



CUSTOMER-FIRST RETAIL

Staying relevant and driving business results
in today's ever-evolving retail landscape

Retail Services Report 2017



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Key Takeaway



EXECUTIVE SUMMARY

Relevancy – today's retail industry buzzword.

Retailers in the 21st century wrestle daily with several questions: Are we providing our customers with products they need, while delivering an exceptional experience?
Are we meeting our customers where they are? Are we making them feel noticed and valued by providing a personalized experience that is unique to each shopper?

Are we relevant?

Executive Summary

Staying relevant in a constantly changing world challenges brands to remain nimble. This is partly why retail is witnessing the biggest wave of store closures in decades. This white paper explores if retailers are shutting down hundreds of locations because they're struggling to remain relevant in the digital era—and how brands can leverage localized digital marketing campaigns to provide a seamless omnichannel experience for customers, and drive business results.

The retail industry has been bombarded with change from every direction, and retailers have been trying to cope with:

- The necessity of shifting to a customer-centric approach
- The paramount importance of the personalized customer experience
- Omnichannel strategies driving brand success
- Mobile and eCommerce continuing to grow exponentially
- The “Amazon Effect” heavily influencing consumer expectations

This is only a glimpse of what retailers need to think about when considering strategies that will allow them to remain relevant and to thrive. Without personalization and a customer-centric focus, retailers will not be able to compete. For retailers, the path to personalization includes localization – giving customers the right message in the right place at the right time. **Where you are** becomes as important as **who you are** when customers demand a seamless shopping experience, regardless of the channel – in-store or online. Retailers who fail to address these challenges at scale will not survive.

Which begs the question...

Are you relevant to today's digital consumer?

Introduction

Retailing in 2017 is characterized by unprecedented complexity, empowered consumers, and intense competition. Only retailers that go above and beyond to provide customers with an unparalleled experience will succeed. But, with the retail industry being in the midst of a digital revolution, what does this mean for retailers? What should they do to not only survive, but thrive?

In this paper, we explore and examine the ways in which the retail industry has been changing, the growing importance of local, personalized marketing and customer-centricity, the effects of evolving consumer dynamics, and retail trends to watch out for.

“ADVANCES IN TECHNOLOGY AND COMMUNICATION, COMBINED WITH THE EXPLOSIVE GROWTH IN DATA AND INFORMATION, HAVE GIVEN RISE TO A MORE EMPOWERED GLOBAL CONSUMER.”¹

Who We Talked To

DAC Group spoke with the following industry experts who have shared their experiences and insight regarding the state of retail today:

- **Diane Brisebois**, President & CEO at Retail Council of Canada
- **Indar Chanicka**, Director of eCommerce at The Body Shop
- **Pat Duncan**, SVP Marketing & Chief Digital Officer at Party City
- **Tom Giacalone**, Digital, eCommerce, Omnichannel Retail and Operations, CRM Executive at Vera Bradley
- **Johnny Russo**, Associate Vice-President, eCommerce and Digital Marketing at Mark's
- **Jennifer Spencer**, VP Marketing and Corporate Responsibility at The Body Shop
- **Jan Steck**, Chief Marketing and Digital Officer at Helzberg Diamonds

¹ Ernst & Young 'The journey toward greater customer centricity' (2013)



CUSTOMER EXPERIENCE

- **Retail Stores: A Brief History**
- **Retail Footprint: The Downsizing Trend**
- **Consumer Centricity**
- **Personalization**
- **Local Local Local**

Retail Stores: A Brief History

1800s



European Origins

The Paris department store had its roots in the magasin de nouveautés, or novelty store; the first, the Tapis Rouge, was created in 1784. They flourished in the early 19th century, with La Belle Jardiniere (1824), Aux Trois Quartiers (1829), and Le Petit Saint Thomas (1830).²

1900s



North American Department Stores

Department stores became central to retailing in American cities in the late nineteenth and early twentieth centuries.³ These department stores sold textiles and pre-made clothing, before they started expanding into larger companies.⁴ The three biggest department stores in the mid-1960s were Macy's, Hudson's, and Marshall Field.⁵

1920s



Shopping Malls

The Country Club Plaza, which opened near Kansas City, Missouri in 1922, was America's first shopping mall.⁶ Giant megamalls weren't developed until the 1980s when the West Edmonton Mall opened in Alberta, Canada, with more than 800 stores – as well as a hotel, amusement park, miniature golf course, a church, a water park for sunbathing and surfing, a zoo, and a 438-foot lake.⁷

1990s



eCommerce

According to Shop Direct, on the 11th of August 1994, the world's first secure eCommerce transaction took place, with a Sting CD.⁸ eCommerce and online shopping are now commonplace.

² Alfred Fierro 'Histoire et Dictionnaire de Paris' (1996)

³ Philadelphia Encyclopedia 'Department Stores' (2011)

⁴ Lionbridge 'Retail Trends throughout History' (2013)

⁵ Department Store History 'American Department Stores' (n.d.)

⁶ ThoughtCo. Shopping Innovations 'The History of the Shopping Mall' (2016)

⁷ ThoughtCo. Shopping Innovations 'The History of the Shopping Mall' (2016)

⁸ Shop Direct 'Shop Direct celebrates 20 years of online shopping' (2014)



“In their glory days, a department store excursion was an exciting, full-day event: gorgeous window displays, the latest fashion, even elegant tearooms! These stores made for a retail trend of luxury.”⁹



⁹ Lionbridge 'Retail Trends throughout History' (2013)

Retail Footprint: The Downsizing Trend

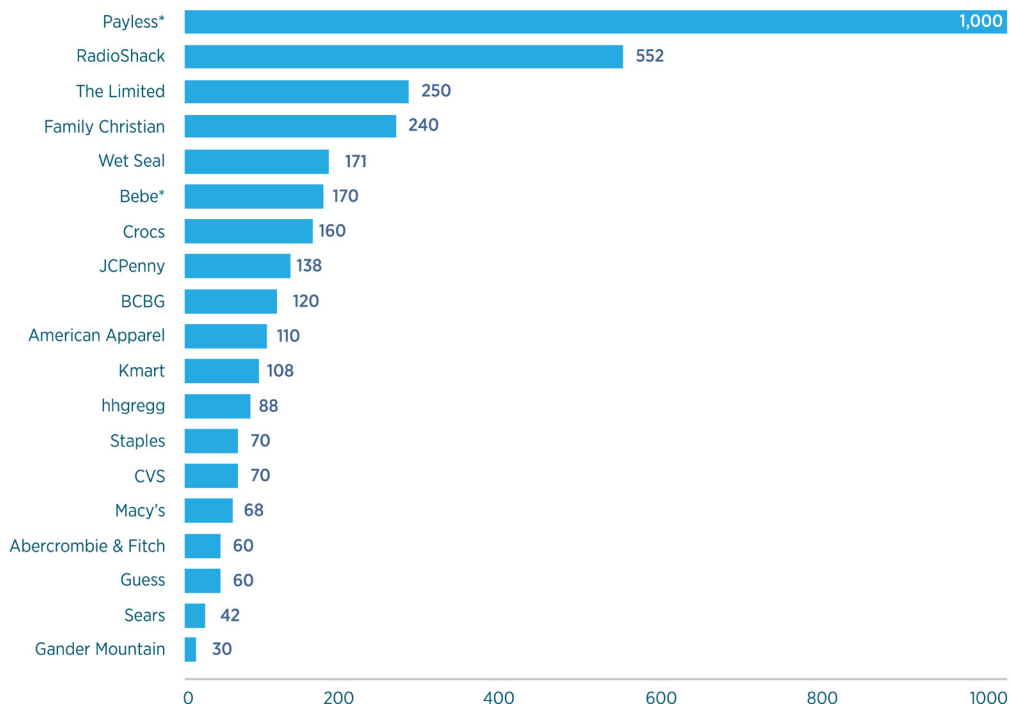
Some analysts call it the retail apocalypse. Others talk about a retail bubble that has now burst. Across our panel of experts, discussion revolved around the rationalization of the market and the fact that some areas are simply 'over-stored.'

