on when trying to develop new personalization efforts?

**Kotlyar:** They should be looking at what products customers are buying, how often are they buying their products and whether they buy competing products — meaning are they brand loyal or are they not brand loyal, and do they buy any products that will complement each other? This way you will understand what you can offer that particular customer, and how often.

It would be great if retailers can formulize data, by demographic, social and generational [factors], to really understand the customer and what they should be providing them. For example, they shouldn't be providing a promotion on diapers for a person who has no children. That's not e-Commerce personalization.



## BACK TO BASICS: HOW TO GET CUSTOMERS TO PURCHASE AGAIN

Jeffrey Neville, Senior Vice President and Practice Lead, BRP



It's no secret that returning customers are better for your business than new customers. Studies have shown that a returning customer is less expensive to convert and has a higher average order value than a new customer.

However, the e-Commerce industry continues to focus mainly on the acquisition of new customers by adopting the latest technologies and marketing strategies. While this is necessary to remain competitive, there is simply no substitute for having loyal patrons.

### Enhancing The Post-Purchase Experience

By crafting a post-purchase experience to minimize stress and maximize convenience, retailers make an investment in a sustained relationship with their customer. After a customer clicks "buy," they enter a phase of uncertainty, where they are unsure whether their product will arrive on time or whether it will appear in one piece. Retailers who provide the right clues and reassurances can turn this period into a powerful moment of trust for the brand. Customers who shop without a sense of risk will feel more comfortable making repeat purchases in the future.

“After a customer clicks ‘buy,’ they enter a phase of uncertainty, where they are unsure whether their product will arrive on time or whether it will appear in one piece.

Enhancing the post-purchase customer experience doesn't necessarily involve heavy investment in the latest technologies — it's all about making the experience easy and transparent. Best practices that create a welcome and trusting customer experience to encourage repeat purchases include:

1. Set your **customer delivery and returns expectations** before they click “buy”;
2. Communicate tirelessly about the **status and location** of their purchase;
3. Set and communicate a fair and competitive **return policy**;
4. Make your returns process **easy and frictionless**;
5. Deliver your products in **professional-looking packaging** with personalized inserts;
6. Turn a digital experience into an **omnichannel relationship**;
7. **Use your stores** for something more than cash and carry; and
8. Don't just gather customer feedback, respond to it individually, analyze it and **build a process to take advantage of what you learn**.

Once a customer has a frictionless shopping and post-purchase experience, the key is to give them opportunities and compelling reasons to shop again.



### Increasing Existing Customer Engagement

Shifting some focus and marketing spend from new customer acquisition to existing customer engagement through a structured and automated strategy can increase a customer's lifetime value and shift a single-purchase customer to a loyal brand advocate, which will have a significant top-line and bottom-line impact to your business. This can be accomplished by focusing on five simple best practices:

1. Leverage artificial intelligence (AI) and marketing automation tools to personalize future communications and **customize product recommendations** for each customer;
2. Clearly understand **why your loyal customers buy several times a year** and apply those principles to other customers;
3. Leverage your store as a tool to **encourage repurchases**;
4. **Encourage customers to set up online accounts** and automate a campaign to encourage them to add more personal profile information over time; and
5. If you don't have one, start a **customer loyalty program** immediately.

For more ideas, download BRP's [Best Practices for Enhancing the Post-Purchase Experience](#) white paper.

Now is the time to foster customer loyalty through customer engagement and the post-purchase experience.



Encourage customers to set up online accounts and automate a campaign to encourage them to add more personal profile information over time.



## COMMUNITIES DRIVE BRAND LOYALTY

Erik Reynolds, VP of Product Marketing and Communications,  
Loot Crate



**Loot Crate** is a subscription commerce platform targeting super fans of entertainment franchises. Customers are named ‘Looters.’

We are creating communities, not just cultivating buyers. We have a highly defined mobile audience. The primary entry point now is the mobile phone, and our site is optimized for mobile. In the last year, though, we’ve also launched a separate e-Commerce app, which offers a different experience that is complementary to lootcrate.com.

What I love about optimizing for this generation of consumers is that they want more than just a shopping cart. Our customers are browsing within their fandoms: they love comics, TV and gaming. Our app has to nurture that. They also love engagement — they share opinions with us so we can curate based on what they want. It is a hugely popular part of the relationship with our subscribers.

