



Shopper-First Retailing

The New Rules of Retail
from the Actions, Voices, and Eyes
of Today's Consumers

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INTRODUCTION

The True Story of Shopping starts here



Shopper Activity

500+ million shoppers,
Salesforce Commerce Cloud
200+ million service cases,
Salesforce Service Cloud

For years, the retail narrative we've most often heard has been laced with doom and gloom. Customer spending is down, retailers are closing stores, and millennial shopping habits will only quicken the fall.

But is that narrative true? On one hand, the retail industry is reaching new heights: sales are up nearly 5% year over year in Q1 2018, [1]; digital channels have experienced robust growth, with ecommerce now accounting for 9.5% of all retail sales [2]; and consumer confidence continues to rise [3].

At the same time, the landscape isn't entirely positive: stores are closing at an alarming rate, with more than 12,000 shuttered since the beginning of 2017 [4]; Amazon is dominating,



Consumer Survey

6,000 shoppers in the U.S.,
Canada, United Kingdom,
France, Germany, Australia
1,000 shoppers per region

capturing 78% of ecommerce growth in the U.S. [5]; and global trade wars threaten to add a fresh wave of uncertainty to the landscape.

Furthermore, a new swarm of retail startups, direct-to-consumer brands, and new low-cost and experience-led competitors—combined with a backstage technology revolution in supply chain, robotics, automation, blockchain, and dark stores—are changing the way retailers compete in the digital age.

This report examines today's retail landscape through the actions, voices, and eyes of today's shoppers, combining behavioral insights from **half a billion shoppers worldwide, survey data from 6,000 people across six countries, and mystery**



Mystery Shopping

70 physical stores were graded through an in-person assessment. Store details, from mobile features to loyalty program mentions, were numerically rated.

Locations: New York City, London, and San Francisco

shopping visits to more than 70 stores. We review where and how shoppers are interacting, where they experience the most friction, and what their behaviors mean for retailers.

From these insights, we've uncovered three shopper-first mandates that focus on lasting business strategies retailers can tailor to their audience—to provide a fresh, relevant, and meaningful experience for today's customers.

[This is the true story of shopping.](#)

1. U.S. Department of Commerce
2. U.S. Department of Commerce
3. Forrester, 2016 Customer Experience Index
4. Coresight Research, U.S. Store Closure Tracking
5. eMarketer, Top 10 U.S. Public Companies by Ecommerce Sales

Executive Summary

Shopper-first Mandates

From our three data sources – shopping activity, consumer survey, and mystery shopping – three shopper-first mandates emerged that apply to virtually all retailers.



Make It Fresh

Create unique, non-commoditized products and compete at the speed of today's shopper.

69% of shoppers expect to see new merchandise when visiting a site or store.



Be Where I Am

Develop a frictionless experience that's accessible to shoppers, wherever they need you to be.

87% of shoppers begin their hunt in digital channels – up from 71% last year.



Give It Meaning

Strengthen the relationship with your customers through stronger values-driven connections, and recognize shoppers with personalization and loyalty initiatives.

64% of shoppers agree or strongly agree that retailers don't truly know them.

Foundational Retail Truths

These three mandates can't come to life without a strong foundation. As retail has evolved, four modern retail truths make each of these mandates a reality, building on the legacy retailing model of years past and surfacing throughout the customer journey:



Lead with Mobile

Mobile accounts for **92%** of ecommerce order growth.



Empower the Store

71% of shoppers prefer to leave a store with a product in-hand.



Infuse Intelligence

Personalization influences **38%** of all digital revenue.



Connect Experiences

Average in-store mobile score: **1.74/5** in our mystery shopping of 70 global stores.

In the following section, we'll detail key findings for each of the shopper-first mandates, illuminating the path to thriving in the shopper-first era. Flip to page 18 for more details on the foundational retail truths – with examples of how retail leaders put each into practice.



Shopper-First Mandate

#1: Make It Fresh

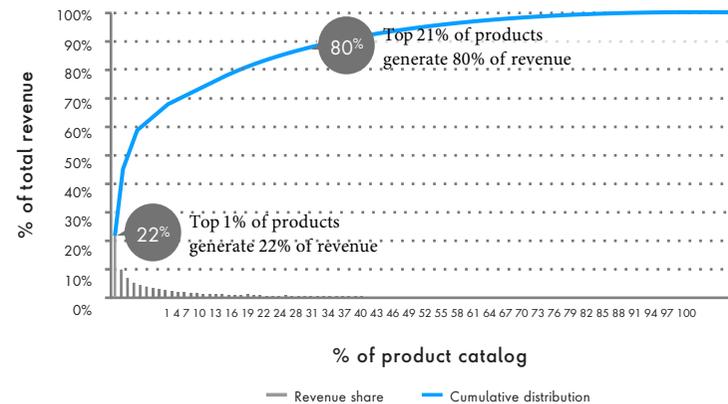


Shoppers reward brands that connect them with products and experiences in unique, agile packages.

Our research – based on a global consumer survey, behavioral data, and in-store mystery shopping visits – painted a clear picture of shoppers' continuous demand for new, innovative, and customized products. Shoppers value freshness with their wallets, as 59% of the top 5% of products sold are new each month. This creates a sweeping product catalog churn of 32% month over month.

Speed and freshness play an important role in generating long-term brand loyalty and driving repeat purchases – two areas where brands have lost ground to both traditional competitors and marketplaces.

Top Products Generate Most of Ecommerce Revenue



How To Make It Fresh

- Constantly Renew
- Act with Urgency
- Create Unique Products

Analyzing revenue across the product catalog across 500 million shoppers (see figure to the left) the classic 80-20 rule holds true: the top 20% of products drive 80% of sales. That means it's important to keep the catalog fresh.

Combined with the quick catalog churn noted above, and 69% of shoppers expecting to see new merchandise at a site or store whenever they visit, brands are shortening product development cycles and emphasizing speed and agility—all in the name of getting shoppers what they want in the shortest amount of time.



Shopper-First Mandate

#1:

Make It Fresh

Constantly Renew

Merchandising agility is a brand's ability to quickly accelerate product launch and turnover – and it's become the gold standard for the industry. But making it fresh isn't about fast fashion or disposable products. It's about profitably transforming the digital and physical shopping experiences to constantly surface what's new and relevant.

Our survey showed that 69% of shoppers expect to see new merchandise at a site or store whenever they visit, and 75% of site search queries are new each month. These data points reveal that every stage of the customer experience, as well as every channel, benefits from a focus on fast and fresh retailing.



69% of shoppers expect to see new merchandise whenever they visit a site or store



75% of site search queries are new each month



59% of the top 5% of best-selling products change monthly

Uniqlo Renews Products & Shopper Interest

Uniqlo has found success with merchandising agility. The apparel retailer devotes the entire first floor of its flagship New York City store to seasonal apparel that changes even within a season, and its ecommerce site promotes new styles being added each week.

Collaborative collections and partnerships with brands like MOMA, Marvel, and Disney help Uniqlo maintain a high product velocity.

This always-on, always-fresh approach captures the attention of repeat shoppers who know they can depend on Uniqlo to show them something different with every visit.