The fact of the matter is that retail stores are shutting down at an alarming rate. This has been one of the biggest waves of retail closures in decades.¹⁰ Is it solely because of the shift in shopping behavior, with consumers moving from brick-and-mortar to online retail channels? Could it be that some retailers failed at staying up-to-date on current retail trends and adapting fast enough in response? Is there a leadership gap? Is it the glut of choices and accompanying sameness therein, or are consumers simply just not as interested as they once were?

“IT’S NOT JUST ONLINE SHOPPING THAT IS RESULTING IN THE CLOSURE OF MANY BRICK-AND-MORTAR STORES IN THE US. IT IS ALSO THE LACK OF DIFFERENTIATION IN PRODUCTS AND CUSTOMER EXPERIENCE.”

-DIANE BRISEBOIS, *President & CEO at Retail Council of Canada*

Number of Retail Stores Closing in Early 2017



*Estimated based on news reports

Source: *Business Insider*

¹⁰ Business Insider 'The retail apocalypse has officially descended on America' (2017)

“I haven’t necessarily heard a common reason on why all these retailers have closed. I think they each managed differently. And for various reasons (way more than just one) they went under”, said Johnny Russo, Associate Vice-President, eCommerce and Digital Marketing at Mark’s. He hypothesized that a leadership gap may, indeed, exist: “Is that a leadership gap? Are they spending money in the wrong places? Hard to say without being in their shoes at that moment in time. But I don’t think it’s just one reason.” Diane Brisebois, on the other hand, firmly believes that stores are closing as a direct result of the boring, uninspiring experiences provided by some retailers.

Retailers are seeking the perfect balance between in-store and online customers and operations.¹¹ “It’s finding that balance,” remarked Indar Chanicka, Director of eCommerce at The Body Shop. “Over a long-term perspective, we might see a specific area where there’s a significant increase in footfall to the point where we need to have conversations around opening an additional store. As customers change over time, you might see less footfall at another location where we may consider closing this store. It’s having the ability to adapt our strategy according to what the data is telling us.”

“STORES ARE NOT GETTING LESS RELEVANT AND DIGITAL IS NOT GETTING LESS RELEVANT. THEY’RE BOTH GOING TO WORK TOGETHER TO STAY RELEVANT.”

-JOHNNY RUSSO, Associate Vice-President, eCommerce and Digital Marketing at Mark’s

News continues to emerge of retail disruptor Amazon, getting into the game by opening and testing out physical locations, as well as offering Amazon Cash now. These are some of the last remaining hurdles Amazon has in reaching people and getting them to transact with their brand.

Here’s one thing that retail experts seem to agree on: having a physical presence is still important for retailers. Several of our panelists agreed that people still want to interact with the physical store.

Specifically, Russo says: “I think the successful retail companies are going to have a store footprint. They’re going to have a solid digital platform, but they’re going to have a store foundation, and I think the ones that get that combination right are going to win. Stores are not getting less relevant and digital is not getting less relevant. They’re both going to work together to stay relevant.”

Likewise, Brisebois also believes that a physical presence is undoubtedly important: “I think it would be foolish for people to dismiss the brick-and-mortar experience.” She also mentioned that retailers are

¹¹ Lexology ‘Retailers Seek Perfect Balance Between In-Store, Online and Mobile Customers’ (2016)

starting to remodel the in-store engagement to be able to deliver superior experience for customers: “The biggest transformation in retail brick-and-mortar is the re-purpose and re-design of space to provide customers with a seamless experience as they navigate from your store to your digital and online platforms.” A good example of this is Best Buy and how they’ve moved towards employing subject matter experts in-store, working specifically on magnifying a great customer experience.

Consumer Centricity

Are your customers at the center of everything you do? If your answer to this question is “no,” you may want to consider putting them at the heart of all your decisions when it comes to strategy. Focusing on the customer experience and manner in which they interact with your brand is no longer an option; it is vital. It has become a critical success factor for businesses over the past few years.

So, what does customer centricity entail? How can retailers go from pushing and selling products to winning customers and building loyalty?

In a nutshell, retailers with a customer-centric focus will start moving from thinking about what products to sell to creating the best solution for customers and providing value to them. How else will retailers be able to keep track of the ever-changing consumer behavior to ensure that they are still relevant to them?

Brisebois believes that if a business does not put its customers first, it will not be able to survive. “You must be completely obsessed with your customers and with their specific needs and wants so that you can communicate and serve them in an authentic way.”

Customer centricity is also top-of-mind for Chanicka, who explained that, “As customers evolve, their shopping habits and online interests evolve in terms of where they are, for example, on platforms like Snapchat and Instagram. The question becomes, how can we play in those specific areas, remaining relevant to them while staying in line with our brand?”

