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Retail's Formula for Success in 2020: Get Personal

For retailers looking to engage customers and prospects as individuals, mobile, voice, and customer experience are three areas of focus for retailers in 2020. Learn the ramifications to your business—and how you can combine human expertise with financial and technology resources—to get the best results.

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After benefiting from almost a decade of economic growth and an outstanding 2018 holiday season, retailers are facing greater uncertainty in 2020. While many economic indicators remain positive— low unemployment, low gas prices, rising wages—others are worrisome—rising interest rates, a gyrating stock market, and slipping consumer confidence.

Without the economic tailwinds that have buoyed retail sales in recent years, the sector is more vulnerable to being knocked off course by continuing changes in consumer shopping habits and ever-higher expectations for uniquely personal experiences.

Suffice it to say that retailing in 2020 will require renewed focus on the technologies and disciplines that will have the greatest impact on customer satisfaction, operational efficiency and return on investment. So, rather than running through a long list of trends for the upcoming year, this article concentrates on three areas that evidence shows are critical to retailer success—mobile, voice, and customer experience.

Mobile Deepens Influence

Internet-connected mobile devices are not only taking a greater share of ecommerce sales and transactions, but they are also having an increasing impact on shopper behavior in physical retail settings.

U.S. mobile retail sales were forecasted to reach $208 billion by the end of 2018 by eMarketer, representing 40% of total retail ecommerce.[1] For this year, eMarketer projects a 30% sales increase in mobile-generated sales, boosting m-commerce to a 45% share of ecommerce. After rising another 26% in 2020 to take 49% of the ecommerce market, mobile will dominate ecommerce in 2021 with a 54% share.

Mobile traffic to ecommerce sites is already outpacing desktop traffic by a considerable margin, with 60% of visits coming from mobile devices versus 33% from computers.[2]

A related study shows that the smartphone is the internet-connected device most frequently used for making ecommerce purchases. In the U.S. and Canada, 48% of consumers use smartphones to buy products online, while only 37% use desktops or laptops, according to an AdColony survey,[3] which also found that the majority (59%) of consumers carry a mobile device when shopping most (24%) or all (35%) of the time.

59%
consumers who carry a mobile device when shopping

48%
consumers who use smartphones to buy products online

1) Krista Garcia, "Do Mobile Transactions Dominate the Mix?" eMarketer, May 10, 2018
2) "Consumer Experience in the Retail Renaissance," Deloitte Digital and Salesforce, June 2018
3) "The AdColony Holiday Shopping Survey 2018 (NA)," AdColony, November 2018

A Forrester report estimates that almost one-third (31%) of retail sales across all distribution channels were influenced by shoppers' use of smartphones in 2018.[4] Forrester's definition of "influence" considers consumers' use of mobile search, advertising, social media, and retailer apps, among other tools. While mobile influenced roughly $1.1 trillion of retail sales in 2018, according to Forrester, that impact will be worth $1.4 trillion by 2023.

Consumers are not the only ones who can take advantage of mobile technology during the shopper journey; retailers can also leverage geospatial data to take personalization to a new level. Knowing where the shopper is located opens up the possibility of sending personal messages that could have immediate impact. If a consumer is standing in the aisle of your store comparing prices, sending a timely 10%-off electronic coupon could save the sale and the keep the customer.

"While mobile influenced roughly $1.1 trillion of retail sales in 2018, that impact will be worth **$1.4 trillion by 2023.**"

Forrester

4) Dan O'Shea, "58% of retail sales will be influenced by digital by 2023," Retail Dive, January 2, 2019

Native Apps vs Mobile

For now, consumers do not show a strong preference for native apps versus mobile websites. Almost nine in 10 consumers (87%) said they could be "loyal to a brand without having its app on their phone," according to research from Google, and more than half (53%) said they didn't even have their favorite brand's app installed on their smartphone.[4]

However, customers who do download retailer apps—representing two-thirds of consumers, according to a Synchrony study[6]—are worth more to retailers. Conversion rates on mobile apps are approximately three times higher than on mobile websites.[7]

Retailers are investing almost equally in mobile websites and apps, with 60% of retailers offering a mobile website and 57% offering a mobile app," according to a survey of retail executives by Boston Retail Partners (BRP).[8]

Conversion rates on mobile apps are approximately three times higher than on mobile websites.

"Mobile apps have matured in recent years and now they have become more user-friendly than mobile-responsive websites," commented Ken Morris, Principal of BRP, in a recent RetailWire discussion.[9] "However, the big challenge for retailers is to make their app compelling for consumers to download and use. Consumers will usually only download an app if they think they will use it frequently or if it offers a compelling benefit: access to loyalty programs, special promotions and discounts, way-finding tools, etc."

Synchrony's consumer study6 bears out Morris's observation. More than half of the shoppers who downloaded a retailer app did so to receive a personalized benefit, like a coupon or discount offer.

" The big challenge for retailers is to make their app compelling for consumers to download and use."