When customers download the app, they find an e-Commerce layer, but also a rich and engaging content layer, called the **Daily Crate**. We often are given exclusive access to a Hollywood star with a new film coming up. Offering an experience with a rich blend of content and engagement with licensors cements the fandom.

The e-Commerce site is where we see customers come and quickly leave without completing a purchase. We are ok with that. We understand how fandom works. Our sweet spot is with our subscription model. Our one-year or three-month subscribers are where we see the most value. We see a less valuable relationship with our one-month subscribers.

### Reaching Communities Via Facebook, Other Social Channels

Our fans are literally five years old to 65 years old, although the majority are 25 to 35. Right now, Facebook is the most effective social channel for reaching our communities from a marketing

and advertising perspective. Although Facebook is definitely the most efficient acquisition channel for us right now, we are keeping an eye on it. We are definitely seeing the migration of Millennials off Facebook on to other, more content-rich platforms like Snapchat and Instagram.

We are looking at Reddit very closely, which is a fantastic place to spot trends. We track all the fan sites and are constantly reaching out to our editorial partners to figure out how to better tap into the fandom. We also use **a lot of influencers**. As much as **10% to 20%** of acquisition marketing is spent nurturing micro-influencers, as well as working with some of the more prominent folks.

### Honing A Focus On E-Commerce And ‘Retail’

For us, the discussion of e-Commerce has been a heated debate around whether or not it is good for our Looter community. Looters want that surprise each month and to celebrate their fandoms. That is meaningful to us. That is our business.

When we committed to expanding **Loot Vault**, our e-Commerce site, we found that it did not chip away into our subscriber relationship, it actually has provided a service to our Looters. It fills the gap in the subscription. If you missed something you can pick it up in the Loot Vault. We see e-Commerce as our version of what the retail component of our business should be. Price points tend to be at a higher level, so customers would save by becoming subscribers.

Overall though we are still figuring out our retail strategy. For example, the Star Wars T-shirt you currently can get at a big box store is fairly generic. Our products are smaller runs. We are looking to get big retailers to buy into our vision. Our products are for a specific audience that may be lacking in foot traffic in those big box stores.

A man with glasses and a beard is looking at a smartphone. The image is overlaid with a dark blue filter. The text "NEXT-GENERATION TECHNOLOGIES" is centered in white, bold, uppercase letters.

# NEXT-GENERATION TECHNOLOGIES



## VOICE MARKETING: WHAT'S OLD IS NEW AGAIN

Cooper Smith, Director of Amazon Research, Gartner L2



Thirty-nine million Americans **now own a smart speaker**, an increase of **128%** year-over-year.

While **Amazon** controls **62%** of the market, **its share is down 10** percentage points from last year. Gartner predicts that by the year 2020, **30%** of all online searches will be **conducted without a screen**, instead powered by a new wave of intelligent operating systems like Alexa, Siri, and Cortana — each integrated not only with speakers but also home appliances, automobiles and other everyday electronics.

While ownership of smart devices continues to increase, **66%** of marketers **say they** currently have “no plans to begin preparing for voice search.” When it comes to how brand marketers should be thinking about voice platforms in 2019, “what’s old is new again,” as they say.

A recent Gartner L2 study found that publishers — not brands — offered the top-rated skills on Amazon’s Alexa voice platform. Of the top 100 rated skills, Games and Music encompass **15%** and **13%** of the most popular list, respectively. News skills didn’t pace far behind, accounting for **8%** of the top-rated skills on

Alexa. The top five skills in the news category are run by major publishers: Fox News, CNN, Major League Baseball, BBC and The New York Times.

The findings suggest that Alexa and other voice platforms are developing into media — not commerce — platforms. Indeed, **a report** from *The Information* found that only **2%** of Alexa device owners have used them to make a purchase. So rather than building a skill, brands should first experiment with voice marketing, by partnering with publishers on already popular skills through advertising or other forms of paid promotion.

One such example of a successful brand integration with a publisher skill is Quip, a direct-to-consumer electric toothbrush brand that ran a paid promotion on BBC’s popular Alexa skill. When users prompted the BBC skill to read the day’s top headlines, it began with a few words from Quip describing its subscription toothbrush service. Experienced marketers will find similarities between Alexa integrations and those of other voice-based channels: podcasts and radio. In many ways, when it comes to voice marketing in 2019, what’s old is new again.

