

RETAIL DIGITAL TRENDS

September 21, 2016



215 Million



PROVEN PHILOSOPHY FOR BRAND PREFERENCE

BRAND AS FRIEND®

The nine key drivers of friendship that activate brands more personally, more powerfully, more pervasively.



TODAY'S REALITIES

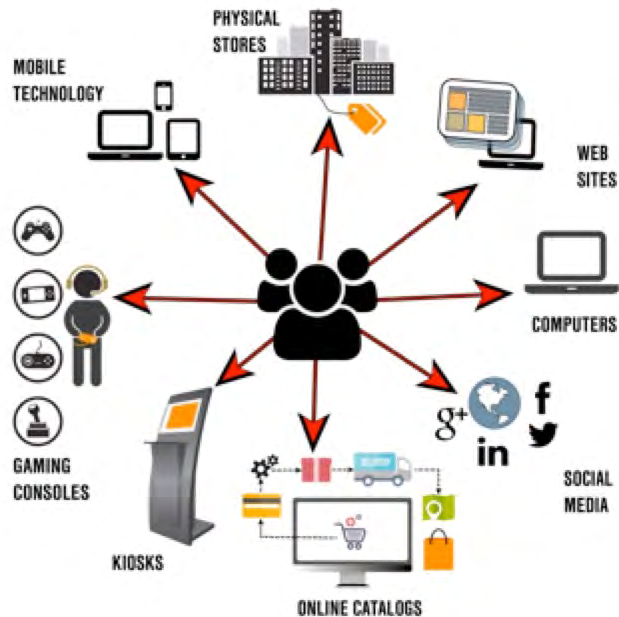
- **Retail** is an omnichannel experience.
- **Loyalty** and loyalty programs are being reframed and redefined.
- **Social media** has redefined influence and purchase decisions.
- **Mobile** has given consumers and marketers better access to each other.
- We're waiting to see what shiny objects reach their full potential and lead to the **next great wave of change**.



RETAIL IS AN
OMNICHANNEL EXPERIENCE



SEAMLESS TOUCHPOINTS



At your desk



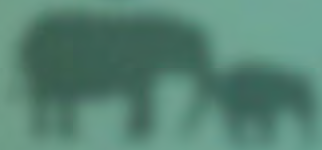
At the supermarket



In the kitchen



Nudge



Improving Decisions About Health, Wealth, and Happiness

SAMSUNG

12:59 36%

amazon.co.uk



Richard H Thaler and 1 more
Nudge: Improving Decisions About Health, Wealth and Happiness

★★★★☆ (77)



RRP: £9.99

Price: **£6.99**

FREE Delivery on orders over £10.

You Save: **£3.00 (30%)**

Format **Paperback**

In stock.

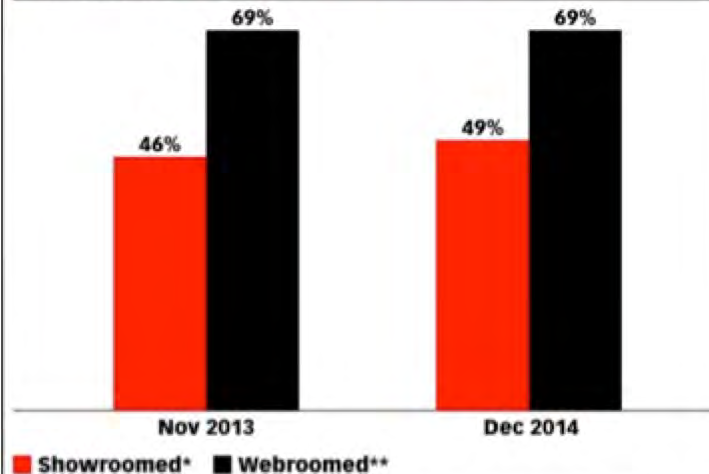
Dispatched from and sold by Amazon. Gift-wrap