“It's not fast fashion – it's fresh retail, which means moving at the pace of the shopper.”

– Deborah Weinswig, CEO & Founder, Coresight Research



Shopper-First Mandate

#1:

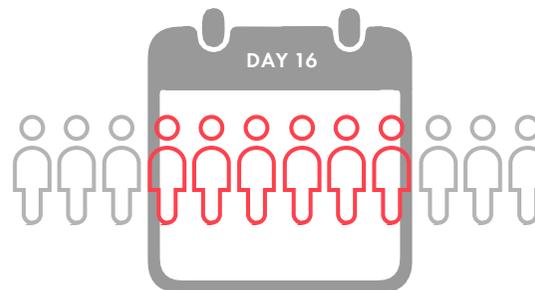
Make It Fresh

Act with Urgency

In the pre-digital age, marketers analyzed customer value through a Recency, Frequency, and Monetary (RFM) model to inform segmentation strategies. Recency often carried the most weight, as recent buyers are more likely to buy again.

Customers' recency of purchase continues to be important today, as our shopping activity data shows that half of repeat buyers make a second purchase within 16 days of their first. However, our survey showed that while 50% of shoppers choose to buy a first-time product through a retailer, 47% turn to marketplaces for repeat purchases.

To guard against customer attrition, brand leaders must prioritize new re-engagement strategies, whether that's through speedy marketing retargeting, personalized loyalty offers, or perfectly timed upsell opportunities.



Half of repeat buyers make a 2nd purchase within 16 days of their first.

28%

of shoppers start their hunt on marketplaces like Amazon and eBay – up from 22% in 2017.

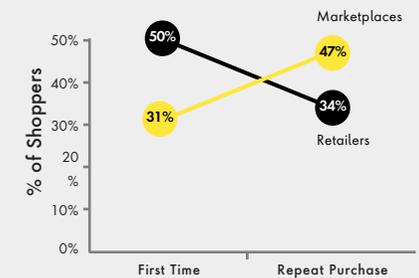
Losing the Second Purchase? You're Not Alone

First time:

Imagine you want to buy something you've never bought before. Where are you most likely to go?

Repeat purchase:

Now imagine you want to buy it again. Where are you most likely to go?



When it comes to a first purchase, retailers have the edge: 50% of shoppers choose to buy a new product through a retailer, compared to 31% for marketplaces.

However, retailers fall behind in winning the second purchase, as 47% of repeat buyers turn to marketplaces such as Amazon, even if the first-time purchase was made in a brand store or retail location.

Our research also saw strong indicators that marketplaces are beginning to chip away at the store's ownership of first-time purchases. When asked where they prefer to start the hunt for a new product, 28% of shoppers preferred Amazon in 2018, compared to 22% in 2017.

Focusing on loyalty and personalization efforts will be key to sustaining your shopper relationships over time. See Shopper-First Mandate #3 (page 13) for more insight.



Shopper-First Mandate

#1:

Make It Fresh

Create Unique Products

For today's shopper, easy access to limitless products is just a click away. Amazon alone lists more than 3 billion products across 11 global marketplaces, making it clear that retailers and brands can't compete on the size of their catalog.

Instead, they must aim for differentiation – to create products and experiences that appeal to customers' desire for something unique that connects to their values and interests. While differentiating products is second-nature to many brands, retailers can also compete in this arena with exclusive product offerings and never-before-seen collaborations with partner brands.

Top-performing brands have their sights set on unique products: 31 out of 70 brands in our mystery shopping study offered customization or collaboration-driven products, and four of the five top-performing stores offered some type of customization.

Percent of Shoppers That are More Likely to Buy from
A Brand or Retailer That Offers...



What Unique Looks Like:

4 Examples

In our mystery shopping study (see methodology on page 24), we found that four of the five top-performing stores offered some type of customization. Here were a few highlights from our exploration of customized, unique, and collaborative product offerings.



Shoppers can select their own shirt style, color, monogramming, and even iconic croc logo, combining the power of an established brand with the exclusivity of a personalized product.



Build-your-own-doll kiosks elevate the shopping experience from commonplace browsing and buying to creating a doll that feels truly unique.



Collaborations with notable influencers like Rihanna, Selena Gomez, and Big Sean, and even brands like MAC cosmetics, have helped generate double-digit sales growth.



For up-and-coming socks powerhouse Stance, partnerships with established brands like New Balance and Under Armour expose the brand to a new segment of customers.



Shopper-First Mandate

#2:

Be Where I Am



Shoppers reward brands that anticipate and identify the precise moments when a need exists or interest is piqued in their shopping journey.

Shoppers today are more connected than ever, seamlessly switching between channels and devices, all while expecting retailers to know them and make purchasing easy. Yet in our study, too many retailers didn't meet shoppers' expectations. For example, across the 70 physical store locations studied, the average mobile score was 1.74 out of 5, grading areas like in-store app experiences and tailored push notifications.

Rather than leave omni-channel customers wondering where to go next, retailers must engage customers in context and on their terms.



How To Be Where I Am

- Evolve The Store
- Optimize & Connect Mobile Throughout The Journey
- Play To Marketplaces' Strengths & Weaknesses



Shopper-First Mandate

#2:

Be Where I Am

Evolve The Store

Despite purchase power shifting to digital channels, the store continues to be an indispensable part of the customer journey:

Purchase: Forty-six percent of shoppers prefer to make a purchase in a physical store, compared to 35% for laptops and 18% from smartphones. This preference toward purchasing in stores is true across all age groups, even young shoppers, with 58% of Gen Z shoppers (those aged 18-24) preferring the physical store shopping experience.

Unique experiences: While just 9% of shoppers have taken advantage of invitations to exclusive events in stores, 74% were somewhat or very interested in doing it again.

Customer service: About six in ten (57%) report that they choose retailers because of their customer service. In addition, 71% of shoppers prefer to return in-store vs. 36% for laptops and 22% for phones.

Store associates: 51% of shoppers say sales associates need inventory visibility and 46% say they need the ability to look up product details.



prefer to leave the store with a product in-hand



begin their hunt in digital channels, up from 71% a year ago.



are willing to have an item shipped to their house within 24 hours if unavailable in-store

Nordstrom Men's Reaches Shoppers Wherever They Are

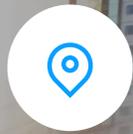
With a top-three overall score in our mystery shopping study and fifth place in the "Be Where I Am" category, Nordstrom is imagining the store of the future, especially in its NYC Men's concept.

This retailer caters to multiple types of shoppers – from the time-pressed shopper, to shoppers looking to linger and spend an afternoon in the store. Key offerings include a 24-hour self-service return kiosk, an on-site barber shop and speakeasy, and a dedicated click-and-collect space.

Considering that shoppers' #1 destination for returns is stores and that shoppers value exclusive in-store experiences, these investments help pave the way for future growth.

NORDSTROM





Shopper-First Mandate

#2:

Be Where I Am

Optimize & Connect Mobile
Throughout the Journey

Mobile has done more than simply disrupt digital sales—it has changed in-store behavior.