### Voice: Top 100 Alexa Skills vs. Top 100 Mobile Apps by Category



Source: Gartner L2 analysis of Statista data, July 2018



# GLOBAL COMMERCE



## CHINA LEADS THE WAY IN MOBILE PAYMENTS — AND CHINA'S BIGGEST PAYMENT FIRMS ARE HEADING WEST

Deborah Weinswig, CEO and Founder, Coresight Research



While Apple Pay is a household name for mobile payments in the U.S., China is dominated by two other major players — Alipay and WeChat — which have built mobile payment businesses worth trillions of dollars. These two firms are now rapidly expanding their payment services in the U.S. and other Western markets in pursuit of the tens of millions of Chinese tourists who travel abroad each year.

China leads the world in mobile payments, and Chinese consumers prefer to use these services even when traveling overseas. China's central bank reported that mobile payment transactions in China reached **\$29.3 trillion** last year. That figure compares with **\$49.3 billion** in the U.S., according to data from eMarketer. Chinese consulting firm Analysys International estimated that, in the third quarter of 2017, Alipay held **53%** of the Chinese mobile payment market, followed by WeChat Pay's **40%**.

- Alipay currently has 520 million monthly active users, and middle-class Chinese consumers comprise a major portion of the company's customers. About 10 million of those customers are considered "superprime" users, meaning they spend \$47,000–\$75,000 annually through the app, according to the company.
- Internet giant Tencent owns WeChat, a multipurpose messaging, social media and mobile payment app. WeChat Pay was developed by Tencent to compete with Alipay. Tencent reported that WeChat had 1 billion monthly active users as of March this year, almost double the number of Alipay users.

Due to the relatively low penetration of mobile payments in the U.S. market, U.S. retailers may view these options as "nice to haves" rather than "must haves." However, offering mobile

payment is a near necessity for those retailers looking to court Chinese travelers visiting the U.S. Coresight Research's recent survey of Chinese overseas travelers found that these consumers spend an average of **\$1,854 per trip** across the shopping, food and beverage, and sightseeing and entertainment categories (our spending figures exclude lodging and travel services). Collectively, Chinese travelers are worth tens of billions of dollars to retailers worldwide.

Alipay and Tencent have been focusing on signing up merchants in the U.S. so that Chinese tourists can use the payment platforms when traveling in the country.

Our survey of Chinese travelers found that being able to use mobile payment was the third-most-important factor when choosing which retailer to buy from when traveling overseas, with **63%** of respondents citing it as an influencing factor. This represented a jump: when we asked Chinese travelers the same question last year, mobile payment availability was the eighth-most-important factor overall.

Our latest survey also confirmed that Chinese tourists view WeChat as a crucial "shopping and sharing" tool. More than **99%** of survey respondents said that they had used the WeChat app on their latest trip overseas. Almost half of that group said that they had used it to pay for items while shopping and nearly one-third said that they had used it to pay at a restaurant.

For U.S. retailers focused on domestic shoppers, providing mobile payment options may still be considered a nice add-on. But for those looking to tap the lucrative Chinese tourist market, the message is clear: offering mobile payment options via established Chinese names is quickly becoming a necessity.



## HOW MARKETPLACES CAN OPEN UP GLOBAL COMMERCE OPPORTUNITIES

Chris Morley, Chief Commercial Officer, Retail Global



I have always considered myself lucky to be born in Australia, a country rich with natural beauty and opportunity. Our island home is inhabited by just over 25 million, a country that is 6th largest by square area, yet is ranked 51st by population. Since European settlement of Australia in the 18th century, Australians have frequently taken a global approach to trade. I mean we have to, our land area and population make it difficult to rely on Australia for revenue alone. This attitude is especially relevant in this modern world.

Looking back at history, globalization and trade have often been driven by those on islands, driving expansion, increasing trade and generally punching well above their weight. The United Kingdom is a wonderful historical example: one of the reasons English is spoken throughout the world is the work of travelers focused on trade and expansion in centuries past. Modern-day islands such as Singapore and Hong Kong punch well above their weight in terms of international trade. Island nation Japan has been a global player for centuries and is the world's fourth biggest exporter despite being the 11th-most populous country.