CONSUMERS ARE RESEARCHING AND PURCHASING WHEREVER IT IS MOST CONVENIENT

US Internet Users Who Have Ever Showroomed* or Webroomed**, Nov 2013 & Dec 2014

% of respondents



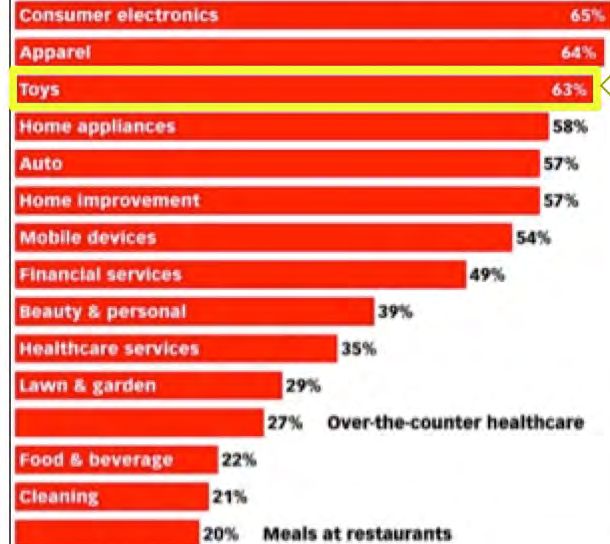
Note: ages 18+; *visited a brick-and-mortar store to examine a product before purchasing it online; **examined or researched a product online before purchasing it in-person at a brick-and-mortar store
Source: Harris Interactive, "The Harris Poll" as cited in press release, Dec 11, 2014

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www.eMarketer.com

US Internet Users Who Have Conducted Omnichannel Shopping*, by Product/Service Category, May 2014

% of respondents



Note: in the past 6 months; *shopping that involves a mix of both online and in-person research and/or purchasing
Source: GfK, "FutureBuy 2014," Oct 20, 2014