Digital impact: Mobile is now the top driver of both traffic and sales, with more than 60% of customers beginning their journey on a mobile device and mobile order share rising to nearly 40% between Q1 2014 and Q4 2017.

Removing checkout friction: Mobile wallets now account for 30% of mobile orders globally, and sites with mobile wallets see 2x mobile conversion rate growth.

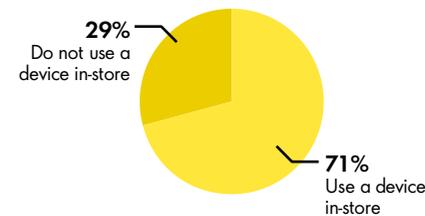
Mobile usage in-store: 71% of shoppers now use a device in-store, up from 62% in 2017. Their activities while using a device in-store are diverse, from purchasing to reading reviews.



“It’s more important than ever to engage with clients across the shopper journey. Brands need to know not just who their customer is, but where they are and what they need.”

– Jason Goldberg, SVP of Commerce, Publicis Sapient

Q: How do you use your phone to shop while in a physical store?



How Shoppers Use Voice Assistants Today



The use of voice assistants is growing, but how much emphasis should brands really place on this technology?

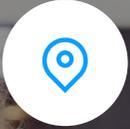
Our study found that shoppers are mostly in the experimentation stage, with 38% of shoppers having used voice for at least one shopping activity (like purchasing, searching, or checking prices) in the past three months.

However, for those who own a smart speaker, that number jumps to 70% – underscoring the idea that this area may grow as use of in-home assistants increases.

Just 12% of shoppers say they are very interested in ordering products by using voice. Shoppers said they’re more comfortable using voice to buy items that are less expensive or with which they already have familiarity.

Our conclusion: While voice-based search plays a relatively minor role in most shoppers’ activities today, these tools appear to be gaining momentum. Voice combined with chat-based interfaces will become increasingly important for customer service and support.





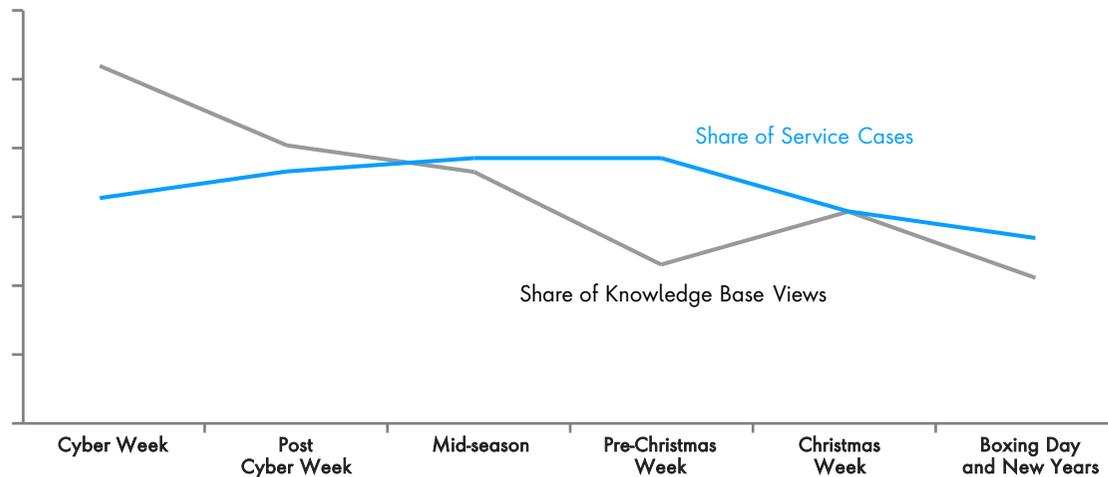
Shoppers Seek To Self-serve During The Year's Busiest Shopping Season

An excellent customer experience encompasses more than stores, ecommerce, and marketing – it also includes service. In retailers' quest to serve shoppers, sometimes a hands-off approach satisfies exactly what a shopper is seeking: an answer. Our data shows that during the year's peak shopping season, shoppers were far more likely to self-serve using FAQ searches during Cyber Week than the rest of the season.

Cyber Week saw five customer service cases logged for every one knowledge-base view, the lowest rate across the entire holiday season. This week also represents the peak volume of self-service, as 26% of all knowledge-base searches occurred during Cyber Week, a blessing for retailers seeking to deflect high case volume when staffing levels fall around Thanksgiving. As Christmas drew near, shoppers sought the direct engagement of customer service, bringing service cases to their highest levels.

For retailers looking to be where shoppers are, reducing friction means eliminating any barriers that stand in the way of shoppers finding what they need – especially when that's the answer to a customer service query.

Distribution of Knowledge Base Views And Service Cases By Week, 2017 Holiday Season



Notice when service cases and knowledge base views switch places: Cyber Week and pre-Christmas week. During Cyber Week, shoppers are more likely to self-serve. As Christmas approaches, they seek direct support.

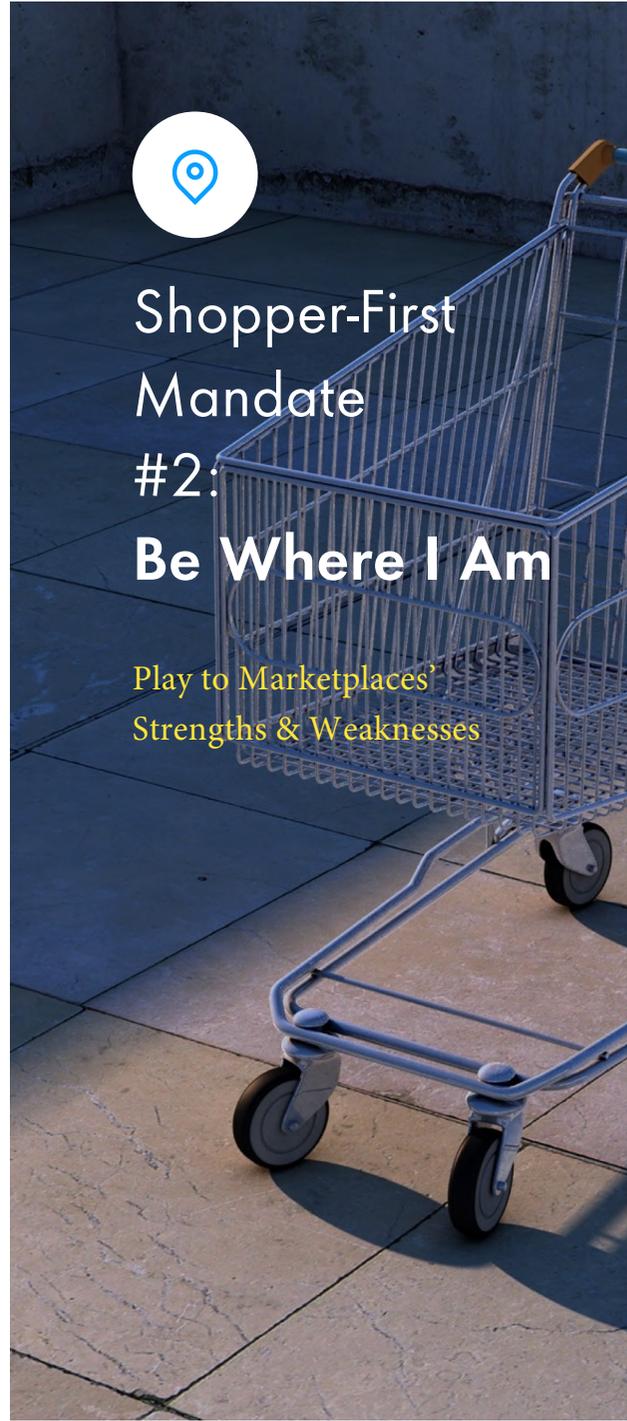
Reflects an aggregate view of more than 200 million service cases across retailers using Salesforce Service Cloud between November 21 - December 31, 2017. All data has been aggregated and anonymized by Salesforce to produce a diverse analysis set.