And as much as I hate to say this as an Australian, New Zealand is punching well above its weight on a global trade stage — its presence in many Southeast Asian countries and China is something we should aspire to.

There are many reasons why these island states have achieved their global prominence — tax concessions, tariff reduction, environment and global positioning have absolutely helped — but what cannot be ignored is an attitude to globalization and trade. This attitude is at the forefront of implementing policy and direction for all businesses.

Lately I have spoken to many U.S.-based retailers about their international sales; they will say to me 'We sell overseas, we sell to Canada and Mexico.' I point out that isn't really

capitalizing on the opportunities. The emerging middle class of South American countries and Southeast Asia should be the focus of all U.S. businesses — the opportunity in these countries cannot be ignored.

Complementing the emerging market opportunities is the ability to use online marketplaces to connect to those consumers. A decade ago online marketplaces were seen as less than favorable mediums for retailers to sell through; now these marketplaces remove many barriers to entry and provide solutions to issues on language, customer service, payment and logistics. **Amazon** is now one of the biggest global businesses today, but it didn't exist before 1994. **Alibaba** is hot on their heels and partnering with many marketplaces, as well as expanding its own operations into new countries each day.

The middle class of these countries in Southeast Asia and South America have access to more money than previous generations and they have an affinity with Western brands and see Western made products as higher quality. Online marketplaces are the perfect way to connect with these consumers today.

I encourage you all to adopt an 'island approach' to globalization. Look for avenues in new markets, use technology to break down barriers and reduce costs, get off your island and open yourself up to the world's possibilities. If you don't, the Australians will!



The emerging middle class of South American countries and Southeast Asia should be the focus of all U.S. businesses.

A woman with long brown hair is sitting at a wooden desk, smiling as she looks at a laptop. She is holding a credit card in her left hand, which is resting on her chin. On the desk, there is a white coffee cup with a black lid and a smartphone. The scene is dimly lit, with a dark background. The word "OMNICHANNEL" is overlaid in white, bold, sans-serif capital letters across the center of the image.

OMNICHANNEL



## UNIFIED COMMERCE: CREATING A CONSISTENT EXPERIENCE ACROSS CONSUMER TOUCH POINTS

Kelly Sayre, Retail/CPG Analyst, IHL Group



Many brilliant leaders say consistency is the key to success. In retail, that statement has an even deeper meaning. Having a consistent customer experience, across all channels, is critical to a retailer's success. At IHL Group, we are continually monitoring the pulse of consumer behavior and the impact it's having on retail. We've found that retailers with a focus on Unified Commerce continue to outpace competitors year over year.

Winning retailers have prioritized having a single view of inventory, creating a personalized customer experience and providing the tools and training to their sales associates to keep customers coming back to their physical stores. No matter where the customer wants to shop, whether at home, on their computer or shopping in the store so they can touch the product, retailers need to offer a consistent experience because that is what today's consumer has come to expect.

IHL Group completed an inventory distortion study last spring and found that **78%** of winning retailers listed **visibility of inventory** as a top priority. Winning retailers are prioritizing inventory visibility **55%** higher than average retailers throughout the supply chain as well as in the stores. But these retailers are not only talking about things, they are also investing in technologies related to software, forecasting, RFID and computer vision. In fact, those companies investing in RFID at the store level, at the highest levels, are expecting sales increases that are nearly **3X** higher than average retailers in their segment.

This area also partners nicely with the focus on lowering supply chain costs. When retailers streamline their supply chain, they have an increased opportunity to know the exact location of a particular item, which in turn helps in-store associates provide a better customer experience.

Giving associates the right training and tools is the focus of **63%** of winning retailers. Those retailers are empowering their store associates to meet customer needs and are providing mobile tools to help them do so. These devices provide access to information, to experts in other stores, as well as helping with save-the-sale if they are out of stock by ordering right from a mobile device.

Retail leaders are investing in these tools to help their associates better serve their customers and improve the in-store experience. They are providing mobile devices to look up inventory and/or customer loyalty profiles in real time, and then training associates in how to use those tools. Retailers who commit to this area of IT investment enjoy sales increases **80%** higher than retailers who don't. In fact, leading retailers are investing in new associate training and tools at a rate **194%** higher than average retailers in their segment.