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www.eMarketer.com

63%



DESPITE THE GROWTH AND IMPORTANCE OF DIGITAL AND MOBILE SHOPPING, PHYSICAL STORES ARE STILL IMPORTANT

75%

of retail growth
comes from
in store

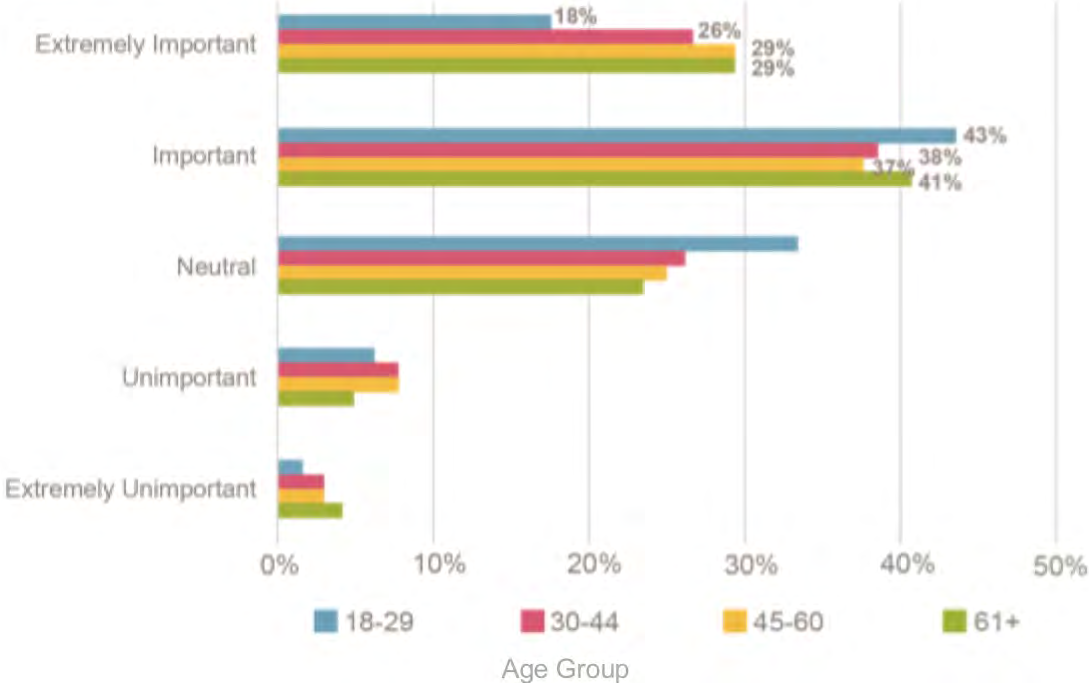


72% report the traditional in-store experience is the most important part of making a digital purchase.



SHOPPERS WANT A FLUID EXPERIENCE WHERE THEY CAN PICK AND CHOOSE WHEN TO TAKE ACTION ONLINE OR OFFLINE

How important is it to be able to purchase online and return/exchange the item in-store?



EMARKETER IDENTIFIES 7 KEY TRENDS IMPACTING OMNICHANNEL

- 1 Brick-and-mortar stores still play the dominant role in retail.
- 2 Consumers expect flexibility in shopping and fulfillment.
- 3 Mobile is the new retail hub.
- 4 Context is more than just location.
- 5 Enterprise mobile is becoming more important.
- 6 Data integration underpins all of omnichannel.
- 7 Personalization is key but requires trust.



LOYALTY IS BEING
REFRAMED AND REDEFINED



LOYALTY AT RETAIL USED TO MEAN...



TODAY IT MEANS...



Fighting points fatigue



Delivery and volume savings



Subscriptions to remove you from the consumer journey



Using online behavior to create a more meaningful in-person experience



WHEN A COUPON IS NOT ENOUGH

- Loyalty cards were initially a way for retailers to gain more data and extend better offers and products to customers.
- Today, points and offers fatigue make it harder to get users to engage. Retailers and brands are looking for new strategies:
 - Engagement with brand for points/offers
 - Everything in one place so I don't need to remember multiple cards/programs
 - Offering points for more than purchase



DELIVERY MECHANISMS ARE INCREASINGLY IMPORTANT

- Creating customized delivery options keeps customers loyal to your store and leads to greater spending.
- *Amazon Prime members spend 3X what non-Prime members spend in one year on Amazon.*

What I Want When I Want It



And we want a variety!



BREAKING THE TRADITIONAL PURCHASE CYCLE

- Brands looking for ways to disrupt typical purchase cycle.
- By building in convenient interruptions that aren't seen as annoying, brands can control volume and possibly shorten the purchase window.

jet



**everyday essentials delivered
on the schedule you set.**
save 5% + free shipping on every order.*



baby >



grocery >



household
essentials >



health >



beauty >



personal
care >



pets >



CUSTOMERS ARE LOOKING FOR RETAILERS TO USE WHAT THEY KNOW

- Personalization in digital world has raised our expectations about all factors of retail experience.
- Consumers expect retailers to know and understand what they're looking for to make their shopping experience easy and convenient.

Attitudes Toward Cross-Channel Personalization by Retailers Among US Digital Buyers, Dec 2014

% of respondents

Willing to allow retailers to use personal info gleaned from my in-store purchases to provide a more personalized experience wherever I shop

78%

78%

Retailers who factor in my in-store purchases deliver a superior shopping experience across all digital channels

53%

Want retailers to take into account my in-store purchases when marketing to me so I receive a more personalized shopping experience online and in-store

49%

Expect retailers to take into account my shopping interests/behaviors from every channel (in-store, online, mobile, etc.) in order to deliver the best overall shopping experience

45%

Note: n=1,004 ages 18+; top 2 box choices of "strongly" and "somewhat agree"