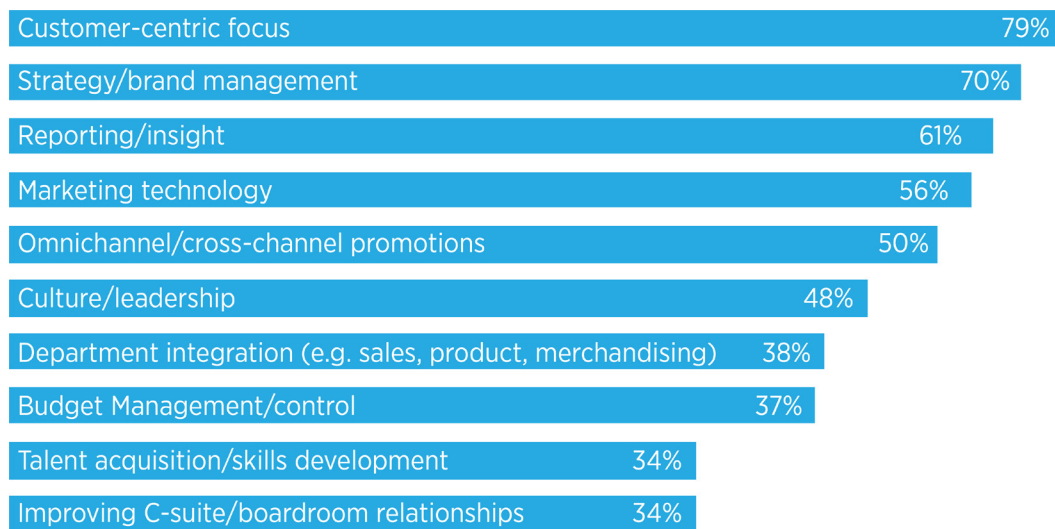
According to the “C-Level 2016 Marketing Study” conducted by Black Ink ROI, 79% of respondents, who are US marketing managers, considered having a customer-centric focus their top priority. Moreover, 56% said marketing technology was their priority, and 50% said that omnichannel and cross-channel promotions were their top priorities.

Deloitte has identified several strategies that help organizations successfully put the customer at the core of the business. “You cannot be customer centric if the customer experience is not an executive priority.”¹¹ Organizations will fail at implementing a customer-centric strategy without top management commitment. Furthermore, moving to a customer-centric approach means that organizations need to understand their consumers, wants, needs, and behaviors, and in turn design an experience that appeals to their customers.

Engaging the back office and empowering the frontline are paramount: “Customer centricity is about every team and individual in the organization, not just customer service.”¹² Metrics, metrics, and more metrics: Looking at the right metrics and having a proper measurement system in place that gives insightful information, which would help managers make educated decisions, is invaluable. Finally, customer feedback is very important for continuous improvement. Listen to what your customers are saying, understand what they like and dislike, and respond accordingly.

Top Priorities for 2016 According to US Marketing Managers

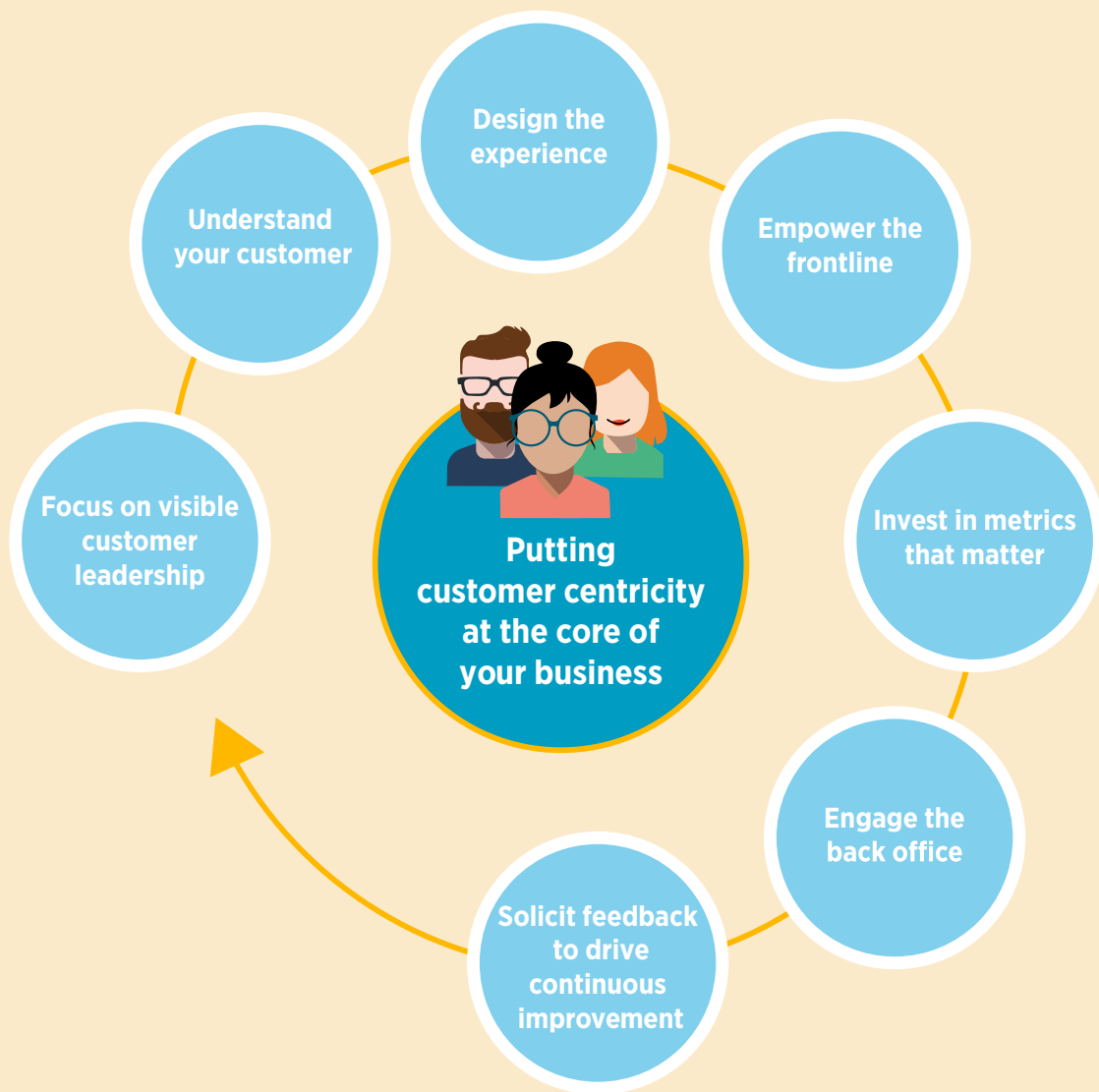
% of respondents



Source: Black Ink ROI, “C-Level 2016 Marketing Study,” March 2, 2016

www.eMarketer.com

Strategies for Embedding Customer Centricity¹³



¹³ Deloitte 'Customer-centricity: Embedding it into your organisation's DNA' (2014)

Personalization

The gold standard of customer centricity is the practice of personalization. Customers want to feel important, special, and valued. Making them feel noticed can go a long way. Retailers can achieve this by delivering personalized experiences to their customers. In fact, brands that create personalized experiences by integrating advanced digital technologies and proprietary data are seeing revenues increase by 6% to 10%, according to new research by The Boston Consulting Group (BCG)—two to three times faster than those that do not.¹⁴

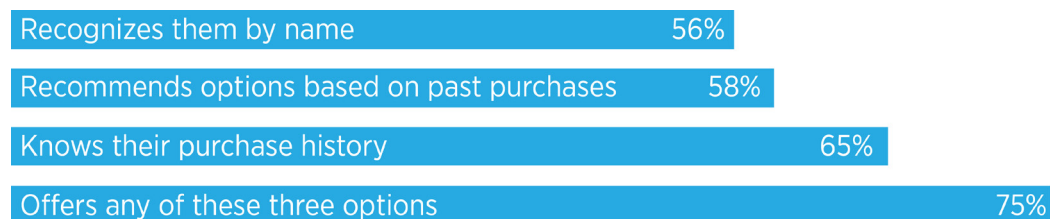
“IT’S THE WORD “DISTINCT” RESPECTING AND UNDERSTANDING THAT INDIVIDUAL EXPERIENCE IS THE MOST IMPORTANT THING YOU DO IN RETAIL.”