Finally, **93%** of winning retailers listed a personalized customer experience as the top priority. But what is a personalized customer experience? Retailers must keep in mind that a great experience means something different to every individual. Are your customers part of the **29%** of consumers who will simply pull out their phone and order it from Amazon if the product is not on the shelf where they expect it to be?

Consumers experience out-of-stocks as often as one in three shopping trips. Our research shows that many consumers are getting more and more frustrated with their experience at their local store due to out-of-stocks. Fast checkouts and being in-stock are the two most crucial customer experience components. Without these, the remaining components don't matter.



## OMNICHANNEL OPTIMIZATION: CREATING A COHESIVE EXPERIENCE ACROSS SHOPPER TOUCH POINTS

Christina Anderson, Associate Director of eCommerce and Digital, Kantar



The physical and digital realms are increasingly blurring into a connected shopper journey. With unlimited access to information and more options to choose from, shoppers today are more empowered than ever. In turn, shoppers are changing their shopping behavior and showing a preference for elevated retail environments; **20%** of shoppers report that they are shopping less often in stores (ShopperScape®, August 2017). Brands and retailers must respond by offering high-quality and cohesive cross-channel retail environments, reducing friction in the shopper journey and improving ease of purchase.

Easing the path to purchase is key to building an optimal omnichannel experience. Brands and retailers must eliminate wasted time and barriers to buying by making navigation and findability simple and user-friendly. Ensuring online platforms are easy to navigate with intuitive taxonomy and intelligent search features is a critical first step. However, as shoppers' expectations for the physical store increase, it is equally important to connect online and offline touch points to better enable cross-channel findability.

That said, an increasing number of shoppers report becoming impatient with the in-store experience. Some retailers, like **Home Depot** and **Target**, are trying to mitigate this sentiment, leveraging mobile apps to make the trip more efficient through in-store navigation features.

However, efforts to ease the path to purchase should extend beyond a digital store map. Online platforms and loyalty programs, for example, provide a plethora of data and shopper insights that can be used to enhance the omnichannel experience. To capitalize on these resources, retailers can leverage ratings scores or reviews text on in-store signage, to

inform shoppers' decisions or curate products based on online shopper behavior. Connecting these resources requires that cross-channel merchandising be integrated rather than operating in silos. Merchandising must be attuned to the unique needs of each channel, while featuring cohesive themes and messaging that maintain clear and consistent brand equity across shopper touch points.

Digital tools also enable shoppers to research and engage both online and in-store. To appease today's empowered consumer, brands and retailers must provide detailed and accurate product information regardless of where and when shoppers choose to shop. New digital technologies allow brands and retailers to provide compelling visual content and robust product details, use cases and recommendations.

This approach can translate to brick-and-mortar as well. With **62%** of smartphone users using their phones as an in-store resource as they shop (ShopperScape®, March 2018), connecting mobile to the store can be a natural point of engagement. Consider how to leverage mobile to add value for the shopper by enabling easy access to product details and transparent sourcing information, encouraging (and rewarding) engagement through gamification, or testing AR/VR experiences that enable shoppers to interact with products in new and interesting ways.

Winning omnichannel retailers in the future will be those that can connect their online and offline ecosystems into a cohesive retail experience. To position themselves for this retail future, key stakeholders must understand the fluidity of today's shopper journey and uncover new ways to influence and convert shoppers in a connected commerce world.



## CHANNEL BIAS CAN HOLD BACK YOUR OMNICHANNEL STRATEGY

Liz Cutting, Executive Director, Checkout, The NPD Group

Joe Derochowski, Executive Director, Home Industry Analyst,  
The NPD Group

We've been analyzing online performance across categories using NPD's Checkout E-Commerce service, which tracks sales among millions of consumers at the item level from online receipts. So here's the interesting anomaly: the Department of Commerce's e-Commerce stats point to an overall estimated growth of **16.4%** ( $\pm 1.2$  percentage points) in Q1 2018 from Q1 2017, compared to a total retail sales increase of **4.5%** ( $\pm 0.4$  percentage points) in the same period — while the U.S. Census estimates that e-Commerce sales in Q1 2018 accounted for **9.5%** of total sales. What's clear to us through our Checkout data and ability to see individual growth rates of these different categories is that all online categories are not created equal.