Shopper-First Mandate

#2: Be Where I Am

Play to Marketplaces' Strengths & Weaknesses



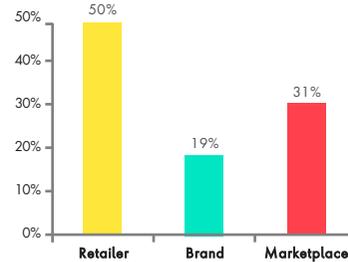
The big question on every retail and consumer goods company's mind: How do we compete against marketplaces? The first step is understanding their strengths and weaknesses – and where retailers and brands can shine.

Why marketplaces? In our consumer survey, marketplaces received top scores in half of our evaluation metrics, including price (56%), product variety (51%), product availability (50%), and inspiration (48%). Retailers win for customer service, while brands win for product quality, innovation, and uniqueness.

When? Marketplaces typically own the reordering experience, as nearly half (47%) of reorder or repeat purchases take place via online marketplace, regardless of where the initial purchase was made.

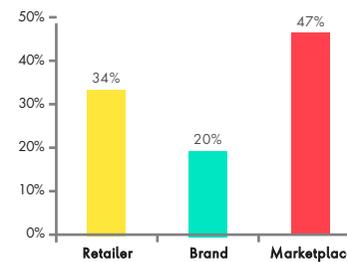
Marketplaces Dominate for Repeat Purchases

While 50% of shoppers choose retailers for the first purchase...



Q: Imagine you want to buy something you have never bought before. Which would you choose: retailer, brand, or marketplace?

...Repeat purchases go disproportionately to online marketplaces.



Q: Now imagine that you like the product and want to buy it again. Where are you most likely to buy the next time?



“The marketplace advantage can be summed up in one word: convenience.”

– Steven White, VP of Commerce, Publicis Sapient

Grocery Spotlight: 365 by Whole Foods



In our mystery shopping study, 365 by Whole Foods set a new, innovative standard for the grocery market.

In-store services: Next Level Burger and Orwasher's, a pour-your-own beer and wine station (as shown above), encourage shoppers to extend their visit.

Technology-led experiences: Intuitive weigh stations for produce, a beer and food pairing recommendation kiosk, and free Wi-Fi incorporate tech where it matters most.

Emotional appeal: Cohesive messaging throughout the store promotes sustainable, organic, and healthy foods – and reminds shoppers why they choose Whole Foods.

What's next? Marketplaces may be beginning to chip away at the store's ownership of first-time purchases. When asked where customers prefer to start the hunt for a new product, Amazon jumped from 22% to 28% year over year. At the same time, Google increased an astounding 28% (from 17% in 2017 to 45% in 2018).



of shoppers start their hunt in marketplaces



of shoppers start their hunt on either Google or Amazon

THE RETAIL QUANDARY –

Shoppers tell us where they Shop

A shopper’s end goal dictates the channel in which they purchase, whether they’re seeking a low price, a unique product, or evergreen availability.

Product differentiation offered by brands and the convenience afforded through marketplaces are squeezing retailers into a smaller competitive advantage, although shoppers still turn there for strong customer service.

Marketplaces and Brands put the pressure on Retailers

Q: You’re making a purchase through a brand, retailer, or marketplace.
If the price is the same everywhere, why do you choose each channel?

Brands

- 60% Product quality
- 58% Product innovation
- 48% Product uniqueness

RETAILERS

57%

Customer service

Marketplaces

- 56% Price
- 51% Product variety
- 50% Product availability
- 48% Inspiration



“Retailers are being squeezed—by marketplaces on one side and innovative brands on the other. Competing on service is a mandate.”

– Rick Kenney,
Head of Consumer Insights, Salesforce

How we defined these categories in our survey:

A marketplace is a website that sells goods from multiple different brands, retailers, and individual sellers, such as Amazon, eBay, Alibaba, or Etsy.

A brand is a company that creates and sells products under the same name—for example, Nike, Apple, or Samsung.

A retailer is a company that sells goods from multiple different brands, like Walmart, Tesco, Aldi, or Target.



Shopper-First Mandate #3: Give It Meaning

Shoppers reward brands that go beyond transactions and orders to be relevant and resonate.

Today's shoppers are relationship-driven, favoring brands that bring value and meaning to their lives. Retailers and brands must look for new ways to differentiate by appealing to customers' emotions and forging connections based on shared beliefs.

Our research found that shoppers reward brands that create lasting relationships over time – specifically through loyalty programs and 1-to-1 personalization efforts that extend across both digital and physical channels.

Our survey found that 64% of shoppers feel retailers "don't truly know them," highlighting the need for retailers to prove that they do.



For example, in our mystery shopping, Lush's compact store had an analog, multi-sensory experiences, with smell and touch being dominant. Lush also stood out in its pervasive values-based messaging in the store, with extensive commentary about animal cruelty and natural, environment-friendly products. Overall, our visit highlighted Lush's strong connection to values.

How To Give It Meaning

- Resonate with Shoppers' values
- Drive loyalty, win shoppers
- Grow relevancy with personalization and AI



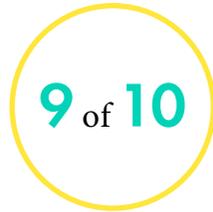
Shopper-First Mandate #3: Give It Meaning

Resonate with Shoppers'
Values

Today's shoppers seek to put their wallets where their values are. Brands and retailers can appeal to shoppers' emotion in any number of ways - through donations, activism, material sourcing, or advocacy.

In our survey, 45% of customers indicated that they are more likely to buy from a brand or retailer that donates a portion of purchase proceeds to charity.

Many brands have significantly increased their efforts in this area. Our mystery shopping activity reveals that nine of the ten top-scoring brands received an above-average score in the area of emotional connection.



top-scoring brands had above-average scores in emotional connection



45% of shoppers are more likely to buy from brands and retailers offering a charitable donation with purchase.

Top Mystery Shopping performers in crafting an emotional connection (alphabetized):

bloomingdale's

EXPRESS

L'OCCITANE
EN PROVENCE

Madewell

NORDSTROM

TIFFANY & CO.



"Customers remember the experience they have with a brand longer than the price they paid. Social responsibility is part of that experience — and it impacts the way brands must market and differentiate their products."