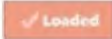







Source: MyBuys, "Consistent Personalization Everywhere Consumers Shop" conducted by the e-tailing group, Feb 20, 2015

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CUSTOMERS ARE LOOKING FOR RETAILERS TO USE WHAT THEY KNOW

<p>Best Customer Offer</p>  <p>Personal Price \$1.19 Personal Price \$1.19 when you buy King Soopers AA Large Eggs, 1 dozen more Unlimited Use  exp 02/28/2013 ★★★★★ </p>	<p>Best Customer Offer</p>  <p>Personal Price \$2.59 Personal Price \$2.59 when you buy Coca-Cola 12-pack, 12 oz. cans more Unlimited Use  exp 02/28/2013 ★★★★★ </p>	<p>Best Customer Offer</p>  <p>Personal Price \$1.67 Personal Price \$1.67 when you buy Kroger Frozen Potatoes, 2432 oz. more Unlimited Use  exp 02/28/2013 ★★★★★ </p>
<p>Best Customer Offer</p>  <p>Personal Price \$0.49 Personal Price \$0.49 when you buy Glaceau vitaminwater, 20 oz. more Unlimited Use  exp 02/28/2013 ★★★★★ </p>	<p>Save \$0.50</p>  <p>Save \$0.50 on Hunt's® Tomatoes When you purchase any (3) Hunt's® Tomatoes 14.5 oz or 28 oz. more exp 03/09/2013 ★★★★★ </p>	<p>Save \$1.00</p>  <p>Save \$1.00 on Sparkle® Paper Towel on ONE (1) Sparkle® Paper Towel 6 Big Roll or Larger. more exp 02/28/2013 ★★★★★ </p>



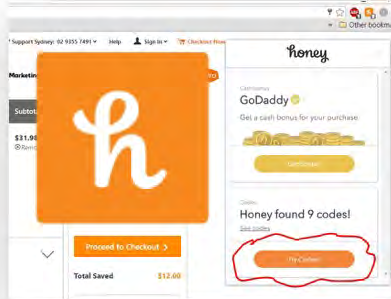
PERSONALIZATION AND CUSTOMIZATION ARE EXPECTED



CONVENIENCE AND INFORMATION ARE EXPECTED



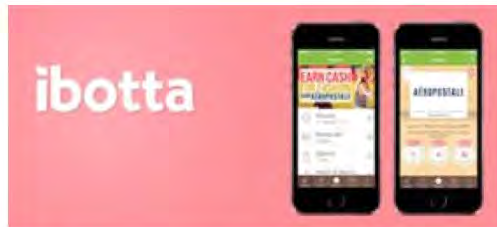
- Syncs with web.
- Links with camera.



- Automatically finds and implements coupon code.



- Earn kicks by scanning products, learning about brands.
- Redeem for rewards.



- Unlock rebates by taking poll, commenting, liking, consuming brand content.
- Rebates sent to PayPal.



- Snap receipts, earn points, redeem \$.



THERE IS A FINE LINE BETWEEN CONVENIENT AND CREEPY

Consumers love some in-store omnichannel technologies, but cringe at others

COOL

% of U.S. Internet users who rate tech as “cool”

- In-app scanner linked to product reviews: **76%**
- Interactive store map with directions from current location to searched items: **69%**
- Personalized mobile notifications triggered by in-store location: **44%**

CREEPY

% of U.S. Internet users who rate tech as “creepy”

- Facial recognition technology informing sales associates that you’re a high-value customer: **75%**
- Salesperson greets you by name as you enter based on mobile device ID: **74%**
- Videos triggered by facial recognition technology: **73%**



“ People don't need to know we're sending them a message because of where they actually are. **We just need to get them the right messages at the right time in the right place, so it feels magical.** ”



– Jennifer Kasper, group VP for digital/new media and multicultural marketing at Macy's



**SOCIAL MEDIA INFLUENCES
PURCHASE DECISIONS**



71% of consumers are more likely to make a purchase based on social media referrals.



