SHOPPER INSIGHT 360°

2017

2018

Crossing the Great Consumer Divide

CUSTOMER COMMERCE IN THE AGE OF DIGITAL TRANSFORMATION

# A Growth-Focused Approach to Data-Driven Retail

Products and process has never been more important, but aligning digital transformation with fast-changing consumer trends is the key to success

A FEELING EMERGES after gathering a large body of consumer data that secrets will be revealed. The feeling is inescapable when reviewing the 2017 Shopper Insight 360 Study, which was created in collaboration with Tata Consultancy Services (TCS).

Retailers who read and use this study to gain relevant insight from rich consumer data and then seize hidden opportunities that fit their specific organization's business model are on a proven path to success.

This opportunistic approach to data-driven retail is especially important today as the retail landscape is buffeted by strong headwinds blowing in every direction.

To help retailers navigate a course through these headwinds, *RIS* interviewed 5,000 shoppers who carefully match the profile of the overall U.S. population. Importantly, we also included a special emphasis on Gen Z shoppers, ages 15 to 17, who have a unique identity in the marketplace and represent the future of retail.

73%
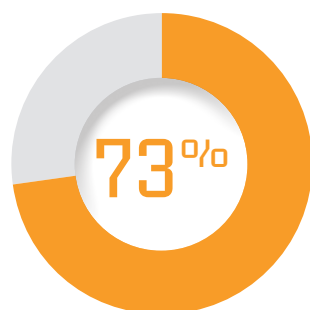
Shoppers who want to be able to do everything they can do online when they go into a store

When you analyze the likes, dislikes, recommendations, purchase patterns and shopping behaviors of 5,000 shoppers you gain unique insight you can trust and the ideas that emerge through this analysis can become the basis for creating new strategies, launching new initiatives, and deploying new technologies.

In themselves, consumer insights are interesting factoids, but it is only when they are strategically used to inform decisions that they become truly valuable. So, use the datapoints in this unique report to assess your organization's strengths, weaknesses and competitive position from the consumer's perspective. Then use the insight to cross the great consumer divide and set a growth-focused course while others are struggling.

Joe Skorupa

Joe Skorupa
Editorial Director

360-Degree Shopper Insight

To uncover valid insights from a comprehensive poll of 5,000 consumers a deliberate effort was made in the design of the respondent pool to closely match the national profile of frequent U.S. shoppers. This not only includes gender segmentation (55% female and 45% male), but also the makeup of household income groups —— with the largest groups in the middle income levels (28% at $25,000 to $49,999 and 22% at $50,000 to $74,999). Size matters and these income groups are numerically the largest.

Another important respondent segment is geographic location. The study's respondent profile is designed to match the population numbers of four distinct regions in the country. This is important because each region has local considerations that are unique to its residents, culture and climate.

The most important segment in this year's study is age, which includes a special focus on Gen Z shoppers. In this study, we define Gen Z as 15 to 17 year olds. Although younger shoppers are also part of this segment, we chose to only focus on older Gen Z shoppers because they are the ones most likely to exert influence on relevant behaviors and patterns, both due to their own purchasing power and influence on their family's. **RIS**

FIGURE 1 — AGE

14% — 18-24
28% — 25-34
18% — 35-44
16% — 45-54
13% — 55-64
5% — 65-74

6%
GEN Z

FIGURE 2 — GENDER

45% Male

55% Female
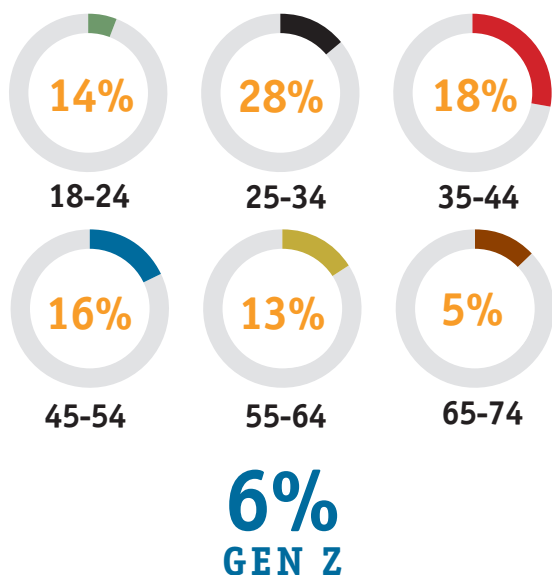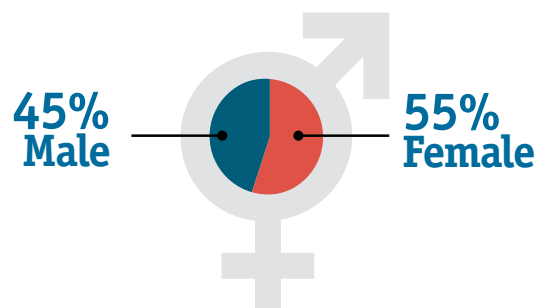
FIGURE 3 — HOUSEHOLD INCOME

17% — Under $25,000
28% — $25,000 - $49,999
22% — $50,000 - $74,999
16% — $75,000 - $99,999
8% — $100,000 - $124,999
4% — $125,000 - $149,999
2% — $150,000 - $174,999
1% — $175,000 - $199,999
2% — $200,000+

FIGURE 4 — PRIMARY RESIDENCE

24% Midwest
19% Northeast
22% West
35% South

Great Change Leads to Great Opportunity

Shoppers provide the key to unlocking the next phase of retail's evolution

Tata Consultancy Services is proud to bring retailers key takeaways from the 2017 Shopper Insight 360 Study in partnership with *RIS News*. In a year when store closures and Amazon's dominance hit the front pages, this study uncovers reasons behind the headlines and sheds light on the next phase of retail's evolution.

The strength of this study comes from giving voice to shoppers by examining their needs and behaviors. This insight is essential for smart technology planning and investment strategies, because shoppers ultimately determine which merchants win and which ones struggle.

Major insights from the study, such as the need for digital transformation and nurturing innovation, are in line with feedback we hear during our client engagements. Old methods no longer work as consumers seek next-gen retailing experiences.

For example, 40% of all shoppers indicate they would take advantage of grab-and-go stores with self-checkout from their own phones. Even more interesting, a higher 55% of Gen Z shoppers are eager to use this capability.

Stores Matter
While many business pundits erroneously suggest the demise of traditional brick-and-mortar shopping, this study uncovers deeper insight from consumers — many say they miss their favorite stores and are worried too many stores will close.