-DIANE BRISEBOIS, President and CEO at Retail Council of Canada

Brisebois sums up what personalization is in one word: “distinct.” It’s all about how retailers can reach each customer individually and deliver a truly authentic experience that is unique to that individual. She goes further in stating that, “Personalization is really about truly understanding who I am as a distinct customer. How do you find the balance between selling and informing and being a partner in that customer experience, and that is where I think the next battle will be.”

According to a recent Accenture report, 75% of consumers are more likely to purchase from a retailer that knows who they are: either recognizes them by name, knows what they have previously purchased, or makes product recommendations based on past purchases.¹⁵

Consumers are more likely to buy from a retailer (online, offline) that...

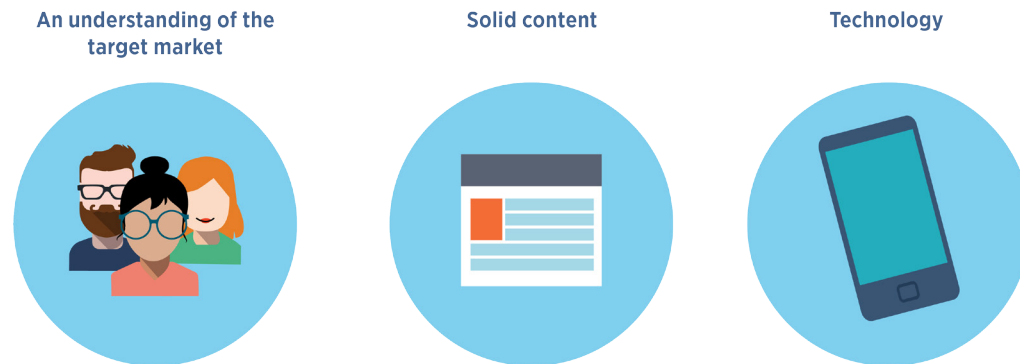


Source: Accenture (2016)

¹⁴ Boston Consulting Group 'Profiting from Personalization' (May 2017)

¹⁵ IBM 'Consumers want personalization: Stats roundup' (2016)

Creating a personalized customer experience is not easy. Russo believes that the three elements required for personalization are:



“I think to get personalization right, you need to understand your market really well. I think you also need solid content. Personalization is not easy when you only have a few pieces of content. The third aspect of that is technology: how do you serve the content that these individuals or visitors will see? I think where some people or some companies have made a mistake is really going at personalization without a content strategy,” explained Russo.

“IT’S ABOUT TRANSPARENCY AND PUTTING THE CONTROL IN THE HANDS OF THE CONSUMER.”

-PAT DUNCAN, SVP Marketing & Chief Digital Officer at Party City

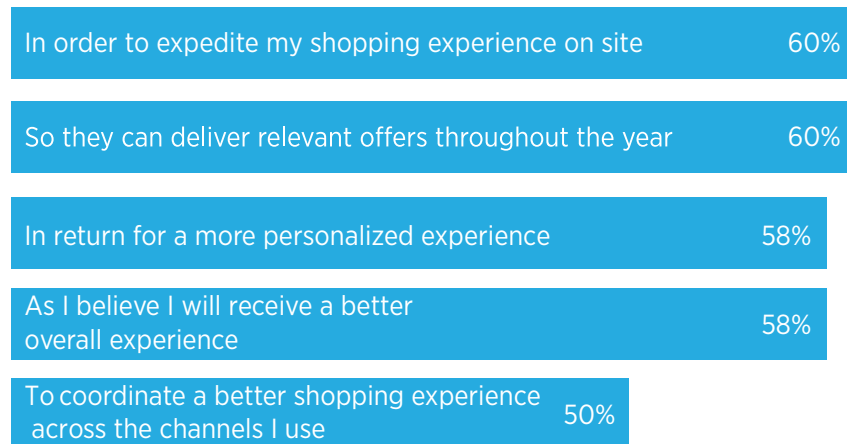
How willing are consumers to swap more data about themselves for a personalized experience?

“I think that people don’t mind you collecting data about them if you make the experience better and you use it to their advantage. It’s about transparency and putting the control in the hands of the consumer,” says Duncan.

The results of a survey conducted by Magnetic/MyBuys validates Duncan’s comments. The survey found that consumers are willing to allow retailers to use their data if that means providing a better experience for them.¹⁶

¹⁶ IBM ‘Consumers want personalization: Stats roundup’ (2016)

I'm comfortable having my shopping interests and behaviors used by retailers...



Source: Magnetic/MyBuys (February 2015)

There is, however, a fine line between providing a personalized experience and creeping customers out. As Chanicka mentioned, "The point where retailers get 'creepy' happens when they are going after sales and not having customers and their experience with your brand top of mind before they run those types of campaigns." Just Google "target dad pregnant daughter," for the 2012 story of how Target figured out a teen girl was pregnant before her father did.

As such, before implementing and running personalization campaigns, Chanicka thinks it's important to ask these questions: "Are you actually providing convenience to the person that you're giving this experience to? How are you helping them? Does it solve a problem for them?"

Consumers are seeking, and asking for, personalized experiences, but are retailers empowered to deliver truly advanced personalization? "There's a lot of work left to be done from a retail standpoint to get to a more personalized, tailored experience, but it's really important," said Duncan. For retailers who truly succeed at personalization, the path must include localization.

Local Local Local

Deeply understanding the local community a retailer is serving increasingly more important for businesses.

But how important is “local” to consumers? According to a report by LOCO BC, “Consumers value local. Of Canadian consumers surveyed, 50% prefer to buy from companies right in their province or city. Consumers would spend more money online with local businesses if they offered convenient shipping, e-stores and a better consumer experience navigating their online stores.”¹⁷

When it comes to larger retailers, localization is the key ingredient in taking a 30,000-foot brand conversation to a 1:1 personal marketing conversation. Leveraging location is increasingly important as it is unequivocally associated with remaining relevant and getting personalization right. Stated another way, you can’t get to personalization without localization. “We have 134 retail stores across Canada, which covers a large footprint of the country. It’s important that the customer experience is consistent across the entire brand, but it also needs to be personalized for the local markets as well to ensure that we connect with the communities where our stores are located,” says The Body Shop’s Jennifer Spencer. Spencer goes further in stating that, “Being very geo-targeted in terms of how and what messages we’re giving to them and what ways they like to receive communication from us; we have a variety of different ways to invite our customers to things we’re doing, whether it’s through personalized emails or geo-targeted Facebook ads.”