71%

How Social Media Influences Purchase Decisions



REVIEWS PLAY A CRITICAL ROLE IN DECISION MAKING

- According to research from Influence Central:
 - 90% of customers report that they trust reviews more than salespeople.
 - 82% of customers report that they trust online reviews more than people they know.
- These reviews come from many places:



You Tube Videos



eCommerce/Competitive
Retailer Sites



Retailer Apps
and Sites



Blogs



YOU TUBE VIDEOS

Holiday shoppers turned to YouTube videos.

Peers were the biggest influencers in video.

Their reviews held more sway than those from experts.

Of people who watched online videos to help with holiday:

80%

watched product reviews and ratings.

68%

preferred product videos from “people like me.”

45%

preferred videos from experts.



THE INFLUENCE OF MOM BLOGGERS

Blogs are particularly influential with mom shoppers.

92%

purchased a product after hearing about blogger's experience.

69%

of moms more likely to purchase if recommended by someone they follow on social media.

91%

of moms trust blogs for product info.

83%

of moms find referrals from blogs more authentic than traditional advertising.



PINTEREST: THE ULTIMATE SHOPPING DRIVER

- Pinterest has quickly established itself as a powerful platform for driving purchase.
- Its influence is more dominant in the retail space than its audience numbers would suggest.
- Recent introduction of Buyable Pins has shortened the distance between discovery and purchase.