However, even though consumers express a strong fondness for stores they also experience many frustrations and, importantly, the top three involve products: 1) product 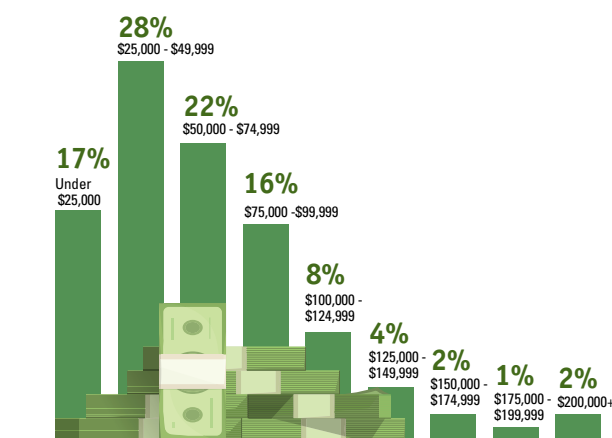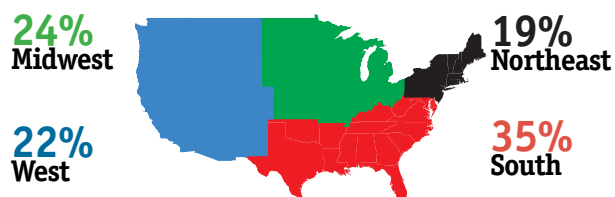selection is inadequate, 2) store products are not synched with the website, and 3) store layout makes products hard to find.

Interestingly, the fourth big frustration involves both products and store associates, specifically the associates' lack of product knowledge. Nearly half of consumers (47%) say associates should be equipped with training and tools that give them a better understanding of the products they sell.

Clearly, frustrations like these cause lost sales. If retailers tailor merchandise to shopper preferences, optimize planograms for convenience, and equip associates with product knowledge, then barriers will fall and shopper conversions increase.

The Amazon Effect
No doubt, the biggest takeaway in the study comes from uncovering why shoppers shop on Amazon. The biggest finding is that shipping is much more important to consumers than many retailers realize. In fact, three out of the top six reasons shoppers go to Amazon are free shipping, fast shipping, and a strong reputation for on-time shipping. Digging into this trend further, we find 42% of shoppers say they use Amazon same-day shipping at least once a year.

Overall, supply chain and omnichannel preferences emerge as major priorities in the report. For example, the ability to ensure online orders are ready for pick up in nearby stores is a clear shopper expectation and more than half do it several times per year.

TOP 3 FRUSTRATIONS

Product selection is inadequate, store products are not synched with the website, and store layout makes products hard to find.

While many business pundits erroneously suggest the demise of traditional brick-and-mortar shopping, this study uncovers deeper insight from consumers – many say they miss their favorite stores and are worried too many stores will close.

Click-and-collect, however, is also a source of frustration due to long wait lines and confused associates. Retailers who solve these problems will see a sales lift from the 40% of shoppers who make an additional purchase when picking up items in a store.

Mobile engagement also emerges as a major trend with 51% of shoppers saying they use a retailer's mobile app while shopping in a store to get promotional items or discounts and 49% saying they check prices via the retailer's mobile app inside a store.

Gen Z Matters

One unique element in this study is a critical look at the importance of the Gen Z shopper and its emergence as major a factor in setting future retail strategies. Few consumer studies examine the opinions and behaviors of Gen Z shoppers, because teens do not yet have the economic power and disposable income that older generations have.

However, Gen Z shoppers like Millennials before them, exert a powerful influence on family purchases that goes far beyond the spending they do from their own wallets, which is considerable. By examining findings and insights from today's Gen Z shoppers retailers can get a glimpse of future trends they can align with.

Key Gen Z findings include:
• **New media:** Game consoles and Instagram are the preferred media of choice for Gen Z. Asked about making purchases through new media channels, more Gen Z shoppers say they use game consoles (30%) compared to all shoppers (21%). The same is true for making purchases through Instagram — 20% for Gen Z and 13% for all shoppers.
• **Mobile first:** Gen Z shoppers do more shopping related activities on smartphones. For example, 70% check prices while in a store compared to 59% overall, 66% read product reviews in a store compared to 52% overall, and 66% purchase a product without seeing it in a store compared to 49% overall.
• **Conversational commerce:** Although still an emerging technology, voice-activated shopping through Amazon, Google and Apple is starting to take hold and Gen Z shoppers are in the forefront. Today, 29% of Gen Z shoppers have already made purchases using a voice-activated assistant compared to 20% of overall shoppers.

One section of the study investigated willingness to use 14 leading-edge concepts and technologies ranging from grab-and-go stores to holographic customer service. In every case, Gen Z shoppers were more open to innovation than overall shoppers by 15 to 20 percentage points. This big gap raises the question: Are you innovative enough for Gen Z?

The 2017 Shopper Insight 360 Study is full of up-to-the-minute recommendations for becoming relevant to today's consumer. By responding to shoppers' likes, dislikes and preferences, retailers can ensure they offer appealing assortments, convenient purchase and delivery options, and innovative services both online as well as in the store! **RIS**

BY AASHISH CHANDRA,
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Carpe Retail Opportunity!

SHOPPERS POINT THE WAY TO GROWTH OPPORTUNITIES IN NEW CHANNELS, OPTIMIZED PRODUCT ASSORTMENTS, FLEXIBLE SHIPPING AND EMPOWERED ASSOCIATES

Retail is a hot topic in the national media today, an elevation of status that is long overdue for an industry so large. Unfortunately, many of the stories miss the point that people love to shop, need to shop, and, most importantly, will not likely ever stop shopping.

Although some of the recent stories refer to the occurrence of a retail apocalypse, the truth is we are actually seeing a moment of great opportunity for retailers, an inflection point driven by shopper behavior that is separating winners from losers.

In times like these, traditional doors close on slow-moving, inflexible strategies and simultaneously open up for innovative approaches that align with the needs and wants of fast-moving shoppers.

To help retailers evolve in this era of opportunistic innovation, the Shopper Insight 360 Study examines the likes, dislikes, preferences, behaviors and patterns of 5,000 consumers to provide valuable insight into the shopper journey and path to purchase.

New Channels

Do people really like to shop? On a gut level, we feel this is true. Fortunately, evidence in the study backs it up. Three in 10 consumer (31%) say they shop at least once every day on their computers (laptops and desktops), and nearly a quarter (23%) say they shop every day on their smartphones. This large group of daily online shoppers indicates a big block of consumers has a strong connection to their

FIGURE 1 — HOW OFTEN DO YOU SHOP AND HOW DO YOU DO IT?