According to a recent study by Google, “near me” searches have increased 146% in the past year¹⁸, and this is something that Duncan is following. “If you listen to Google, they often report that the most popular searches are “near me” search queries. The whole “near me” search query is huge – it has seen large growth within the Google platform, so the question for retailers is, are they taking advantage of that and leveraging localized marketing?”

“IT’S IMPORTANT THAT THE CUSTOMER EXPERIENCE IS CONSISTENT ACROSS THE ENTIRE BRAND, BUT IT ALSO NEEDS TO BE PERSONALIZED FOR THE LOCAL MARKETS AS WELL TO ENSURE THAT WE CONNECT WITH THE COMMUNITIES WHERE OUR STORES ARE LOCATED.”

*-JENNIFER SPENCER, VP Marketing and Corporate Responsibility
at The Body Shop*

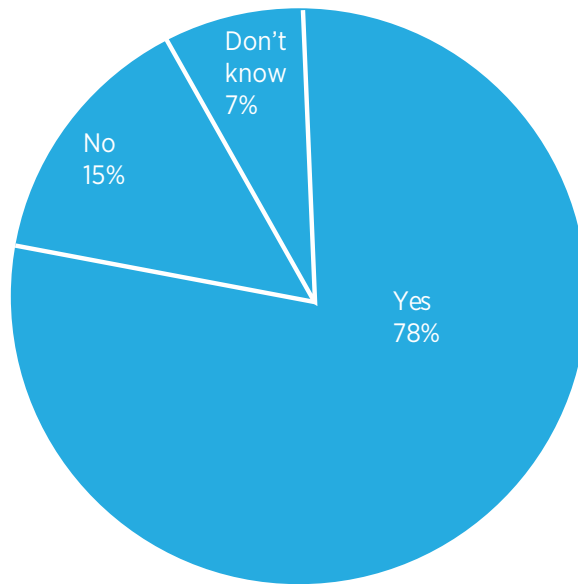
¹⁷ LOCO BC ‘The Impact of Online Shopping on Local Business’ (2015)

¹⁸ Google ‘How to Build Your Mobile-Centric Search Strategy’ (2016)

A study conducted by the Mobile Marketing Association revealed that 78% of respondents (US marketers) have increased spending on location-based mobile ads.

US Marketers Who Have Increased Spending on Location-Based Mobile Advertising Based on the Availability of Foot traffic Data July 2016

% of respondents



Source: Mobile Marketing Association (MMA), "Location Data Study: Key Findings," Oct 17, 2016

www.eMarketer.com

Businesses, including retailers, need to start realizing the importance of local marketing and start investing in such initiatives. Local is now more relevant than ever before, and will likely continue to be important to retailers and consumers alike.



OMNICHANNEL SUCCESS

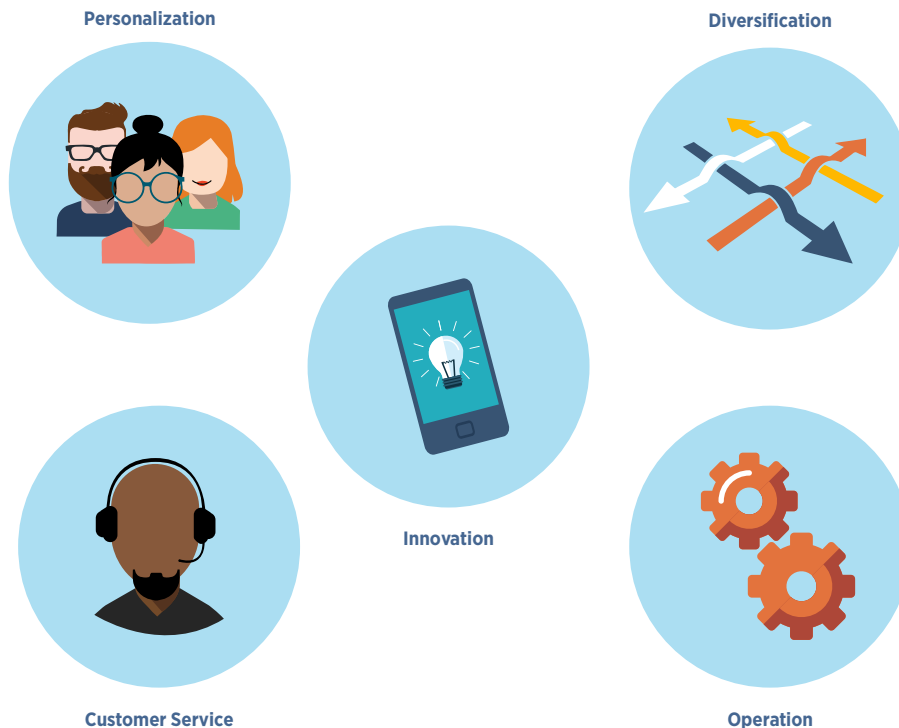
- **The Amazon Effect**
- **Omnichannel - What does it mean?**
- **eCommerce: The Rise of the Digital Consumer**

The Amazon Effect

The “Amazon Effect” is a phrase that is used to refer to the changes that Amazon has driven in consumer behavior and expectations, and how people’s shopping experience on Amazon is affecting their interactions with other businesses.¹⁹

Amazon has revolutionized eCommerce and has had an impact on various stages of the eCommerce experience, from the retail supply chain to consumer behavior, experience, and expectations. It has made retailers re-think, re-shape, and refine the customer experience, both in-store and online. Retailers who are unable to adapt quickly will be left behind. Our experts noted that, more than ever, speed and agility are critical and cannot be taken for granted.

Amazon: Elements of Success



Looking beyond your industry is important when creating an iteration of the consumer experience. Understanding where the consumer is going and anticipating what they want and will react to is important for retailers. For example, consider what athletic retailers like Lululemon and Nike have done in turning their stores into studios, and offering free fitness classes to their in-store clientele.²⁰

¹⁹ Imedia 'A look at the "Amazon effect" on retailers everywhere' (2016)

²⁰ Marketing Land 'Consumers have spoken: 2016 is the year of "webrooming"' (2016)

As Amazon continues to raise the bar for traditional retailers in terms of convenience, flexibility, and personalization, retailers and businesses across industries can certainly learn a thing or two from Amazon to enhance the customer experience. Amazon sets the rules as they are, according to several studies, and is now the first stop for many consumers who go on Amazon to read reviews and check prices.²¹ In fact, 55% of product searches start on Amazon,²² so if retailers are not figuring out how to play in this space they will be left behind.