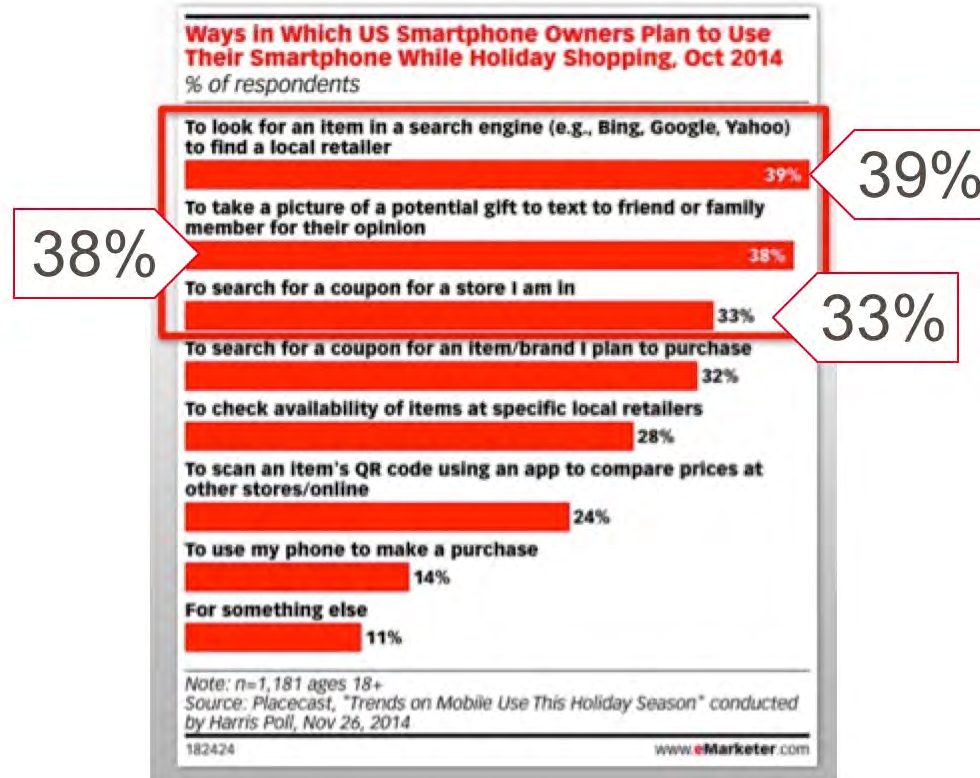
**MOBILE GIVES CONSUMERS
AND MARKETERS BETTER
ACCESS TO EACH OTHER**



MOBILE DEVICES ARE AN INDISPENSABLE EXTENSION OF THE SHOPPING EXPERIENCE

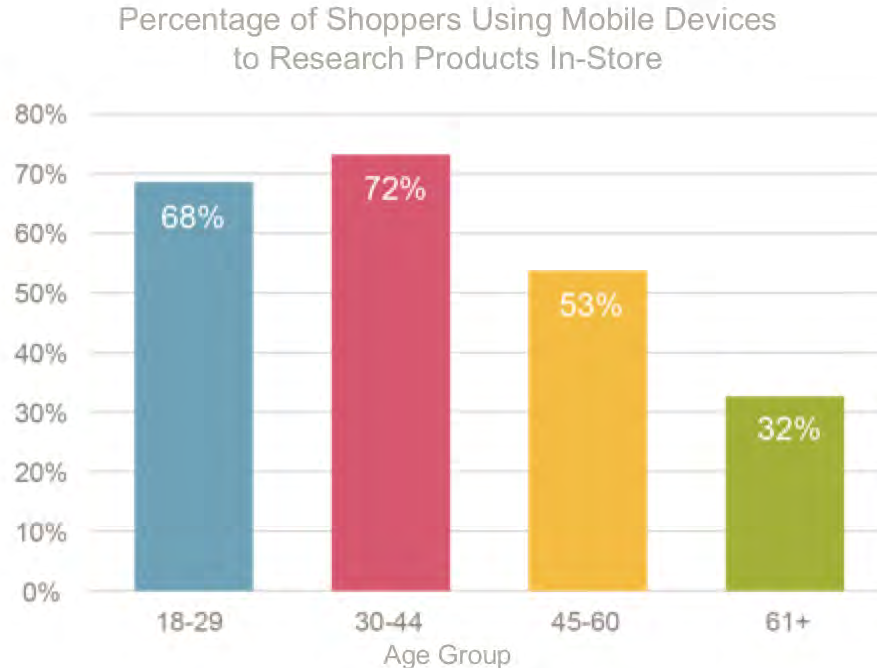
- **We seek...**

- Information about local stores
- Feedback from friends and family
- Savings



WE RESEARCH IN THE MOMENT, NOT JUST BEFORE!

- A study from Prosper Insights and Analytics showed that shoppers who use mobile devices for showrooming are almost twice as likely to buy from the store they are currently in as opposed to a competitor.



GOOGLE: MOBILE DEVICES ARE CREATING MICRO-MOMENTS



In many countries, including the U.S., more Google searches take place on mobile devices than on computers.



I-want-to-know moments

65%

of online consumers look up more information online now versus "a few years ago."

66%

of smartphone users turn to their phones to look up something they saw in a TV commercial.



I-want-to-go moments

2X

increase in "near me" search interest in the past year.

82%

of smartphone users use a search engine when looking for a local business.



I-want-to-do moments

91%

of smartphone users turn to their phones for ideas while doing a task.

100M+

hours of "how-to" content have been watched on YouTube so far this year.



I-want-to-buy moments

82%

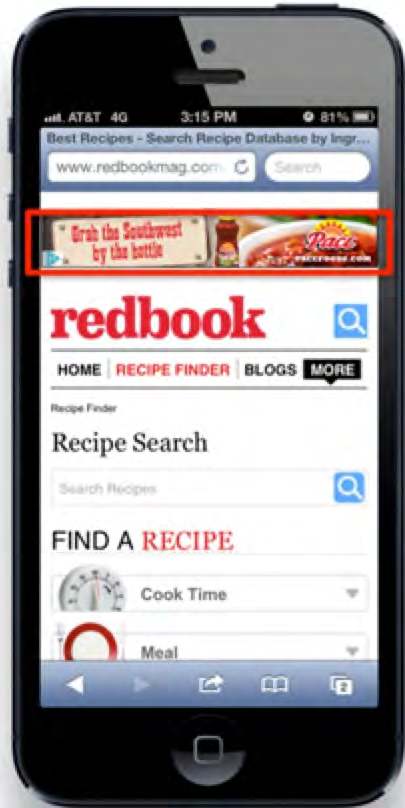
of smartphone users consult their phones while in a store deciding what to buy.