	STORE	COMPUTER	MOBILE
2 or more times per day	5%	24%	18%
1 time per day	6%	7%	5%
3-5 times per week	22%	12%	11%
2-3 times per week	29%	10%	9%
1 time per week	19%	9%	8%
2-3 times per month	13%	16%	13%
1 time per month	6%	14%	11%

FIGURE 2 — SHOPPER PURCHASE FREQUENCY THROUGH NEW CHANNELS

- ALL SHOPPERS
- GEN Z

Channel	ALL SHOPPERS	GEN Z
Facebook	26%	16%
Game console	21%	30%
Instagram	13%	20%
Snapchat	7%	14%
Kik	3%	7%

Top 3 New Shopping Channels
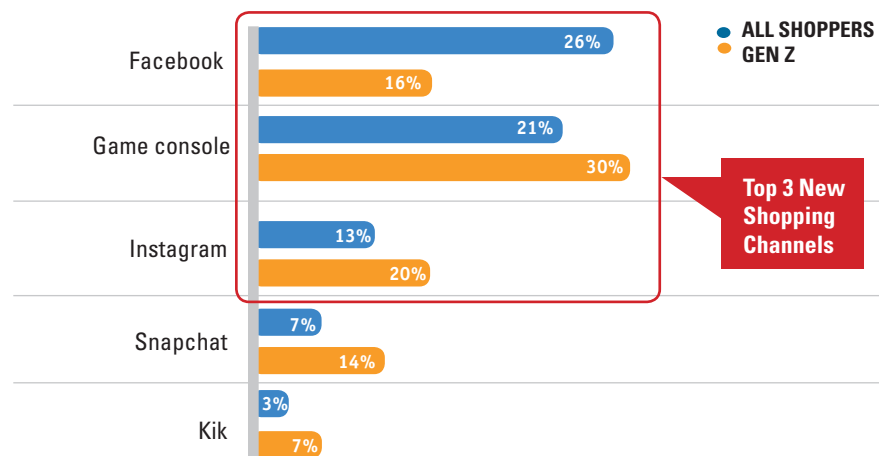
Gen Z Factoid New Channels

Gen Z shoppers choose game consoles as their top new retail channel and prefer Instagram over Facebook

FIGURE 4

TOP INTERACTIVE SHOPPING FUNCTIONS

53%	53%	42%	38%
Read customer reviews on a smartphone	Join a retailer loyalty program	Take a photo of a product for future reference	Scan a barcode to get product info
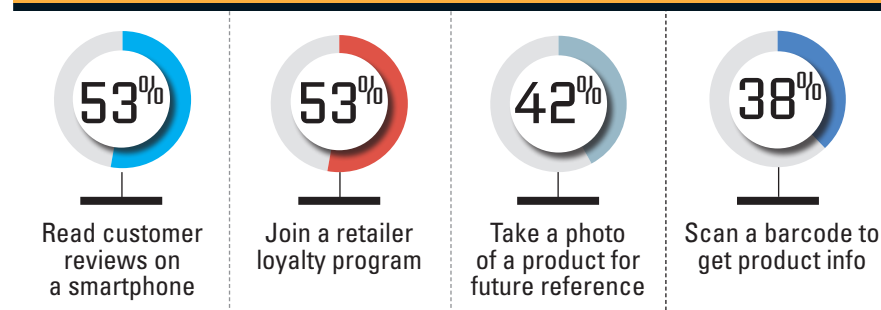
Z and overall shoppers, but it is important to note that both groups rate game consoles as either number one or number two in a list of new channels for shopping.

Maximizing Shopper Influence

There are very real differences between shopping in stores versus shopping online, but it is also worth noting there are significant similarities.

For example, looking at a list of top factors that influence a shopper's buying decision we find product selection chosen as number one in stores and number three in the online and mobile channels. (See Figure 3.)

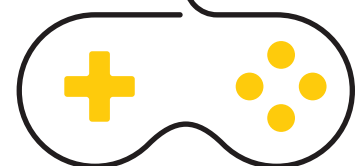Gut instinct tells us that merchandise management (including assortment planning and other adjacent functions that fall under the merchandising umbrella) is an essential pillar of retailing and no amount of dazzling innovation or technology can overcome inferior, unattractive products offered at the wrong prices.

However, when shoppers go online we find other strong factors come into play and these can be summed up in a single word – shipping.

Three out of the top six influencers in Figure 3. are cost of shipping, shipping delivery options,

and ease of shipping.

Amazon and other online pure-play retailers have worked hard to make shipping one of the principle strengths, but established retailers have the power in their hands to match online shipping options and successfully compete. In fact, shipping is an area where brick-and-mortar retailers have a large degree of control and more options compared to online pure-plays. If an established retailer had only one strategy to focus on to generate new sales based on shopper insights found in this study, shipping online orders cheaply, flexibly and conveniently should be right at the top of the priority list.

One final note before leaving shopping influence factors (Figure 3.). The row at the bottom of the chart shows that helpful customer service or store employees was selected by 38% of shoppers as a major influence factor. This is a big number for a row at the bottom of the chart.

However, even more interesting is that when we isolate Gen Z shoppers in this datapoint we find that a much higher 47% of younger shoppers choose helpful customer ser-

FIGURE 5

4 Shopper Pain Points to Focus On

①	②	③	④
Inadequate product selection	Products are not synced with website	Layout of stores frustrates product search	Uninformed associates without access to complete product information
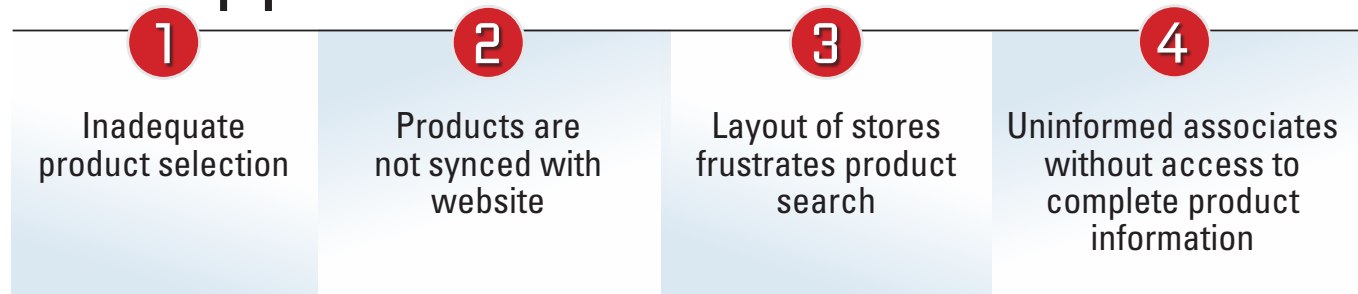
WHICH IMPROVEMENTS WOULD YOU LIKE TO SEE AMONG STORE ASSOCIATES?