Omnichannel - What does it mean?

Omnichannel has been a hot topic and a buzzword for years now. When we asked retail experts what omnichannel means to them and their brand, no two answers were the same. Everyone has a different definition of omnichannel, but, in essence, omnichannel is synonymous with multichannel convergence: being present and active on multiple, interconnected channels (i.e. tablet, mobile phone, desktop, laptop, etc.), to create a seamless journey for customers.

Regardless of what experts like to call it or how they like to define it, the omnichannel approach revolves around providing an exceptional experience for customers. The customer doesn't care what marketers call it, they care about a consistent, respectful, and authentic experience.

Russo defines omnichannel as an approach that eliminates channels: "When you look at omnichannel, it's really about eliminating the channels, for the customer anyway. The customer just looks at the brand independent of channels. They could use one, three, or five channels. It doesn't really matter to them as long as they're dealing with the brand and it shouldn't matter to the retailer either." To stand apart, retailers must drill down to the hyper-local level – building out local digital experiences that integrate seamlessly with individual locations and pages. This goes for everything from the foundational importance of accurate and compelling physical location data to experiential content online.



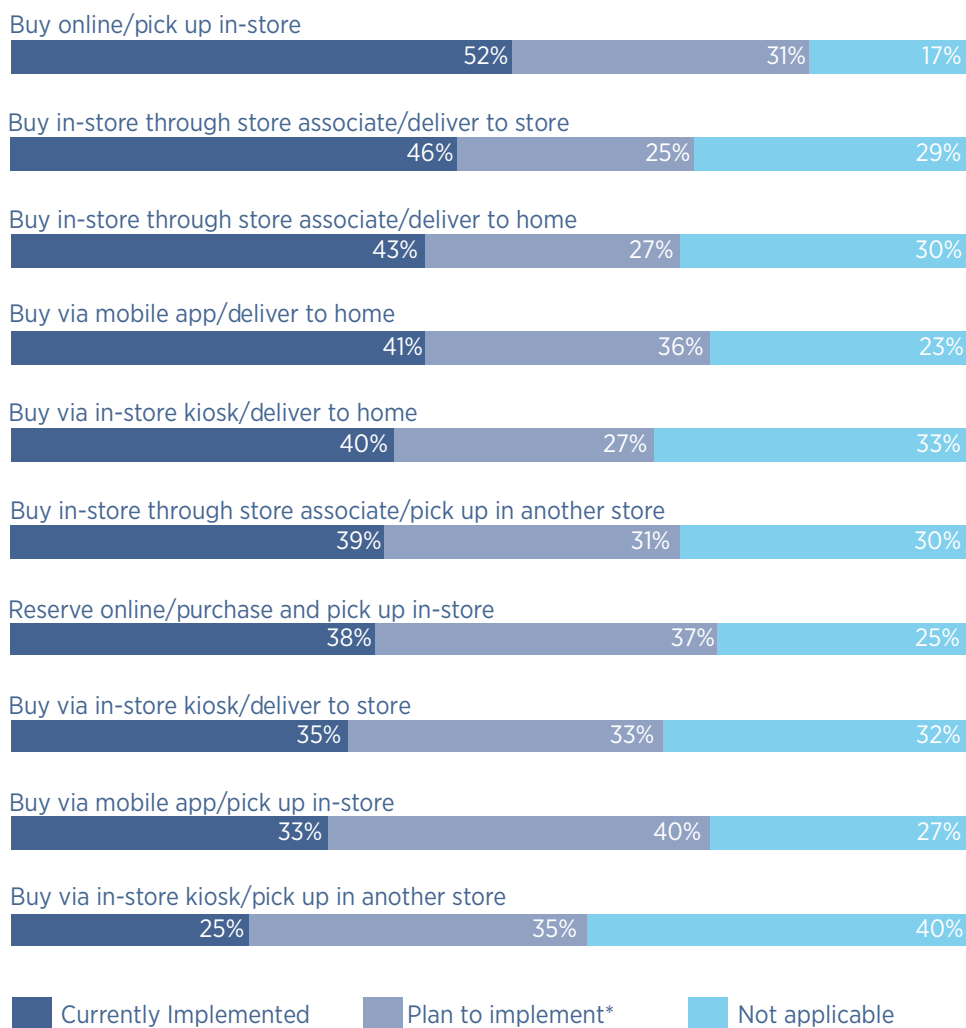
²¹ Entrepreneur '8 Ways Amazon Changed Your Shopping Life' (2016)

²² Bloomberg 'More Than 50% of Shoppers Turn First to Amazon in Product Search' (2016)

According to a Retail TouchPoints report titled “Retail Wellness In 2016: Executives Reveal Their Top IT Investments and Growth Priorities”, most companies have started implementing different omnichannel purchase methods, and plan to implement more methods in the future. Fifty-two percent of executives reported that they have already implemented “click & collect,” or buy online/pick-up in-store, at their company.

Current vs. Planned* Implementation of Select Omnichannel Purchase/Fulfillment Methods at Their Company According to US Retail Executives, Dec 2015

% of respondents



Note: *in 2016

Source: Retail TouchPoints, “Retail Wellness in 2016: Executives Reveal Their Top IT Investments & Growth Priorities,” sponsored by UXC Eclipse, March 28, 2016

www.eMarketer.com

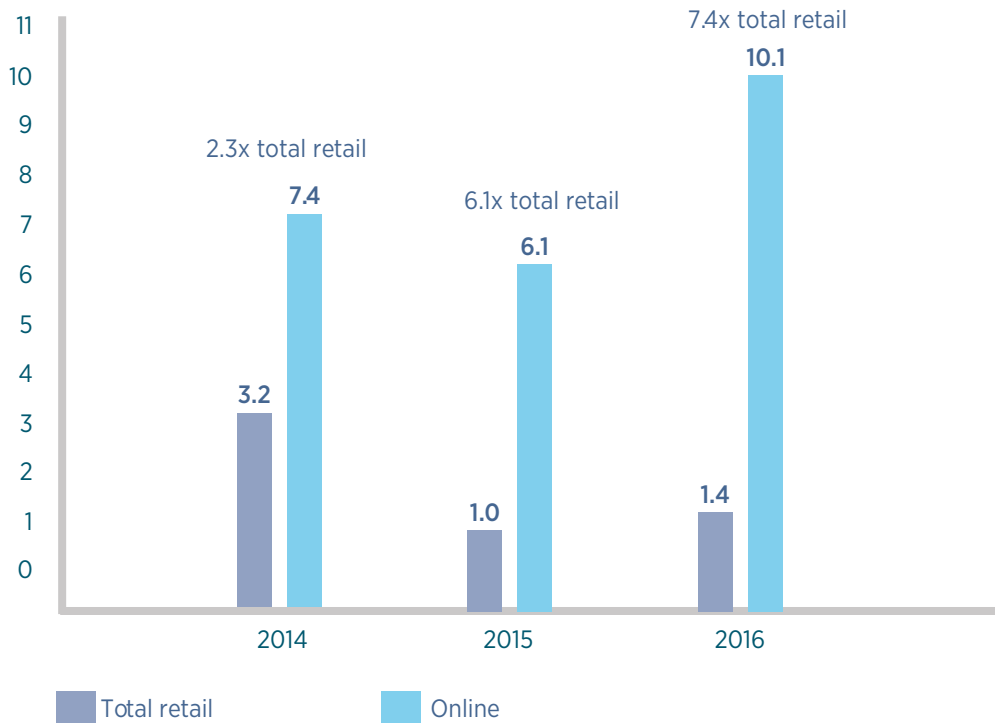
Omnichannel has become more important than ever before. However, Spencer emphasizes that retailers must exercise sound judgement when deciding what channels to be on and what options to provide their customers. “Being aware of what customers need and what will connect them to us is important. For example, if having a presence on platforms like Twitter and Weibo is something that is not relevant for our target demographic, then just because other retailers are invested in those platforms doesn’t necessarily mean that we need to invest in resources to provide that, too.”