- Tiffani Bova, Global Customer Growth & Innovation Evangelist, Salesforce

What Does a Meaningful Connection Look Like?



Corporate giving: Lifestyle apparel brand Life is Good donates 10% of all net profits to the Life is Good Kids Foundation.

Tom Hassel, VP of Ecommerce at Life Is Good, explains that highlighting this mission is important "because consumers want to buy from a business that shares their values and gives back."



Sustainability: Everlane promotes "radical transparency" as a core business value, openly sharing details about product labor costs, water recycling efforts, and more.



Community involvement: REI gives back to local communities through rewilding projects, its Black Friday #OptOutside initiative, and recycling products through used gear sales and swaps.



Taking a stand: In addition to donating all proceeds from its Charity Pot lotion, Lush has hosted in-store demonstrations that support the brand's commitment to environmental conservation, animal welfare, and human rights.



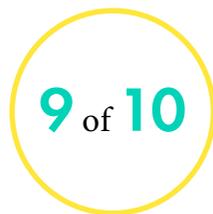
Shopper-First Mandate #3: Give It Meaning

Drive Loyalty, Win Shoppers

We're in a new era of loyalty programs – programs that aren't just about accruing points, but about rewarding shoppers with better experiences and building more meaningful relationships. In some cases, these loyalty programs cross into the membership territory, as they prove to be so valuable that customers are willing to pay for them.

Case in point: Amazon now has 100 million Prime members. ⁽¹⁾

In our mystery shopping study, Amazon Books extends Amazon's popular Prime membership to brick-and-mortar storefronts. Impressive in-store services like discounted products, mobile checkout, and free home shipping are exclusively available to Prime members—boosting loyalty across channels.



top-scoring brands had clear evidence of a loyalty program in the mystery shopping study.



66% of shoppers are more likely to buy from brands and retailers offering a loyalty program.



“A modern loyalty program isn't about the points. It's not a transaction or an exchange. It's about a sense of belonging and participation. Great loyalty programs are about a brand relationship that the customer wants to bring into their everyday life.”

– Zachary Paradis, VP of Experience Strategy, Publicis Sapient

1. <http://www.startribune.com/amazon-says-it-has-more-than-100-million-paid-prime-members/480170983/>

Sustaining Loyalty:

Recommendations for Success

1. Work across disciplines and functions to recognize early warning signs and know the customer across channels.
2. Reward incremental engagement, not what you assume shoppers will do.
3. Measure the strength of the relationship across a variety of factors, not just sales.
4. Use emerging technologies and partnerships to personalize perks and reward shoppers in other places they may purchase.



Shopper-First Mandate #3: Give It Meaning

Grow Relevancy with
Personalization and AI

In the quest for better customer understanding and more meaningful relationships, personalization – as provided through machine learning and artificial intelligence (AI) – is already having a measurable impact:



6%

of visits that include engagement with AI-powered recommendations drive

37%

of revenue.



Personalized experiences yield a

4.5x

higher cart rate and

5x

higher per-visit spend.

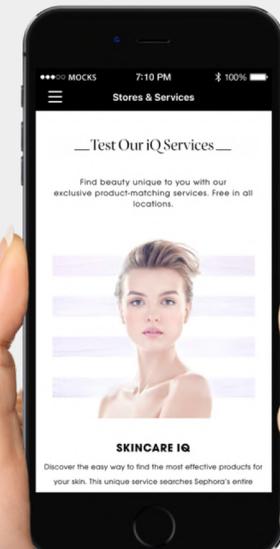
Personalization might take the form of personalized search results on an ecommerce site, predictive “you might also like” recommendations, or a store associate studying a shopper’s past purchases before offering up new items to try on in-store.

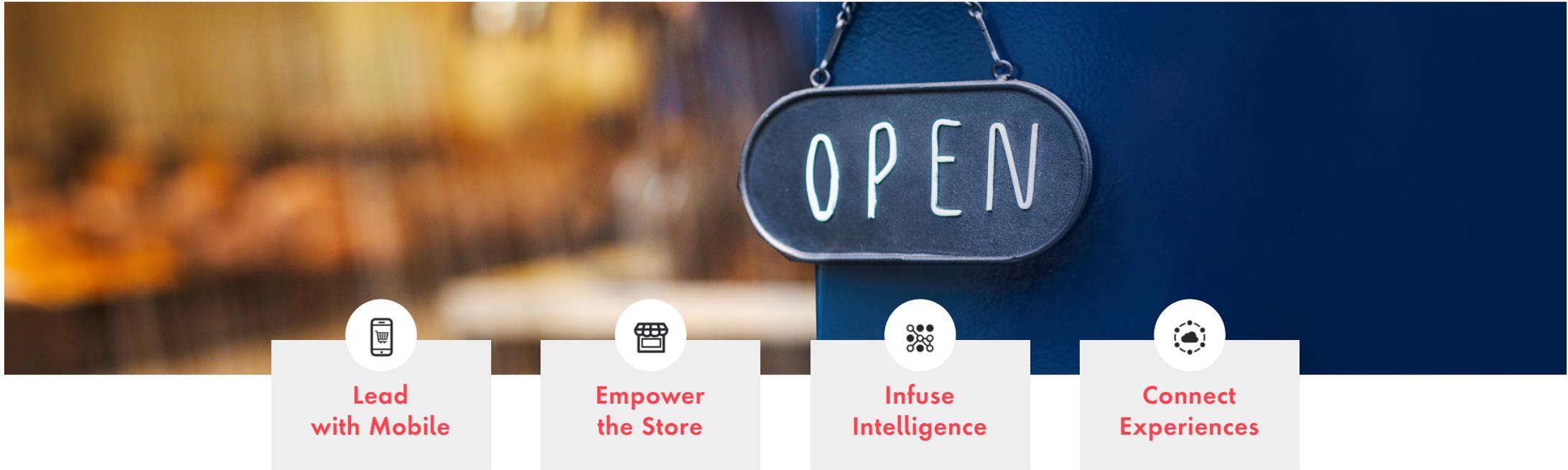
Whatever the application, personalization makes the shopper’s context relevant and tells shoppers: we’re listening. And in an environment where 64% of consumers say they don’t feel retailers truly know them, that level of listening is important.

Sephora fuses loyalty and personalization to make the shopper relationship resonate – and last

Sephora’s Beauty Insider program lets customers accumulate points for discounts, but it also gives members covetable samples of top products. This lets customers try new products in a low-risk way, while encouraging them to branch out of their typical purchase cycle.

Sephora was also a best-in-class example in our mystery shopping study, tying for fifth place out of 70 stores. In personalization, Sephora was especially strong. A customer could get results in-store from Color IQ, Fragrance IQ, and Skin Care IQ cosmetic kiosks, then sync them with their Sephora digital account. The Sephora app also recommended in-store products, based on previous purchases, once users selected the in-store mode.





Foundational **Retail Truths**

Personalization might take the form of personalized search results on an ecommerce site, predictive “you might also like” recommendations, or a store associate studying a shopper’s past purchases before offering up new items to try on in-store.