1. Match competitive prices
2. Have more knowledge of product features, specifications, benefits
3. Have access to product information via mobile devices
4. Equipped with mobile check-out tools

vice or store employees as a major purchase influencer.

This was the only major difference among Gen Z shoppers on the shopping influence chart and it begs the question: Are your store employees well trained, engaged problem solvers and product advocates? Are they equipped with digital tools that enable them to answer detailed questions about product specifications? Can they complete transactions or take orders for products not in the store?

Gen Z shoppers tell us they want this level of in-store customer service and so do a large number of overall shoppers.

Removing Frustration

In addition to maximizing core strengths, brick-and-mortar retailers also have to work hard to improve their weaknesses. To identify relevent weaknesses we looked at what causes shoppers to become frustrated. At the top of the list are four key pain points: 1. Inadequate product selection, 2. Products not synced with the website, 3. Layout of stores frustrates product search,

and 4. Uninformed associates who do not have access to complete product information.

As previously noted, in relation to the first weakness, no amount of dazzling innovation or store technology can overcome inferior, unattractive products. Merchandisers must be empowered with the right tools to get the right products onto store shelves in the right quantities.

In some cases, this means creating localized merchandise mixes or personalized assortments based on a precise understanding of local customer segments. In other cases, it means being able to move quickly and catch a trend while it is still strong as opposed to arriving on the scene after popularity has ebbed. The importance of smart and on-trend product assortments will never go away in retail, even in the age of innovation.

Number two on the weakness list is offering online products for sale that are not synced with stores. This is a classic omnichannel problem and for many retailers it is still not resolved.

Obviously, physical stores can-

not stock every product that is available online, but that is not the problem. The problem occurs when sales associates cannot access inventory regardless of where it is located or place the order while the shopper is in the store. This problem is the result of rigid organizational structures and inflexible technology systems. It not only produces shopper frustration, but also results in lost sales and a poor reflection on the retailer.

Number three on the frustration list pertains to confusing store layouts. Every store has unique physical limitations, but shopper confusion is something retailers can fix. A short list of solutions includes adding digital signage, product look up kiosks, training associates, and deploying mobile apps to answer shopper questions while they are in stores.

The fourth and final item on the weakness list emphasizes points previously made about a poorly trained and equipped workforce – uninformed associates who do not have access to deep product information. While it is not possible for every retailer to field the kind of employees found at Apple Stores and Starbucks, it is possible to equip them with mobile devices and relevant applications that have access to all the product knowledge they need.

Every retailer has at least one significant weakness in the eyes of the shopper. The goal should be to identify the weakness and then convert it into a competitive strength. **RIS**

Evolution of the Next-Gen Store

SHOPPERS WANT OMINCHANNEL, CLICK AND COLLECT, MOBILE FIRST AND CONTINUOUS INNOVATION

Brick-and-mortar stores are taking center stage in this era of exciting opportunities for established retailers and online retailers alike. With their impressive physical presences and equally impressive fixed costs, stores have become a battleground for experimentation, innovation and new ideas. As with all battles, the challenges are great and risks high for retailers who do not base their next-gen strategies on a customer-centric approach that aligns with the shifting patterns and behaviors of shoppers.

At the heart of today's brick-and-mortar transformation is an attempt by retailers to successfully blend the benefits of the physical store — touching and feeling products, immediate gratification, and an opportunity to deliver excellent service — with the benefits of online shopping — unlimited range of products, deep product information, 24/7 convenience, and powerful supporting tools.

Click and Collect

Buy online and pick up in store or click-and-collect is one of the purest expressions of omnichannel retailing. The reason is that executing it at scale requires the orchestration of many software applications, back-end systems, and store processes. In fact, click-and-collect is so challenging that most retailers currently do not offer it, although the number is gradually growing.

Despite the challenges of deploying click-and-collect, study data indicates shoppers actively use it. In fact, one in five shoppers (20%) actually do it two to three times per month, which is nearly once a week. Of these shop-

FIGURE 1

20% Buy online and pick up in store NEARLY ONCE A MONTH

43% MAKE ADDITIONAL PURCHASES when picking up products ordered online
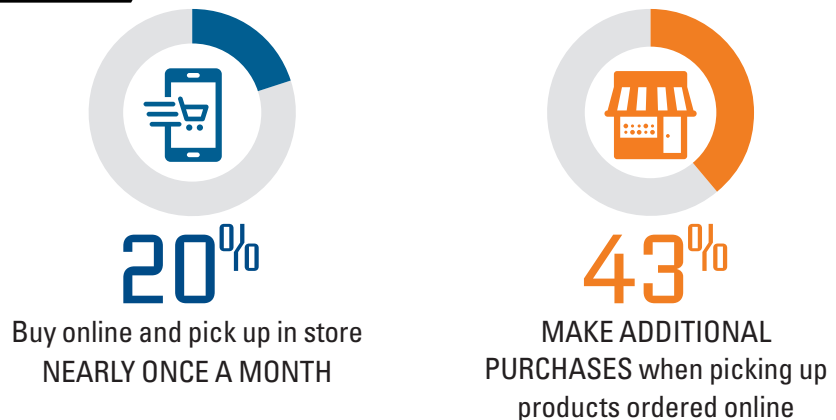
FIGURE 2 — WHAT PROBLEMS HAVE YOU EXPERIENCED WHEN PICKING UP A PRODUCT IN A STORE AFTER PURCHASING IT ONLINE?

●2017 ●2016

Problem	2017	2016
Long wait at counter to pick up order	32%	41%
Items were not ready for pick-up, requiring a wait	25%	30%
Customer service associates confused by pick-up process	21%	27%
Items were not ready for pick-up, requiring a return trip	16%	18%
Pick-up location not clearly identified or not convenient	15%	23%
Order contained the wrong items	11%	12%
Items were damaged	11%	11%
ID and payment verifications were excessive	10%	13%

Omnichannel Maturity

Retailers have made gains in IMPROVING THE SHOPPING EXPERIENCE FOR BUY-ONLINE AND PICK UP IN STORE, but it is still a frustrating process for many shoppers

FIGURE 3

SHOWROOMING: GEN Z VERSUS OVERALL SHOPPERS

Gen Z

Gen Z Factoid

40%

of Gen Z shoppers research items or compare prices on their smartphones while in stores compared to