29%

increase in mobile conversion rates in the past year.

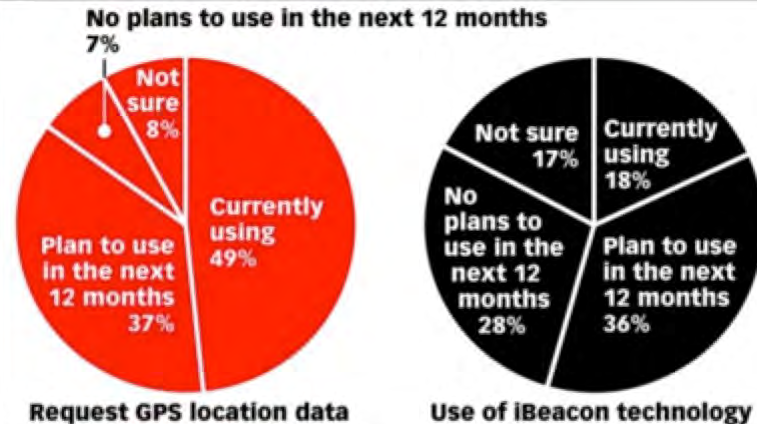


MOBILE DEVICES ALLOW US TO TARGET CONSUMERS AS CLOSE TO POINT OF PURCHASE AS POSSIBLE



Current/Planned Use of Mobile Location Data According to US Marketers, 2014

% of respondents



Note: numbers may not add up to 100% due to rounding
Source: Adobe, "US Mobile Benchmark Report," Sep 8, 2014

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**WHAT NEW TECHNOLOGY
WILL LEAD TO THE NEXT
GREAT WAVE OF CHANGE?**



Virtual Reality



Augmented Reality



Beacons

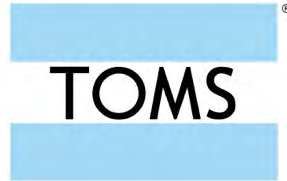
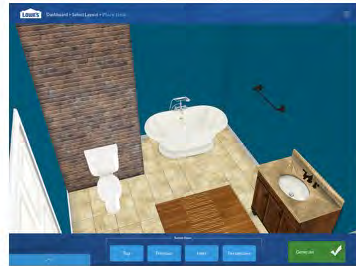
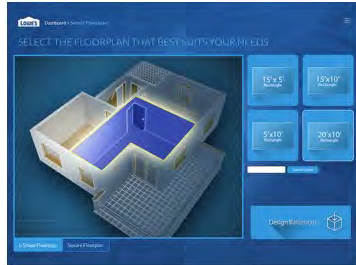


3D Printing



VIRTUAL REALITY

What is Virtual Reality?



Why is the industry excited about this?

- Virtual Reality provides the customer an instant experience and interaction with a fabricated world.
- Takes imagination out of the equation and provides a real look at the product experience.
- Retailer – Lowe's Holoroom
- Brand – Toms Shoes Virtual Trip to Peru



AUGMENTED REALITY

What is Augmented Reality?



Why is the industry excited about this?

- Augmented Reality gives the customer the ability to experience the product more fully before they get home and are dissatisfied.
- Augmented Reality also allows retailers to turn a physical location into an interactive experience.



3D PRINTING

What is 3D Printing?