Whatever the application, personalization makes the shopper’s context relevant and tells shoppers: we’re listening. And in an environment where 64% of consumers say they don’t feel retailers truly know them, that level of listening is important.



“To enable and empower shopper success in a retail organization today, it’s absolutely critical to focus on these four pillars of consumer engagement: mobile, stores, intelligence, and connected experiences.”

– Rob Garf, VP of Industry Strategy & Insights, Salesforce



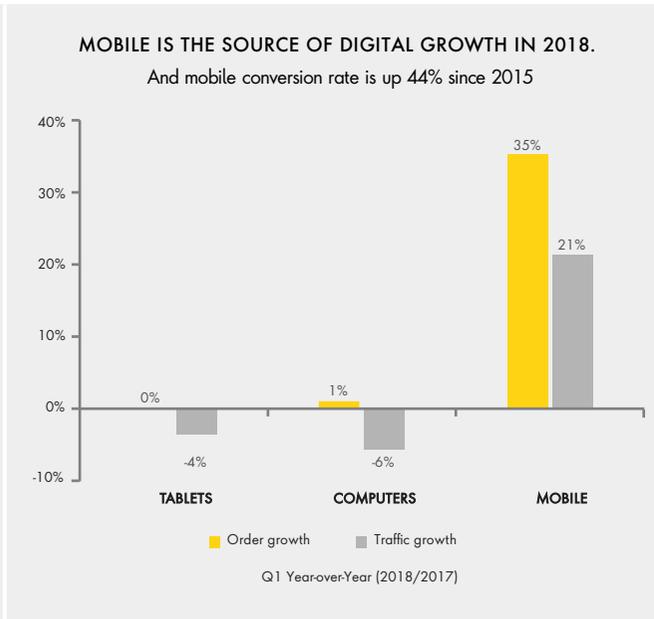
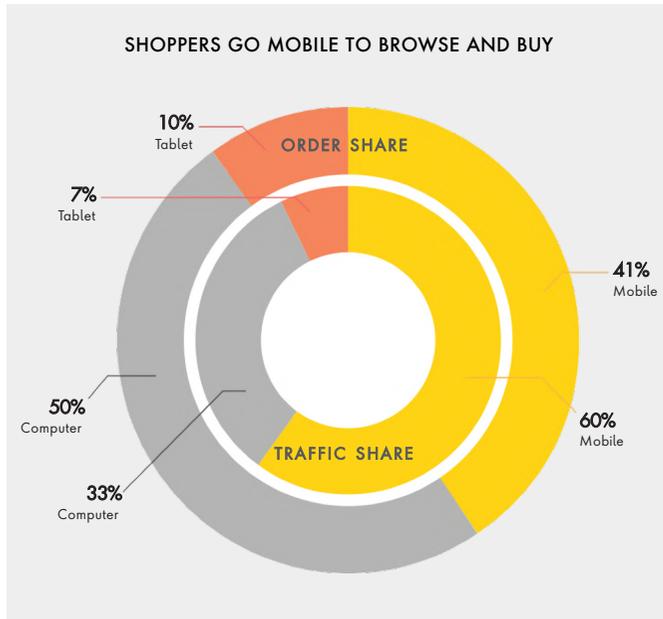
RETAIL TRUTH #1

Lead With Mobile



Mobile's impact on digital has been well documented—it accounts for 60% of all traffic and 92% of ecommerce order growth. However, mobile's influence is even more pronounced in physical stores, where 83 percent of shoppers aged 18-44 are using their phones. Phones have become the cradle of convenience for shoppers, eliminating friction and enabling shopping to happen anywhere.

To successfully lead with mobile, retailers must carefully review where mobile shoppers are encountering friction – from tiny search bars to lengthy checkout processes—both in store and online.



STANCE

In June 2018, Stance brought the ultimate in shopper-first convenience into their stores, launching mobile in-store self-checkout, with no app required. Putting the checkout process into the hands of the shopper has eliminated entire steps in the buying process and is the future of in-store shopping. Paul Zaengle, EVP Direct to Consumer Stance, explains, "Stance guests will never wait in a line, ever again."

JOHNSTON & MURPHY.

At Johnston and Murphy, removing friction online during checkout proved to be a boon, where 15% of mobile orders now use Apple Pay. On average, a buyer using Apple Pay speeds through checkout 90 seconds faster than other buyers.

Johnston and Murphy and Stance are clear examples of brands that are removing barriers to purchase for in-store shoppers by adding functionality for the shopper to use on their phone.



RETAIL TRUTH #2

Empower The Store

As customers' in-store expectations continue to grow, brands must not only meet their immediate needs (in other words, sell products), but also build a long-term relationship. The top three stores in our mystery study, Nordstrom Men's, Bloomingdale's, and Adidas, create unique and compelling physical spaces. Here's what we learned from them:

- 1 Stores must let consumers shop on their terms:** Just 32% of our NYC stores, for example, offered click-and-collect capabilities. Those that did, such as Nordstrom Men's, offered it seamlessly. Nordstrom Men's notably offered a dedicated pick-up area in-store and 24/7 kiosk to provide continuous service.
- 2 Mobile apps are most valuable when seamless and ingrained with the store:** The best in-store mobile tools – for example, those of Amazon Books – add value and are highly relevant to the shopping experience. In many of the stores, mystery shoppers had to be reminded to use the app. Stores seemingly offered an app just to have an app. Highlights included Zara's app that offered the ability to size yourself at home, and Sephora integrated its loyalty program with the app. The next wave of apps should provide a meaningful & personalized addition to the in-store experience.
- 3 The store experience extends beyond the four walls:** Products that added value outside the store left a lasting impact. Again, Sephora's digital tools, in-store education events, and Beauty Insider Program let shoppers develop a set of information usable anywhere in the Sephora ecosystem. New sensors from Adidas let shoppers extend and track their running habits outside the store. Anthropologie's design center helped link the store to designers visiting your home to provide unique furniture recommendations.

bloomingdale's
NORDSTROM
MEN'S SHOP



- 4 Product customization in the store:** We saw new examples of customization in-store, but most of the action was in monogramming and personalizing the product, not wholesale customization. For example, Levi's offered customization at Nordstrom Men's, and Madewell served up monogramming and patches. Vashi in the U.K. offered made-from-scratch jewelry handcrafted in the store. American Girl, Adidas, and Nike each had multiple customization offerings. So while a handful of retailers customize products to make them unique to the customer, few brands have experiences that let shoppers truly create from scratch, presenting ample opportunity.
- 5 Stores must marry function with brand experience:** Best-in-class stores simply make it easier for people to get the products they want. Leading examples were Sephora, Home Depot, and Nordstrom Men's. These stores successfully balanced brand immersion with functional reasons to spend time in the store. American Eagle, for example, offered a lounge and laundry machines. This model may not be practical for every brand or in every store, but it certainly was effective for American Eagle's flagship location.

A Closer Look at Mystery Shopping Leaders

Strong Department Store: Macy's NYC Flagship

With efficient buy online, pick-up in-store options, a helpful in-store mobile app, personal styling, brand pop-ups, and an interactive playground complete with a Samsung VR rollercoaster, this retailer is pushing ahead of competitors large and small.