34%

for overall shoppers

FIGURE 4

HOW SHOPPERS USE MOBILE APPS IN A STORE

1. Get in-store promotional offers
2. Check prices
3. Store receipts
4. Navigate the store
5. Personalized services

Gen Z

**Gen Z Factoid
Checking Prices**

55%

of Gen Z shoppers check prices in a store using the retailer's mobile app compared to **49%** of overall shoppers. **55%** also use the retailer's mobile app to get in-store promotional offers compared to **51%** for overall shoppers
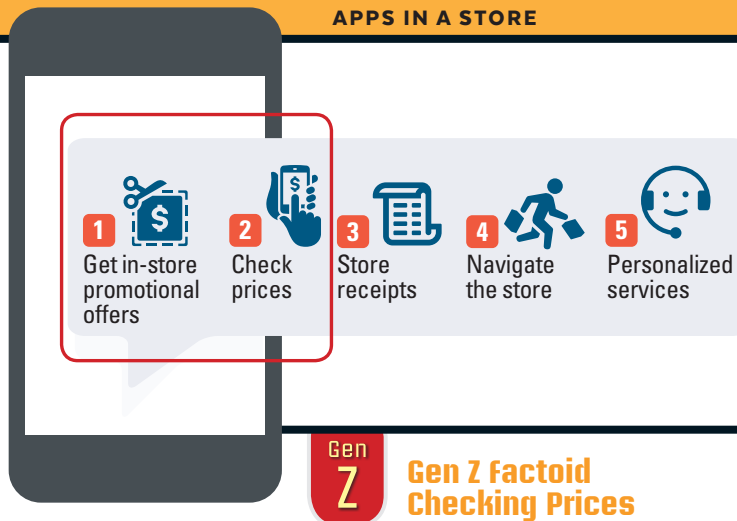
pers, 43% make additional purchases when picking up products ordered online. (Figure 1.)

This latter datapoint sends a strong signal to retailers who do not yet offer click-and-collect, because it demonstrates how online purchasing can drive foot traffic to stores that results in additional sales. More importantly, this approach removes physical stores from being islands unto themselves and integrates them into the fabric of an overall omnichannel strategy.

However, as retailers move into click-and-collect they should do so with eyes wide open to the possibility that things can go wrong if it is deployed without thorough end-to-end planning.

Study data from the last two years shows that shoppers experience a wide range of problems with click-and-collect. For example, nearly a third (32%) say they have to wait in long lines to pick up their purchases and a quarter (25%) say their items were not ready for pick up when they arrived. One in five (21%) say that associates seem confused by the pick-up process. (Figure 2.)

However, while there are still many problems encountered by shoppers during the click-and-collect process there is also good news in the data. In year-over-year analysis, shoppers tell us retailers are improving.

In every category tracked, the number of shoppers who have encountered problems has dropped. The biggest reduction is in long waiting times experienced at the counter to pick up orders. In 2016, 41% of shoppers cited this problem while in 2017 it was just 32%.

This year-over-year improvement

FIGURE 5	TOP SHOPPING ACTIVITIES ON A SMARTPHONE	
ALL SHOPPERS		**GEN Z**
66%	Look up store address and hours	79%
63%	Look for retailer or product coupons	69%
62%	Check the status of an order	75%
59%	Compare prices for specific products while in a store	70%
58%	Check to see if specific products are in specific stores	73%
52%	Research product reviews while in a store	66%
52%	Purchase product from website instead of the store	69%
51%	Check wish list/shopping list	64%
49%	Purchase a product without seeing it in a store	66%
47%	Purchase a product when it was not available in a store	61%
46%	Take a photo of a product while in a store	60%
42%	Purchase product but from a different retailer's website	55%

shows that retailers are figuring out click-and-collect over time and are making real progress toward omnichannel maturity.

Mobile Is Still First

Shoppers routinely go into stores and pull out their smartphones to check pricing. Study data shows that nearly a quarter of all shoppers (24%) tell us they look up competitive prices while in a store most of the time. Another 10% say they do it every time. For Gen Z shoppers the percentage is even higher — 30% of youthful shoppers say they do it most of the time. (Figure 3.)

However, more interesting is that shoppers do much more than look up prices on their smartphones, especially if they are using a retailer's mobile app. These shoppers look for coupons and offers, search for locations of specific products, and check for personalized services. (Figure 4.)

The same broad spectrum of use is evident for those who use smartphones for shopping outside of stores. A majority check wish lists or shopping lists, research product reviews, search for specific product availability in a specific store, and check the status of a previously placed order. (Figure 5.)

All of these behaviors help make the case for retailers to shift to a mobile-first approach as they expand their digital footprint. An even more powerful case can be made by noting the numbers for Gen Z shoppers. Looking at these youthful shoppers we see a sharp uptick in the numbers across the spectrum and in every case the jump is more than double digits.

If we viewed the Millennial generation as digital natives and mobile-first shoppers, then we need to view Gen Z shoppers as Millennials on steroids. If retailers want to be ready for Gen Z shoppers as they grow into their prime spending years, then it is a good idea to make sure a mobile-first strategy is high on the priority list.

Innovation and Emerging Technologies

Since shoppers carry smartphones everywhere, retailers are starting to experiment with their inherent geo-location capabilities, such as tracking customers when they enter a store, changing digital signs as shoppers walk by, and sending welcome messages or location-specific promos.

Many of these experiments are in beta or pilot stages right now, which is a good time to find out what shoppers think of them. What we learned is that many shoppers do not appear ready for most location-based services. (Figure 6.)

This could change over time as shoppers become more familiar with the technology. However, right now a majority of shoppers are not comfortable with allowing retailers to track their locations when not using the retailer's apps (70%), changing messages on digital signs as shoppers pass them by (57%), or receiv-

FIGURE 6 — HOW LIKELY WOULD YOU BE TO USE RETAILER SERVICES THAT RELY ON LOCATION INFORMATION PROVIDED BY YOUR MOBILE PHONE?

	NOT LIKELY	SOMEWHAT LIKELY	VERY LIKELY
Allow retailer to track your location even when not using an app	70%	16%	14%
Check-in via social network while in a store	59%	23%	19%
Change messaging on digital signs as you pass them by	57%	24%	19%
Receive retailer alert that you are near one of their stores	54%	25%	20%
Show 'welcome' messages on digital signs as you enter a store	54%	25%	21%
Receive marketing messages or offers customized to your location	41%	31%	29%
Receive alerts to redeem loyalty reward based on your location	30%	30%	40%

Shoppers Are Wary of Gelolocation

While there are some areas of opportunity for geolocation RETAILERS MUST PROVIDE VALUABLE SERVICES to win shopper approval

FIGURE 7 — HOW LIKELY WOULD YOU BE TO USE OR TAKE ADVANTAGE OF THE FOLLOWING SHOPPING SERVICES?