While some sectors have shown healthy gains in both spend per buyer and in rates of online penetration (NPD defines this as the percentage of the entire adult online buying population who buy in that industry), there are specific areas of the market where e-Commerce performance is not a clear-cut winner. For example, in an area like automotive products, buyers clearly have a preference for brick-and-click. Just over one in 10 online buyers purchased an automotive product online last year, and pure play e-Commerce providers have the greatest opportunity for growth.

Our Checkout E-Commerce data encompasses year-over-year changes in online penetration, purchase frequency, spend per purchase and spend per buyer in 10 different industries— apparel, automotive products, consumer technology, footwear, home improvement, home textiles, housewares, major home appliances, office supplies and small appliances. Apparel, footwear and tech each showed healthy gains in penetration: apparel posted a whopping **47%** penetration, up three points year-over-year; footwear had **34%** penetration, also with a three-point bump; and consumer tech was **41%** in 2017, up

nearly seven percentage points from the previous year. Their increases in spend per buyer were also healthy, with an **11%** lift from 2016 to 2017 for apparel, **6%** for footwear and **7%** for consumer tech.

In contrast, there are opportunities for growth online presented by categories such as major home appliances, which has room for growth if advancements along the path to purchase are made. There are cases like office supplies and housewares, which have lower and stagnant penetration numbers (**17%** and **20%** respectively) that seem to call for more creative strategies to entice people to buy online.

How can retailers raise their game? We recommend not taking an isolated channel approach — instead, take what you can learn from one channel and apply it to the other. More importantly, it is about helping the consumer solve their needs and making the path to purchase easier and more frictionless.

Knowing how your customers manage the path to purchase can help identify innovation opportunities for retailers and manufacturers. It is important to learn how consumers' research behavior relates to their shopping behavior. What motivates their purchases online or in-store? What can we do to help create urgency to purchase? What can we do to help ensure the consumer is able to buy the full solution for their needs? What other shopping patterns are they following that can be applied to help make their lives easier?

Channel strategy is critical to maintain growth. Remember that the overall strategy across channels should be driving each channel's strategy and tactics. So in order to maintain growth, you need to ask the question: what can you learn from one channel that can be applied to the other?

A person is using a handheld PDA device to scan a barcode on a cardboard box. The device has a screen and a keypad. The person's hand is visible, holding the device and the box. The background is blurred, showing a yellow safety vest. The text "THE LAST MILE" is overlaid in white, bold, sans-serif font.

# THE LAST MILE



## BIG CITIES ARE THE FUTURE AND LAST MILE IS THE KEY

Andrea Szasz, Principal, Consumer and Retail Practice, A.T. Kearney



Big cities are the new frontier for strategy makers. Why? That's where most of the population will be in 10 years, including a growing percentage of key consumer demographics.

**Consumers@250**, a multiyear research initiative by A.T. Kearney, projects that by the time America celebrates its 250th birthday in 2026, **84%** of Americans will live in metro areas, with the 10 largest cities set to garner **23%** of population growth over that time. Revitalized urban centers and new "hipster" neighborhoods are attracting millions of young, college-educated Millennials seeking both jobs and an urban lifestyle. More than **80%** of Gen Z already live in an urban area.

In short, for retailers and consumer brands, big cities are the future. However, one size will not fit all, as consumer behaviors and preferences vary widely by city. A.T. Kearney **surveyed** more than 4,000 fashion consumers, primarily in the U.S. and Canada but also in a range of global big cities to draw comparisons.

In New York, Los Angeles and San Francisco, about **80%** of the consumers surveyed prefer to shop omnichannel (i.e. both in-store and online), but the same is true of only around **30%** in Moscow and Mexico City. Additionally, consumers in European cities such as London and Milan tend to be more demanding regarding speed of delivery, while their omnichannel expectations lag somewhat behind the major metro areas in the U.S. This suggests that retailers and consumer brands must tailor their strategies for each city they serve. A few examples:

- Hyper-localize assortment and inventory deployment;
- Localize demand response, leveraging dynamic criteria and data from digital and physical sources;
- Key product development to each big city's ethnicities and sensibilities; and

- Tailor the mix of in-store and digital customer experience (including home delivery and omnichannel shipping options) to the prevailing tastes of each community.