Strong Click and Collect: Target

Target offered clear pick-up signage and easy endless aisles for shoppers looking to order items outside the store. It also created great mobile experiences through its app and offered strong clothing collaborations.

Best In-Store Functionality: Home Depot

In our study, Home Depot catered to its Pro consumer and everyday shoppers alike. Its Appliance Finder helped shoppers find exactly what they're looking for in the jam-packed aisles, while in-app product scanning and wayfinding answered additional questions.

Best Community: lululemon

Lululemon's store was a masterclass in community building among shoppers. Its Hub 17 exercise studio offers value way beyond leggings, and sustainability-focused messaging promotes a lifestyle, not just products. An interactive mirror shared community events, running routes, and nearby restaurants of interest to target clientele.



MYSTERY SHOPPING
10 Top Stories

These stores emerged as the top 10 winners in our mystery shopping study, as graded on factors from in-store mobile experience to personalization to loyalty program signage.

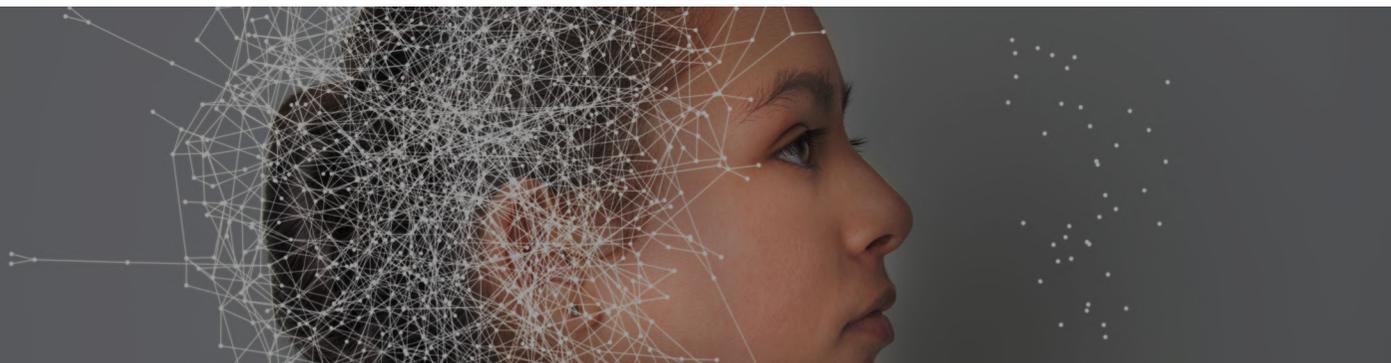
We've listed their overall scores out of 100, along with the key differentiators that stood out for each store. For more information about how stores were assessed, see Methodology. (pg. 24)

STORE	OVERALL SCORE (out of 100)	EXPERIENCE HIGHLIGHTS
NORDSTROM MEN'S	77	This is the premier retail experience. Nordstrom Men's uses digital to enhance in-store shopping with browsing kiosks, AR integrations, click-and-collect, and seamless returns. The store leverages services to reflect a cohesive, classy identity, from a barbershop and ground-floor coffee shop to a bar and in-fitting-room cocktail menu.
BLOOMINGDALES	74	The department store stalwart maintains strong legacy branding, leaning on celebrity ambassadors and product discovery services to make the experience fresh for 2018 and beyond.
ADIDAS	73	Adidas is a customization powerhouse, featuring a custom jersey print shop and miAdidas studio for made-from-scratch shoe personalization. Shopper experiences offer value beyond the store, like a treadmill to assess running style. The brand's identity comes through in a juice shop, on interactive screens, and educational athletic pamphlets.
MACY'S	71	The NYC flagship store sets the bar for convenience in modern department stores, with efficient click-and-collect, endless aisle capabilities, a helpful in-store app mode, personal styling, and an interactive VR playground. A b8ta pop-up added unique products.
AMAZON BOOKS	70	Amazon Books was a best-in-class example of an in-store app experience. Shoppers could use the app to scan for price information, pay with Prime accounts on the spot, and interact with an Echo display. Witty captions throughout the store cultivated a strong emotional shopper-to-book connection. A cafe kept customers on-premise, and Amazon Lockers next door offered a click-and-collect opportunity.
L'OCCITANE EN PROVENCE	70	Refreshingly innovative, this pleasant store featured a custom gift set kiosk, a beauty salon and class space, and prominent messaging about L'Occitane Cares.
EXPRESS	70	With an emphasis on styling the work wardrobe, Express put the shopper's context first. A digital kiosk invited shoppers to interact and seek help with outfit planning and new product discovery.
SEPHORA	70	Sephora leads the pack in connected in-store experiences, with on-premise personalization through Color IQ, Fragrance IQ, and Skin IQ results linking to shoppers' loyalty accounts. Beauty classes and quality store design boosted emotional connection to the brand.
URBAN OUTFITTERS	70	The store lived and breathed the brand's identity with neon signs, a music shop with Spotify integration, and both classic and Instagram-focused photo booths. Urban Outfitters also promoted its click-and-collect and endless aisle capabilities, and shoppers saw clear cues to visit the ecommerce site for more inventory.
AMERICAN GIRL	70	This specialty toy store offered an excellent in-store app experience that incorporated storytelling and quizzes. A doll salon, cafe, and female empowerment messaging forged a strong bond between brand and shopper. Robust customization took the shape of a build-your-own doll kiosk.



RETAIL TRUTH #3

Infuse Intelligence



AI and machine learning empower retailers to anticipate shoppers' next moves and deliver tailored experiences. While just 6% of digital shoppers click product recommendations, those shoppers account for a staggering 37% of revenue. By fully embracing AI and optimizing its use on digital channels, retailers can best connect shopper with product and reach them in the appropriate micro-moment. AI also gives retailers a prime opportunity to show shoppers they truly know them – which 64% of shoppers say they don't feel today.

Given the clear economic and connection-building power of personalization, why is usage so low? Many retailers don't put personalized elements front and center in ecommerce, instead relegating recommendations to the bottom of the product detail page, especially on mobile. Additionally, the 70 stores in our in-person study received an average mobile score of 1.74/5. This is a missed opportunity to infuse intelligence in stores, as these mobile elements are often personalized – like push notifications and interactive location maps.

Most retailers understand that intelligence is important. But the opportunities to grow AI-powered efforts are massive, especially given the fact that AI becomes more useful in personalizing content and experiences with every click, tap, or search.

JACK WILLS

“When merchandising is done manually, you're telling the customer what's right for them, but that doesn't necessarily mean it is right for them.”

Lynsey Munn, Global Online Trading Manager, Jack Wills

For Jack Wills, one of the UK's most iconic clothing retailers, providing a best-in-class customer experience online and digitally relies on intelligence: infusing AI into not only personalized recommendations, but also site search.