	ALL SHOPPERS	GEN Z
Grab-and-go stores with self-checkout from your own smartphone	40%	55%
Order-only stores where products are only shipped to your home	34%	41%
Interactive, shoppable screens	34%	50%
Home delivery by Uber-like services	30%	45%
Virtual (computer generated) try-on for glasses, clothing, beauty, etc.	29%	46%
In-home product order buttons to make a purchase of a product so you never run out	28%	42%
Remote services	26%	31%
Drone delivery	26%	39%
Augmented reality in a store (i.e. overlay furniture on floor plan)	26%	36%
Robot services (as in Lowe's deployment for in-store navigation)	23%	29%
Virtual reality in a store (i.e. using goggles/helmet to see shopping environments)	22%	39%
Holographic customer service or greeters	20%	31%
Store staff wearing 'smart glasses'	18%	29%
Chatbots or computer generated communication	17%	26%

Gen Z Factoid

Are retailers trying hard enough? GEN Z SHOPPERS ARE LOOKING FOR MORE INNOVATION, more disruption, more next-gen retailing

ing retailer alerts when a shopper gets near one of their stores (54%).

Two options, however, show a strong degree of acceptance: receiving marketing messages or offers customized to a location (60% say they would be either very likely or somewhat likely to use this service) and receiving alerts to redeem loyalty rewards based on a specific location (70% say they would be either very likely or somewhat likely to use this service).

Geolocation is only one of several innovative concepts tracked in the study. Although many are experimental, many of the out-of-the-box concepts we tracked show surprisingly high levels of shopper acceptance. (Figure 7.)

For example, 40% of all shoppers say they would use grab-and-go stores with checkout by smartphone, 34% interactive shoppable screens, and 30% home delivery by Uber-like services.

What is even more interesting is that for every out-of-the-box retail concept we tracked, the level of acceptance by Gen Z shoppers was higher, in many cases much higher.

So while it is true that many of these ideas will not be a good fit for all retailers, it is also true that shoppers appear surprisingly open to innovative experimentation, especially Gen Z shoppers. Are you experimenting

HOW IMPORTANT IS IT THAT A RETAILER CAN DO EVERYTHING IT DOES ONLINE IN A STORE?

Shoppers Want Omnichannel

75%

of shoppers want to do everything they can do online when they go into a store, which is a good working definition of omnichannel shopping
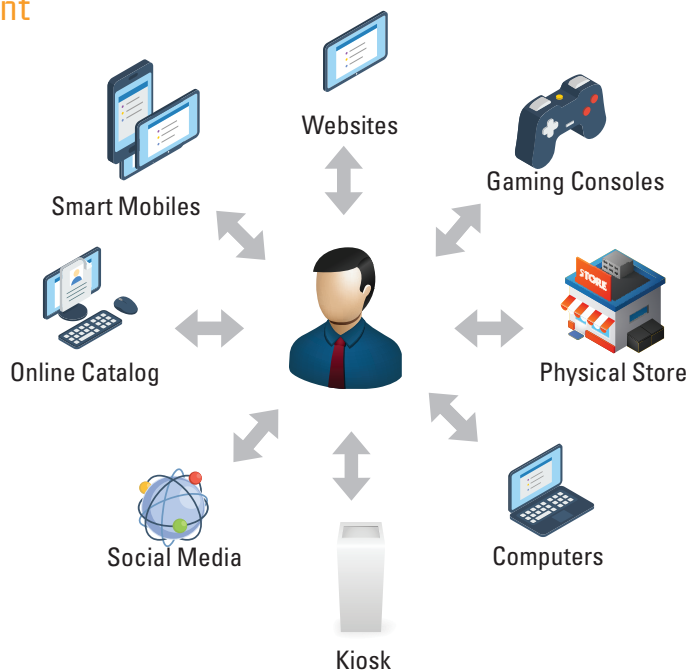

Websites

Gaming Consoles

Smart Mobiles

Physical Store

Online Catalog

Social Media

Computers

Kiosk

REACTION TO RECENT STORE CLOSINGS, MALL CLOSINGS AND RETAILERS GOING OUT BUSINESS?

I miss some favorite stores	**33%**
Worried too many stores will disappear	**32%**
Doesn't affect me, I will adapt	**26%**
Normal business evolution	**21%**
Don't want to be forced to go online	**16%**
New stores will take their place	**13%**

Gen Z Factoid

45%

of Gen Z shoppers say they will miss their favorite stores due to store closings, mall closings and retailers going out of business compared to **33%** overall

enough? Maybe you should. Shoppers appear ready for innovation.

The Omnichannel Effect

Retailers have invested millions of dollars in omnichannel projects over the years, but do shoppers care? Most don't even know what the word means.

To find out if shoppers care about omnichannel we asked this question: How important is it for retailers to offer you everything they do online while you are in their stores?

We found that 75% of shoppers say they want the full range of choices, services and information available online while they are in a store. In other words, they do not want to be cut off from capabilities they routinely use online when they enter a store.

So, are omnichannel investments important to shoppers? The answer is an overwhelming "yes."

Finally, we wanted to know about the impact of store closings, mall closings and bankruptcies on shoppers. Do shoppers care about the turmoil going on in retailing today? (Figure 9.)

Again, the answer is "yes," with 33% saying they miss favorite stores that are gone and 32% saying they worry that too many stores will disappear. Only 26% say these closings have no effect.

One interesting footnote is the feeling of Gen Z shoppers. These youthful shoppers express more anxiety about store closings than shoppers in general — 45% of Gen Z shoppers will miss favorite stores that are gone compared to 33% for shoppers overall.

For some retailers, store closings open up new opportunities. **RIS**

Competing with the Ultimate Disruptor

IDENTIFYING OPPORTUNITIES FOR RETAILERS WHO NEED TO PICK BATTLES WISELY AND MOVE AT THE SPEED OF AMAZON TO SEIZE THEM

Many retailers feel like they bring a knife to a gunfight when they compete with Amazon and they are not alone. In fact, a recent study of company names frequently mentioned in quarterly earnings' calls shows Amazon was mentioned twice as much as Apple and Microsoft and three times as much as Google.

A decade ago, Amazon was severely criticized for sacrificing profit for growth, but it has recently-emerged as a darling of Wall Street, a dominant player in retail, and a major force in the overall economy. Today, the question asked in retail and beyond is what will be the next blockbuster deal Amazon will announce and which new market will it disrupt?

But most shoppers don't pay attention to earnings' calls or blockbuster deals. Their goal is to purchase a product at a good price regardless of the retailer who sells it. This means all things being equal every retailer has a chance to earn a shopper's business.