Ken Morris, BRP

5) Google/Heart+Mind Strategies, U.S., "Getting Things Done on Mobile," December 2017
6) "Synchrony Study: Consumer Adoption of Retailer Mobile Apps Doubles," Synchrony, August 2018
7) Greg Sterling, "Retailers with shopping apps now see majority of e-commerce sales from mobile," Marketing Land, February 21, 2018
8) "2018 Digital Commerce Survey," Boston Retail Partners, October 2018
9) "Are holiday shoppers getting more 'appy'?" RetailWire, December 13, 2018

Voice Settles in at Home

Although voice control is actually used more often with smartphones—remember the iPhone's Siri?—voice-activated smart speakers for the home are receiving more attention. Adoption of the devices is rising as the user experience becomes more intelligent and personal. One in five U.S. households with wifi service, totaling some 19 million, is actively using a smart speaker, according to Comscore.[10]

"As penetration of smart speaker devices increases—particularly due to lower-cost options—we see the demographics shifting away from the traditional early innovators and early adopters to the early majority," wrote Susan Engleson, Comscore's Senior Director, Emerging Products. "While smart speaker homes continue to over-index for high-income households, lower-income households are gaining ground."

"Search, advertising, content and commerce are being impacted industry-wide...as the result of voice technology."

PWC

10) "Smart Speaker Penetration Hits 20% of U.S. Wi-Fi Households," ComScore, April 11, 2018

PwC found that 90% of the U.S. adults it surveyed were familiar with voice-enabled products and devices, and 72% had used one or more of them.[11] Most of those consumers (57%) had used voice commands with a smartphone, followed by tablets, desktops and laptops, all of which had been used by 29%. Smart home assistants followed closely, with 27% of respondents having used them.

"There's no denying that voice is the future," according to PwC's report. "The technology will continue to drive and shift consumer behavior, and companies need to prepare and adjust accordingly. Search, advertising, content, and commerce are being impacted industry-wide as consumers transform the way they interact with brands as the result of voice technology."

In the U.S., Amazon's Echo line, more commonly known as "Alexa," commands two-thirds of the smart speaker market, followed at a distance by Google Home products, with a 29% share.[12] Apple's HomePod barely registers at 5%. Since the 2018 holiday season, in which Amazon sold "millions" of its devices, according to the company, Alexa's market share could have grown even higher.

Smart speakers have become "a critical mass platform," according to analysts at RBC Capital Markets.[12] Alexa's third-party apps, or "skills," were expected to exceed 60,000 by the end of 2018, 12 times as many as 2016. Many retailers that might otherwise consider Amazon their chief competitor are part of the ecosystem, although their skills are usually centered around customer service, shipping and rewards status, and other non-purchasing activities.

Despite evidence that voice control is rapidly becoming popular as a way for consumers to interface with retailers, it does not seem to be showing up on the radar of retailers—other than Amazon, of course—to a similar extent.

Speaking in 'Natural' Language

The side effect of the "personification" of smart speakers is that it has trained consumers to ask questions as if they are talking to a person. These types of queries are called natural language search,[13] which differs from keyword search. When people are typing in a search, for example, they historically listed words they thought would get the result they wanted without considering grammar—shoes, women's, tan, suede, size 9—but they don't talk to Alexa or Siri that way.

The movement to voice, which is happening quickly—and the carryover of natural language search to the keyboard—significantly changes the technologies required by retailers looking to engage customers and prospects as individuals.

"It's a hard problem for ecommerce unless better NLP with contextual awareness is integrated into the search engine," said Trey Grainger, Chief Algorithms Officer for Lucidworks.

He added, "That contextual awareness can only be truly achieved by capturing user signals, which then enables personalization in the understanding of each customer's specific intent."

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>
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> Chief Algorithms Officer for Lucidworks**

11) "Consumer Intelligence Series: Prepare for the voice revolution," PwC, June 29, 2018
12) Sarah Perez, "Smart Speakers Hit Critical Mass in 2018," TechCrunch, December 28, 2018
13) "Everything You Need to Know About Natural Language Search," SearchEngineWatch.com

Ironing Out the Seams of the Customer UX

For consumers, shopping is a uniquely personal process. It starts with the search for a product, continues through the research phase and evolves into a purchase, but it doesn't stop there.

Fewer people buy products exclusively in physical stores and cart them home. If they buy online, they might want the product delivered to their homes or offices, or they might want to pick them up in a store or a designated pickup location. If they make a purchase in a store, customers still might want to have the item delivered. If they want to return a product, they don't care where they purchased it; they want the retailer to take it back in the way that's most convenient for them.

Consumers have grown used to the online experience, where retailers use their data to personalize recommendations, promotions, and the products themselves, as is the case with customized "boxes" from such innovators as Stitch Fix, Cratejoy, BirchBox, and Blue Apron.

To respond, retailers need to get personal. And that means more than just tacking on a couple of additional technologies or breaking down a few silos. They must remake themselves so that they can provide a personalized, truly channel-neutral experience, as well as state-of-the-art bells and whistles (e.g., virtual reality). Oblivious to the complexity, consumers just don't care. They want a seamless, personal experience from their favorite brands or they'll go elsewhere.