Using Commerce Insights from Salesforce, Jack Wills determined that 11% of shoppers buying a certain dress also purchased another dress. With that information, it categorized the dresses together on the site, driving incremental revenue. Similarly, within the first week of testing recommendations, Jack Wills saw strong conversion improvement – which prompted the brand to enable AI-powered recommendations on four sites.



of shoppers who had taken advantage of personalized promotions or offers are interested in receiving personalized offers in the future.



of shoppers agree or strongly agree that retailers are getting better at tailoring their product selection and/or offers to match their preferences.



of shoppers agree or strongly agree that “I don't feel like retailers truly know who I am.”



**Average Mobile Score:
All Stores – 1.74/5**

This is a missed opportunity to infuse intelligence in stores, as these mobile elements are often personalized – like push notifications and interactive location maps.

Personalization's Impact Is Outsized



Visits



Revenue



RETAIL TRUTH #4

Connect Experiences

Digital transformation puts the pressure on retailers to provide excellent experiences in every channel – which is no surprise. What’s surprising is how high customer expectations have risen for retailer interactions.

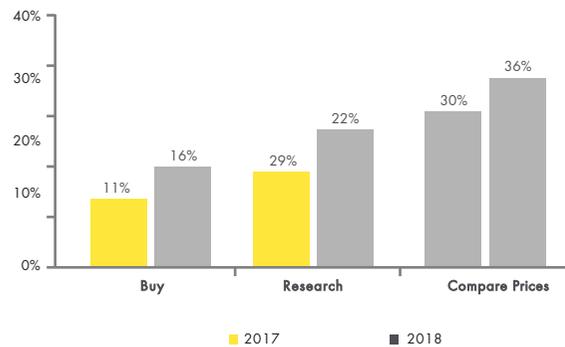
The best way to meet growing shopper demands is to connect experiences across the journey. To do so, brands must organize around the customer, breaking down silos between departments, uniting disparate data systems and adopting a cohesive digital transformation strategy for the organization.

SUITSUPPLY

Rapidly growing brand Suitsupply has revolutionized traditional tailoring with a connected clienteling and tailoring experience. With suits, shirts, and accessories sold online and across 60 stores in 20 countries, Suitsupply has reached a 360-degree customer view by delivering personal shopping on the channels customers prefer.

Suitsupply service agents have full access to customer profiles, including transaction history and color and size preferences, to intelligently serve customers across channels and use customers’ preferred support channels – including support video chats for personalized service stylists.

Percent of Shoppers Using Mobile In Stores For These Activities



Customers Push Companies to Do Better

- 80%** of customers say the experience a company provides is as important as its products and services.
- 95%** of customers say they are more likely to be loyal to a company they trust.
- 67%** of customers say their standard for good experiences are higher than ever.
- 71%** of shoppers use a mobile device in-store to do at least one educational or research activity, up from 56% in 2017.

Source: "State of the Connected Customer," Salesforce Research, June 2018.

CONCLUSION - The New Rules of Retail



Make It Fresh

Create unique, non-commoditized products and compete at the speed of today's shopper.



Be Where I Am

Develop a frictionless experience that's accessible to shoppers, wherever they need you to be.



Give It Meaning

Strengthen the relationship with your customers through stronger values-driven connections, and recognize shoppers with personalization and loyalty initiatives.



**Lead
with Mobile**



**Empower
the Store**



**Infuse
Intelligence**



**Connect
Experiences**

It's no secret that retailers are facing a massively changed – and challenging – landscape. The newly empowered customer, Amazon's continued growth, new startups, and the next wave of technology innovation require the industry to rethink almost every aspect of the business, from data-driven personalization and marketing optimization to commerce, loyalty, supply chain, and the role of the store. New rules apply.

As retailers embrace digital business transformation and retool their organizations, a continued focus on your unique customer is essential. Think of it as radical customer centricity. To compete and win, departments and executives must come together with one goal in mind: putting shoppers first.

The data shared in Shopper-First Retailing highlights the magnitude of change yet to come: just 38% of stores in our mystery shopping study offered click-and-collect capabilities, yet a full 87% of shoppers say they start their hunt for a new product on digital channels. Shoppers choose retailers instead of marketplaces or brands primarily for customer service, but retailers have to offer more than a convenient returns counter to compete. The next wave of technologically powered changes will see voice, sensors, and blockchain impacting experiences and expectations.

Retailers have an opportunity to transform for the present age, in which shoppers are truly in control, by listening to what shoppers actually want: for retailers to make experiences fresh; meet them wherever they are, and give the relationship meaning. Putting the shopper first isn't about testing tactics, but instead, about meeting customer expectations for relevance and convenience as they evolve. We hope retail organizations of all stripes take advantage of the untapped opportunity to advance by evolving.

Resources

Mobile Shopping Focus

Personalization in Shopping

Accelerate Your Transformation to Digital Business 2.0

○ Methodology

Shopper Survey

This study aimed to understand consumer behavior, opinions, and attitudes related to retail and the role of digital in the shopping experience.

Researchers from Publicis Sapient and Salesforce developed a consumer survey including questions fielded in last year's retail study and the 2017 Salesforce Connected Shopper survey, as well as new questions crafted to address emerging technology and retail trends.

The survey was conducted online with 6,000 people in 6 countries (1,000 participants in each country): the United States, Canada, Australia, Germany, France and the U.K. Recruited participants were at least 18 years old and were screened for shopping frequency in stores and online. Where possible, year-over-year results were generated for questions asked in 2017 legacy surveys.

Shopping Activity and Service Data

Shopping activity was provided by the Salesforce Shopping Index, which looks at the shopping activity of more than 500 million shoppers worldwide on the Commerce Cloud platform, in Q1 2018.

Service activity was provided by the Salesforce Service Cloud, which includes more than 200 million aggregated service cases across retailers between November 21-December 31, 2017.

All data has been aggregated and anonymized by Salesforce to produce a diverse analysis set.

Mystery Shopping

This study evaluated how major U.S. and UK retailers are building connected and compelling in-store experiences. In an age when online retail is rapidly growing, to what extent do retailers leverage digital channels, messaging, and services to create resonant in-store experiences?

To that end, researchers from Publicis Sapient and Salesforce conducted unannounced visits to mobile and in-store properties of 70 U.S. and U.K. retailers (we visited seven retailers in two different cities). We audited English-language mobile apps and primarily flagship stores in New York City, London, and San Francisco. The research began in April 2018 and concluded in June 2018.

To determine our top performing brands, we evaluated four core areas: in-store digital functions (including mobile app effectiveness, WiFi, and alternative payment methods), the brand's communication of values in-store, the quality of product testing and service experiences, and the degree to which products felt fresh and could be customized. When offered, we evaluated a retailer's ecommerce effectiveness and omnichannel initiatives, such as click and collect.

We also compared our results to our previous evaluations conducted in 2012, 2013, and 2015.

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About Publicis Sapient

Publicis Sapient, the digital business transformation hub of Publicis Groupe, helps clients drive growth and efficiency and evolve the ways they work, in a world where consumer behavior and technology are catalyzing social and commercial change at an unprecedented pace. With 19,000 people and over 100 offices around the globe, our expertise spanning technology, data sciences, consulting and creative combined with our culture of innovation enables us to deliver on complex transformation initiatives that accelerate our clients' businesses through creating the products and services their customers expect.

For more information, visit <https://www.publicissapient.com/>.



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