Of course, all things are rarely equal so it is important to know what shoppers think about Amazon, their likes and dislikes, preferences and behaviors. Equipped with this knowledge, retailers can put strategies in place that enable them to successfully compete.

Influencing the Treasure Hunt

In many ways, shopping is like a treasure hunt. It begins with desire, progresses to search, takes twists and turns, and culminates in discovery and acquisition.

FIGURE 1	WHERE DO YOU PRIMARILY GO TO SEARCH FOR PRODUCTS?
Amazon.com	77%
Google search	56%
In a store	51%
Walmart.com	39%
eBay.com	20%
Target.com	16%
Groupon.com	4%
Kohls.com	4%
Costco.com	4%
Macys.com	3%
JCPenney.com	3%
Etsy.com	3%
Overstock.com	2%
Sears.com	2%
Nordstrom.com	1%
QVC.com	1%
Alibaba.com	1%

Gen Z Factoid

29% of Gen Z shoppers search for products on Walmart.com compared to a much higher **39%** for overall shoppers

The search phase of shopping is a critical starting point and most retailers probably assume Google is the dominant player in online search, which is true for general search. But when we isolate product search we discover that Google is a distant second to Amazon.

Today, Amazon is the primary search engine for 77% of shoppers. Google is also a popular destination for 56% of shoppers. (See Figure 1.)

Stores, interestingly, make a strong showing on the list and come in third place for product searches (chosen by 51% of shoppers). Walmart.com is the only other retail search destination that attracts a large block of shoppers who consider it a primary product search option — 39%.

After Walmart, other retail search

destinations drop sharply. Only two sources achieve double-digit numbers — eBay.com at 20% and Target at 16%. The numbers for every other retailer are in the single digits. Even Alibaba, a global retailing behemoth, makes a poor showing among U.S. shoppers by coming in at 1%.

Of course, searching is not the same thing as purchasing. Other steps must occur in the shopper journey before a transaction is made, but even so, a significant correlation can be made between searching and making a purchase. In this important area, Amazon has a clear edge. It will be interesting to track this finding over time to see if Amazon extends its dominance or if Google and Walmart can make moves to catch up.

One interesting note about Walmart is that even though it has been strengthening its position in the retail marketplace for more than a year, especially online, it was still selected by roughly half the shoppers who chose Amazon as their primary search destination. Perhaps more troubling is that when looking at Gen Z shoppers we find they use Walmart.com as a primary product search destination much less frequently than overall shoppers (29% for Gen Z shoppers compared to 39% overall).

Why Amazon?
Most retailers believe shoppers choose Amazon because of a long list of benefits no retailer can match, such as Echo/Alexa, Prime Video, Prime Music, and sophisticated algorithms used for prod-

FIGURE 2	WHAT MAKES AMAZON A FREQUENT CHOICE FOR SHOPPERS?
Low prices	54%
Free shipping	**45%**
Amazon Prime	40%
Wide product selection	37%
Fast shipping	**34%**
Strong reputation for on-time shipping	**17%**
Product recommendations	9%
Gift cards	9%
Order same-day delivery	8%
Wish list/Shopping list	8%
Kindle	6%
Prime Video	6%
Checking Today's Deals	6%
Amazon Pay/Amazon Wallet	3%
Family accounts	3%
Selling your products through Amazon Marketplace	3%
Prime Music	3%
Echo/Alexa	2%
Pantry list	1%
Wedding/baby registry	1%

Shipping, Shipping, Shipping
Shipping makes Amazon a competition killer. Three out of the top six reasons shoppers go to Amazon are — free shipping, fast shipping, and a strong reputation for on-time shipping.

uct recommendations. The truth is each of these things only scored in single digits of influence for shoppers. (See Figure 2.)

Of the top influencers for Amazon shoppers, only the top six achieve double-digits of interest and of these

three are related to shipping — free shipping, fast shipping, and strong reputation for shipping. This is a key finding because similar shipping factors were also cited as top factors by shoppers for making online purchases even when Amazon is not

FIGURE 3

WHAT MAKES AMAZON A FREQUENT CHOICE FOR SHOPPERS?

	3+ TIMES PER WEEK	ONCE PER WEEK	2-3 TIMES PER MONTH	ONCE PER MONTH	6+ TIMES PER YEAR
Research products	20%	32%	17%	10%	7%
Compare prices	20%	21%	18%	10%	9%
Check on order status	14%	18%	17%	10%	10%
Check Today's Deals	14%	15%	10%	8%	6%
Use Amazon Prime for shipping	10%	14%	15%	8%	6%
Use Amazon Video	10%	10%	8%	5%	4%
Make a purchase	8%	17%	21%	14%	13%
Manage wish list	8%	12%	9%	9%	6%
Use Amazon Music	8%	7%	5%	4%	3%
Purchase a recommended product	5%	9%	10%	9%	8%
Manage pantry list	4%	7%	4%	4%	3%
Order same-day delivery	4%	7%	6%	5%	4%
Buy gift cards	3%	6%	5%	5%	6%
Sell products	3%	4%	3%	3%	2%
Use wedding/baby registry	3%	4%	3%	3%	2%
Use Amazon PayWallet	3%	6%	4%	3%	2%

part of the question. (See Figure 3, "How Consumers Shop," page 7.)

Taken together these two findings produce strong confirmation that retailers have a clear path to succeed in the battle with Amazon. It shows that shipping — fast, flexible, reliable, convenient and free — is something all retailers can leverage to influence shopper behavior.

Shipping and the supply chain in general are areas where every retailer can control its own destiny. They are tools that can be improved, matured and effectively used to influence shoppers.

Clearly, Amazon manages ship-

Weekly Amazon Habit

52% research products

41% compare prices

32% check order status, and

29% check today's deals

ping extremely well, but it is not beyond any retailer's capacity to master this essential process and by mastering it, retailers will effectively compete with Amazon and deliver what shoppers want most.

It is also worth noting that low prices are a major factor cited for

making Amazon a frequent choice among shoppers. (See Figure 2.) What is interesting about this finding is that Amazon has not been a destination for low-price leadership for some time because it changes prices so frequently. To get Amazon's lowest prices shop-

pers actually have to work fairly hard, so price alone is not the secret to Amazon's success. Closer to the truth is shipping.

Conversational Commerce

One final point about Amazon and its pioneering use of Echo and Alexa for voice-command commerce: This is an area where Amazon is not only a retail leader but it is a world leader in creating and developing breakthrough technology.

According to findings in the study it is still early days for voice-activated or conversational commerce and, importantly, Amazon is actually not the category leader. We find that only 6% of shoppers have made a purchase using Amazon Echo/Alexa technology in their homes, and by making a purchase we include anything a shopper has to pay for such as digital media and ordering a pizza for home delivery.