eCommerce: The Rise of the Digital Consumer

Online sales and eCommerce have grown exponentially over the past several years. According to a recent report by Strategy&, on retail trends, online sales growth surpasses that of the retail industry as a whole, by a large margin.²³

Retail Trends

Sales growth (%)



Note: 2016 accounts for results through August; online sales include catalogs; all sales growth excludes annual CPI (2014= 0.8%, 2015= 0.7%, 2016= 0.5%).

Source: U.S. Census Bureau, Bloomberg, Strategy& Analysis

www.eMarketer.com

²³ Strategy& '2017 Retail Trends' (2017)

Chanicka acknowledges this eCommerce trend, and points out that it is important to be able to adapt fast enough. “eCommerce has definitely grown at a rapid pace over the last few years. Customers are evolving much faster than we thought. While this is great to see, it also made us realize we need to adapt faster than we originally anticipated.”

“Customers are evolving much faster than we thought. While this is great to see, it also made us realize we need to adapt faster than we originally anticipated.”

-INDAR CHANICKA, Director of eCommerce at The Body Shop

The rise of the digital consumer is keeping retail experts on their toes. They are fully aware of the impact of digital on consumer expectations, behaviors, and attitudes. Retailers are looking to understand and study what drives foot traffic into the store. There is consensus that there is a digital influence, whether it's from display advertising, paid search, email, SMS or owned and operated web properties.

In terms of how much of the advertising budget to allocate to digital, Duncan suggests looking at the bigger picture. “When you look at just the amount of volume your web store does, it gets big in some organizations, but it's usually not a huge bulk of the sales within a retail organization. But, when we start to look at how much the web impacts on the broader scale, it becomes a huge percentage. I think a lot of retailers have shifted more dollars to digital. You have to think about how much business the web impacts and let that drive some of your decision making.”

Although some retailers have been trying to stay one step ahead of the game, there is still room for improvement. “I think the industry must do a better job of handling this technology-meets-strategy-meets-fulfillment-meets-consumer ideology or what they're looking for in a brand and how they shop,” said Russo.

How can retailers continue to thrive in today's retail environment? Our experts agree that it comes down to your digital/mobile strategy: How you organize yourself around a digital-first/mobile-first strategy will be a pretty big determinant of whether you're going to succeed down the road.



COMMUNITY RETAIL

- **Retail of Tomorrow**
- **Community Impact of Local Retailers Closing**

Retail of Tomorrow

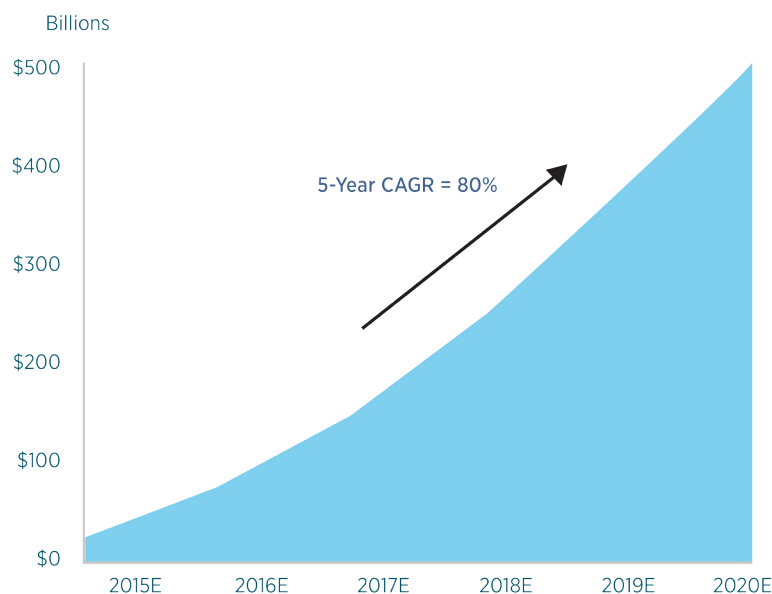
A few trends are shaping the future of retail in North America. These include advances in mobile payments, the use of artificial intelligence in retail, and continued growth of webrooming and showrooming, as well as m-commerce.

Mobile Payments

Consumers increasingly expect payments to be a seamless, integrated part of their shopping experience, and mobile payments are predicted to increase drastically in 2017 and onwards. They are becoming very popular and retailers are taking notice. Chanicka believes that the evolution of mobile payment is a big trend in the retail industry. "Payment types are going to be a key topic for most retailers, as people adapt to methods like Apple and Android pay, etc. If you're not thinking about it now, you will be very soon," says Chanicka. This is echoed by Brisebois, who acknowledges this growing trend, but also realizes that there are huge security hurdles to overcome. "Expect to see innovation in the way customers pay for their goods in-store, on mobile devices and online. In addition, we will continue to see new technologies that enhance the customer experience and that help retailers better understand customer needs and wants."

According to a report by Business Insider, between 2015 and 2020, volume of in-store mobile payments is expected to rise by a compound annual growth rate (CAGR) of 80%. By 2020, mobile payment volume will reach \$503 billion.²⁴

Forecast: US Mobile In-Store Payment Volume



Source: BI Intelligence

²⁴ BI Intelligence 'The Mobile Payments Report' (2016)

Moreover, by the end of 2019, Forrester expects that US mobile users will spend \$142 billion via mobile payments, up from the \$52 billion spent in 2014.²⁵

Are retailers ready to embrace mobile payments? Not fully, but they must either embrace it or create a better alternative to well-entrenched payment habits.

Artificial Intelligence

As traditional retailers are struggling to remain relevant, and with competition making it increasingly more difficult to attract customers, some retailers are starting to look at AI as a viable solution for the challenges of trying to understand consumer behavior, or to appeal to consumers.