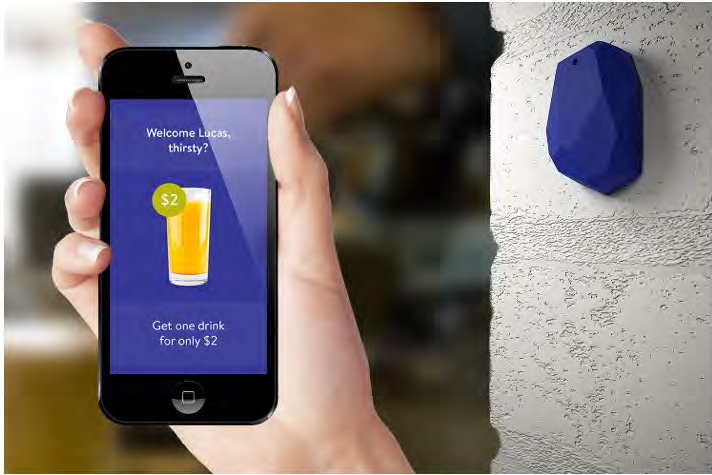
Why is the industry excited about this?

- 3D Printing means never running out of a particular color, flavor, or design that a customer may really want.
- 3D Printing will allow retailers and brands to better control supply chain and make sure they always have what the customer wants in stock.



BEACONS

What are Beacons?



Why is the industry excited about this?

- The ability for real-time, personalized messaging will lead to continued testing and focus on beacons.

Target and Macy's have tested.

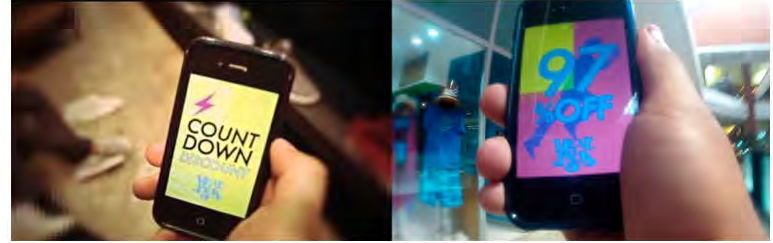


TACTICS TO THINK ABOUT

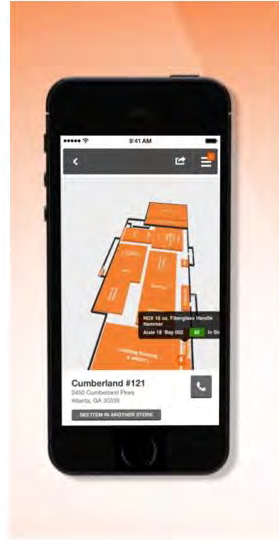
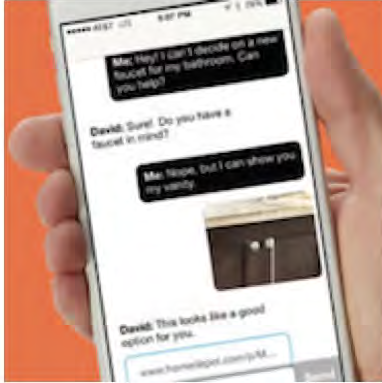


LOCATION TARGETING

- Hijack by Meat Pack
- Using GPS technology, Hijack app identifies consumers entering competitive stores.
 - Hijack notifies consumer of discount at Meat Pack (starting at 99%).
 - Consumer is on the clock, as discount decreases as time passes.



HOME DEPOT'S MOBILE EXPERIENCE SURPRISES



- Home Depot ranked #1 retailer mobile experience.
- App brings convenience to consumer at home and in-store.
- Easy to find products and make decisions with in-app chat features and augmented reality.



PROVEN PHILOSOPHY FOR BRAND PREFERENCE

BRAND AS FRIEND[®]

The nine key drivers of friendship that activate brands more personally, more powerfully, more pervasively.



THANK YOU

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