Google Home has also been used by 6% of shoppers to make a purchase. Apple Siri, the veteran digital voice command assistant launched in 2011, was recently joined in the marketplace by Apple HomePod. Together, they have been used by 8% of shoppers to make a purchase. (See Figure 4.)

Adding the three technologies together shows us that 20% of shoppers have made a purchase using voice-activated devices. Even though the technology has barely scratched the surface, one in five demonstrates significant market penetration and is likely a number most retailers will be surprised to learn.

It is interesting to see Gen Z shoppers, who we found to be early-adopters of new technology in other sections of the study, are also fast-adopters of conversational commerce. We find that 27% of Gen Z shoppers have used conversational devices to make a purchase and, significantly, Amazon is not the technology leader. Three times as many Gen Z shoppers have used Siri than have used Alexa. Even Google Home comes in ahead of Alexa.

The main point here and throughout this chapter is that even though Amazon has a powerful head start in many areas of retailing, there are still many opportunities where retailers can compete and win. The doors of opportunity are still open for retailers who pick their battles wisely and move at the speed of Amazon to seize them. **RIS**

FIGURE 4 — MADE A PURCHASE USING A VOICE-ACTIVATED ASSISTANT

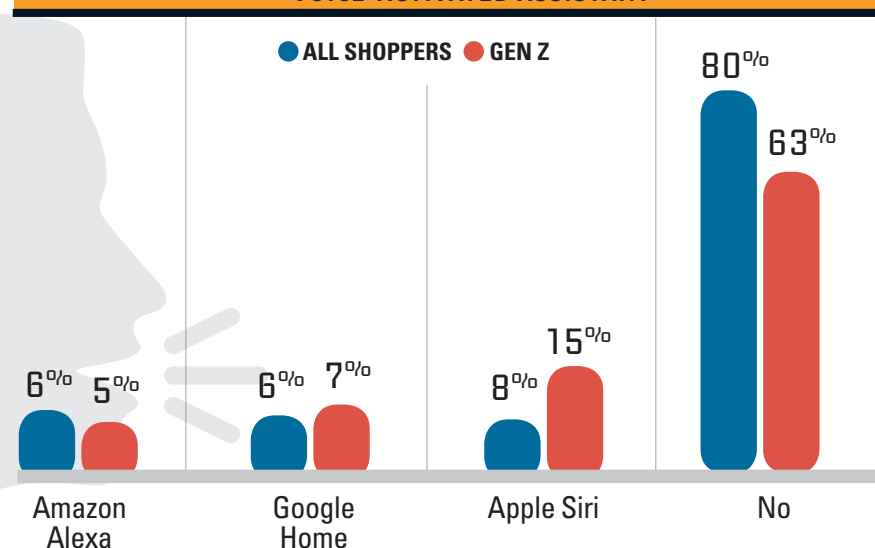**FIGURE 5** — ARE YOU WORRIED THAT VOICE RECOGNITION SERVICES LIKE AMAZON ALEXA OR GOOGLE HOME LISTEN AND RECORD YOUR CONVERSATIONS?

Very worried, privacy is a top priority — 40%
Worried, would use safeguards — 24%
Mildly trusting, if privacy policies are followed — 23%
Trusting, no worse than using a mobile phone — 10%
Very trusting, convenience outweighs concerns — 3%

5 Consumer Megatrends

SUCCESS WITH SHOPPERS DEPENDS ON SMART INNOVATION, FLEXIBLE SHIPPING, IMPROVED PRODUCT MANAGEMENT, COMPETING WITH AMAZON AND UNDERSTANDING GEN Z By Aashish Chandra

Consumers have spoken and revealed how they like to shop. In addition, they have expressed their biggest frustrations. Armed with this crucial knowledge, retailers can zero in on shopper behaviors that are relevant to their business models and create a game plan to seize new opportunities and shore up weaknesses that stifle growth.

This year's Shopper Insight 360 Study reflects behaviors and opinions of 5,000 shoppers. It uncovers important ways to improve customer service, accelerate growth and avoid the many pitfalls that are causing many current retailers to struggle.

Gen Z Influence

Gen Z shoppers will comprise 40% of all consumers by 2020, which makes them a force to be reckoned with. They also have a distinctive personality. While it is true that some of their shopping behavior is similar to teens of previous digitally-native generations, such as Millennials, they actually use new media (e.g. game consoles and Instagram) to engage retailers on their own terms.

Although Generation Z consumers are the most digitally-savvy generation, they don't shy away from stores. In fact, they share a strong appreciation for the in-store experience, sense of community and customer service capabilities.

They also welcome innovative concepts and technologies even if at times the solutions are not yet ready for general availability. Gen Z shoppers believe they have the power to effect significant change in their lives and recognize the potential for breakthrough innovations to deliver benefits.

The Shipping Imperative

Despite the critical role played by new ideas and innovations, retailers can't forget about core activities that earn or lose sales, especially shipping. Throughout the study, shipping — fast, convenient and reliable —shows up as a decisive factor in purchasing.

Buy online, pick up-in-store services were also shown to be an essential offering for shoppers as was Amazon's next-day or same-day options.

The overarching point is that consumers want more flexibility in shipping options and will make purchases with retailers that offer them. To meet these demands, retailers will need to focus on making a customer-centric supply chain transformation that emphasizes speed and flexibility.

Innovative Retailing

Innovation is not just reserved for bold risk-takers. Established retailers can also deploy new and exciting technologies as long as they do so in response to the preferences of their core shoppers.

Whether to expand into new markets, experiment with new concepts, pilot new experiences, or shore up internal weaknesses with best-in-class upgrades, the role of innovative technologies is critical to driving growth and keeping brands relevant to the evolving needs of shoppers.

The Merchandising Imperative

Study findings show why stores for many retailers are struggling. Despite the shopper's love for stores, the report uncovers a long list of frustrations. At the top of the list are major problems with products — inadequate selection, inability to sync the store to the online catalog, and planograms that make products hard to find.

The key to solving these problems is upgrading to advanced merchandise management tools that enable retailers to create in-store assortments based on local factors and personalized attributes that match shopper data profiles.

Competing with Amazon

The reasons behind Amazon's growing dominance in retail are evident in several areas of the study, but findings also indicate there are many ways for retailers to compete and win.

Clearly, the first step is to remove internal barriers that produce friction and stifle sales during the consumer's path to purchase.

The next step is to select growth and innovative strategies that are relevant to specific customer bases and business models. Investments in these areas will make stale brands fresh and traditional shopping experiences exciting. Aligning new initiatives with fast-moving consumers is a winning approach against Amazon and every competitor. **RIS**

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