“HOW DO WE PROVIDE THAT CONVENIENCE FOR CUSTOMERS USING THAT DATA THAT WE HAVE FROM ARTIFICIAL INTELLIGENCE?”

-INDAR CHANICKA, *Director of eCommerce at The Body Shop*

Artificial intelligence will prove to be beneficial to both retailers and consumers alike.

Retailers will soon start applying AI to online commerce for website and content optimization. Moreover, using an AI technique called online learning, retailers will be able to track and analyze consumers' clicks through an online inventory, in real time.²⁶ These AI applications will help retailers understand consumer behavior and preferences, which will enable them to create a personalized shopping experience for their customers.

The chatbot is another AI application that has been getting a lot of attention in the retail realm. As Chanicka puts it: “AI is going to be key. Again providing convenience for customers. Going onto a website and having chatbots available to help customers 24/7 will reduce demand on your customer service team and provide answers in a timely manner, leading to increased engagement and higher conversions; chatbots and, by extension, AI, are hot topics right now.”

H&M, Macy's, and Sephora are examples of retailers that are taking advantage of chatbot applications.²⁷ In collaboration with IBM and Satisfi, Macy's developed a chatbot application called Macy's On Call, which is described as “a first-of-its-kind shopping companion featuring the cognitive capabilities of IBM Watson.”²⁸ Macy's On Call allows customers to ask questions about store inventory and services.

²⁵ Forrester 'Disrupting Finance: Mobile Payment Systems' (2015)

²⁶ Crunch Network 'How artificial intelligence is changing online retail forever' (2016)

²⁷ Grid Dynamics 'Chatbots in retail: 2017 is shaping up to be a big year' (2017)

²⁸ YouTube 'Macy's On Call mobile shopping companion via IBM Watson and Satisfi' (2016)

There is no doubt that artificial intelligence will lead to significant advancements across industries, but, the question remains: are retailers effectively using AI data to deliver a personalized, seamless customer experience?

Webrooming & Showrooming

“LET THE CUSTOMER SHOP WHERE THEY MAY. WHEREVER THEY WANT TO SHOP, LET THEM. JUST MAKE IT EASY FOR THEM.”

-JOHNNY RUSSO, Associate Vice-President, eCommerce and Digital Marketing at Mark's

Showrooming, the practice of browsing for products in-store but purchasing the product online, at a lower price in most cases, has been a huge trend over the past couple of years. Another trend that is really taking off is webrooming, which is the opposite of showrooming: it is when consumers research online and purchase in-store. According to an article by Marketing Land, 2016 was the year of webrooming.²⁹

“I think both webrooming and showrooming have the potential to get larger. We see showrooming and webrooming as very important parts of retail's future because, again, the customer will dictate how to shop, and retailers will adapt. The future of retail is adaptation... adaptation to the customer wants,” remarked Russo.

Webrooming is starting to overshadow showrooming and is showing no signs of slowing down. According to a Harris poll in the US, 69% of people reported that they webroom, and 46% reported that they showroom.³⁰ The most common reason for webrooming is to avoid shipping costs, followed by wanting to see and feel the product before purchasing it.

Mobile and Tech

Mobile is not a new trend, per se, but mobile shopping and sales have continued to grow over the past few years and, according to Duncan, m-commerce will continue to grow. “More is coming through the mobile device than desktop now for just about every retailer, [as well as] mobile apps and how those can be leveraged to solve a problem for the consumer. I think mobile is going to continue to sort of explode from an investment and experience standpoint. The creativity that this lends retailers to create an experience that's unique from one another is a big opportunity for all retail categories.”

²⁹ Marketing Land 'Consumers have spoken: 2016 is the year of "webrooming"' (2016)

³⁰ Shopify 'Consumers Are Showrooming and Webrooming Your Business, Here's What That Means and What You Can Do About It' (2016)

Brisebois spoke of another trend – testing new technologies. “We also see more retailers test new technologies via their own innovation labs as well as partnering with creative solution-based start-ups so that they can be ‘first to market’ with new products and services that enhance the customer experience.”

Amazon is a classic example of being first to market with a number of things that lead the way in innovation. Consider the Kindle and how its release in 2007 paved the way for e-readers to change the way the world consumed books. Interestingly, Amazon continues to dabble specifically in the book market – opening brick-and-mortar bookstore locations in key markets since late 2015. Theories abound, but it is evident that these locations serve as more than just a bookstore – allowing Amazon to showroom their electronic offerings such as the Echo, Kindle, Fire tablet and Fire TV. Taking a cue from Apple, these devices are prominently displayed and in play throughout the retail locations.³¹

These trends are reshaping and refining the retail industry. Retailers will need to keep an eye on these trends and continue to take the necessary measures to adapt accordingly.

Community Impact of Local Retailers Closing

The growth of online shopping is slowly starting to lead to the closure of local stores and retailers, and this has an impact on local communities. “Any negative impact on local business will also ripple through local communities, negatively affecting employment, business-to-business suppliers, local manufacturers, and government tax revenues.”³²

Moreover, according to LOCO BC: “The fate of independent retailers is currently a tough one. The Canadian Federation of Independent Business (CFIB) reports the ‘exit rate’ for small and medium enterprises (SMEs) as second highest in the retail sector, at 9.4%, second only to accommodation and food services at 10.4%.”

The bottom line is that online shopping contributes to economic leakage. Consumers who spend money outside of the local market take away sales from local retailers who are, as a result, forced to shut down, taking jobs and employment opportunities with them. On the flip side, local businesses and even large brands with a distributed footprint are committed to the communities they are in.

Those who prevail are building out local digital experiences in a seamless way and focusing on the consumer in an authentic manner in the local market. This is a key differentiator from behemoths like Amazon and is a leading way that brands can still win at the local level. It’s important to remember that eCommerce is only 15-20% of the market, depending on the study.³³

³¹ USA Today ‘Amazon heads deeper into brick and mortar with books’ (2017)

³² LOCO BC ‘The Impact of Online Shopping on Local Business’ (2015)

³³ comScore ‘State of the US Online Retail Economy in Q1’ (2017)



KEY TAKEAWAY

**“THE FUTURE BELONGS TO THOSE
RETAILERS WHO CONSTANTLY TEST,
INNOVATE, AND REALLY TAKE CHANCES.”**

-DIANE BRISEBOIS, President & CEO at Retail Council of Canada

Retailers who are not keeping pace with changing market dynamics and consumer expectations are struggling for survival. To succeed in today's fast-paced environment, retailers need to focus on redefining customer relationships and rethinking their business models. All retailers are fighting to survive, and Darwin's theory of natural selection is an apt model of thinking in this case; it has become a matter of “survival of the fittest.” The retailers that will survive and succeed are the ones who are focused on the consumer, personalize through localization, and keep up with operational demands of retail's digital transformation.

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