Indeed, our consumer survey results suggest that Last Mile strategies may be especially crucial to winning urban consumers' hearts. Big city consumers of apparel and beauty products, for example, desire same-day delivery **3X** more than their rural counterparts. The challenge will be finding ways to cater to the distinct and diverse Last Mile whims of consumers across New York, Los Angeles, London, Barcelona, Milan, Hamburg, Moscow and other great cities. One illustration: In Shanghai, **Hema** (a grocery store chain owned by Alibaba) will deliver live fish to your door in less than half an hour.

City-specific Last Mile strategies must account for a host of local variables including geography, urban density, consumer daily transit habits, supply markets and the potential fulfillment and logistics partners available on the ground. This begins with strategists letting go of much of their global view and predilection for asset-intensive solutions and large multi-year investments, justified by business case and payback times. In place of such default thinking, adopt a very consumer-driven, city-specific approach that is asset-light, experimental and opportunistically builds local partnerships. Recognize that the appropriate balance of service-cost trade-offs will be different in each big city you serve.

City-specific strategies with an emphasis on Last Mile will help bold and innovative players grasp first mover advantages by bonding with sophisticated and demanding urban consumers. The imperative now is to act quickly, without optimizing, and often at subscale. Because that is how you thrive in the big city.



## COURIER PARTNERSHIPS PAVE THE PATH TO WINNING THE LAST MILE

Q&A With Jack O'Leary  
Senior Analyst, PlanetRetail RNG



**RTP:** Where do you think the biggest advancements have been in the past year or so as far as improving the last mile of the delivery process?

**Jack O'Leary:** I would say it's more of a sync-up between various aspects of what would facilitate last-mile delivery with some of these more laggard retailers getting items to shoppers' doorsteps. I think a lot of partnerships in the space have helped some of these retailers that weren't online-first facilitate home delivery, whether it be **Walmart** with their tie-ups with **Postmates** and **Doordash** or the **Target-Shipt** tie-up.

**Amazon** and its **Whole Foods** acquisition pushed more grocery players into the arms of Instacart, and now you're getting much quicker home delivery from traditional grocery players that you haven't seen before.

The biggest advancing factor in last-mile delivery is simply that more companies out there can provide that service through their extensive courier networks, and their multi-year developed skillset around them.

If we're looking forward in the next six to 12 months, you're going to see some partnerships strengthen key aspects of the total service offering for a Walmart or a Target shopper. But honestly, not all of these partnerships are bound to be a success — maybe a few of the food aggregators that are helping Walmart with delivery won't pan out.

**RTP:** Earlier this year, an RTP survey found that 51% of shoppers want real-time visibility into the status of their orders. How do you feel retailers can meet this demand so consumers can see their product at all times?

**O'Leary:** We keep harking back to this partner element. The one benefit these partners have is that they have this crowdsourced

network of drivers, and they're linked in and connected to facilitating these deliveries through their mobile phones, and they're being tracked on a location basis. The requirements there are connecting those systems in order to enable shoppers to track those delivery drivers on the way to the home.

It gets a little more challenging when you're looking at traditional retailers who haven't necessarily given that viewership of real-time item location in the past like the UPSs of the world. The simple level of visibility that these partners already have onto their drivers would be one way of enabling it in the short term. Long-term, it's tough to say.

**RTP:** Where do you think retailers have been missing the boat on last mile fulfillment?

**O'Leary:** Retailers must discover what level of expectations shoppers really have for every single different type of retail purchase they make in terms of delivery speed, because **the convenience trip or the impulse buy is very different from the planned stock-up.**

I think that the future landscape is, the best retailers are going to optimize the economics of last mile costs by understanding what type of online trip the shopper is making, how fast they might need those items and really putting the ball back in the shopper's court a little bit. Is there any way we can incentivize the shopper to do a slower fulfillment method and save some costs here when necessary? I don't think the shopper needs under-two-hour for convenience items or even two-day Prime expectations for every single item they're getting delivered.

I've yet to see a really great offering that makes that decision-making process really seamless for the shopper around delivery speed. So I think there's some expectations around what shoppers get at certain speeds that need to be worked out.

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