When looking at changes that could have the greatest immediate impact, two key initiatives stand out: personalization and unified (or omnichannel) commerce.

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AI Powers Personalization

Personalization crosses operational areas, including marketing, advertising, merchandising, product development, customer service, and—indirectly—the supply chain. Although one technology won't handle all these functions, there is a short list of enabling technologies— the cloud, advanced data practices, and artificial intelligence (AI).

" Retailers using AI to its fullest potential will be able to influence purchases in the moment and anticipate future purchases."

KPMG

Analysts at KPMG pointed out AI gives retailers the ability to "deliver personalized, customized and localized experiences to customers. AI will be applied across the entire retail product and service cycle, from manufacturing to post-sale customer service interactions. Retailers using AI to its fullest potential will be able to influence purchases in the moment and anticipate future purchases."[14]

14) "Global retail trends 2018," KPMG, March 2018

> " 55% of retailers [are] planning to utilize AI as a means of offering more personalized customer service in the next three years, up from the 7% using AI today."

Boston Retail Partners

"AI offers the ability to exploit the vast amounts of customer preference and transaction data gathered to personalize the customer experience," agreed a BRP report.[15] More than one-third (36%) of retailers responding to BRP's Customer Experience/ Unified Commerce Survey said providing personalized promotions, recommendations, and/or offerings was among their top customer experience priorities. The study also found that "55% of retailers [are] planning to utilize AI as a means of offering more personalized customer service in the next three years, up from the 7% using AI today."

There is evidence that personalization can have a significant financial impact when an organization seriously invests in it with technology, people, and C-suite support.

The Boston Consulting Group surveyed more than 50 companies across 10 industries that had dedicated personalization programs. The consulting firm found that "two-thirds of respondents said that they expect at least a 6% incremental annual revenue lift from personalization, with companies in several sectors—apparel, financial services, grocery and wholesale clubs, and technology—anticipating increases of 10% or more."[16]

For retailers, providing AI-powered search and recommendations is key to personalizing the shopping experience. However, an off-the-shelf "black box" solution cannot be programmed to set trends or provide uniquely curated selections that reflect a retailer's branding.

To provide a personalized, channel-neutral experience for customers, retailers must be able to identify visitors in their physical stores as effectively as they can online, and they are utilizing new tools to do this. According to a BRP survey,[17] "the most prevalent technologies that retailers are currently using to identify customers are Wi-Fi (40%) and mobile loyalty programs (32%). Within three years, 67% of retailers plan to use mobile loyalty programs and 63% plan to use mobile apps to identify customers in their stores."

55%
retailers who plan to utilize AI as a means of offering customer service

67%
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15) "2018 Customer Experience/Unified Commerce Survey," Boston Retail Partners, September 2018
16) Mark Abraham, Steve Mitchelmore, Sean Collins, Jeff Maness, Mark Kistulinec, Shervin Khodabandeh, Daniel Hoenig and Jody Visser, "Profiting from Personalization," The Boston Consulting Group, May 8, 2017
17) "2018 POS/Customer Engagement Survey," Boston Retail Partners, January 2018

'Omnichannel' Evolves into Unified Commerce

For years, omnichannel retailers have been wrestling with the difficulties of unifying their supply chains to provide the personalized fulfillment options consumers demand.

"Multichannel consumers expect a variety of fulfillment options to meet their lifestyle needs," according to Zebra's "Shopper Vision Study."[18] It found that "64% of those surveyed buy online and ship to home; 34% buy online and pick up in store (BOPIS); and 15% buy online and ship to an alternative location."

For customers, it isn't enough to receive their orders wherever they want them; they want visibility into the process. Almost three-quarters (73%) of consumers "want the ability to track orders across all points of interaction," according to BRP's Customer Experience/Unified Commerce Survey.[19] Retailers are working to match the customer's desire to "start the sale anywhere, finish the sale anywhere," as BRP put it. The research firm found that very few retailers (7%) have these capabilities at present, but "it is promising that another 52% plan to offer this to consumers."

"Within three years, 87% of retailers plan to have a unified commerce platform implemented."

Boston Retail Partners

18) "The New Retail Mandate: 2018 Shopper Vision Study," Zebra Technologies, March 2018
19) "2018 Customer Experience/Unified Commerce Survey," Boston Retail Partners, September 2018

What's Next?

As a retailer, you don't need to answer 10 questions to know what your organization needs to do to survive and thrive in the coming year. The issue is prioritization and making sure top management backs those priorities with financial, human, and technology investments.

Remember that these decisions have real, long-lasting impacts. In its liquidation statement, Sears admitted it spent less than 1% of revenues on capital expenditures and is now laying off 55,000 people as it closes its doors.[20] On the other hand, Lowes has been investing in technology that allows it to understand customers as individuals, offer NLP search, and greatly improve the customer experience. And Lowes is adding 65,000 people to its workforce.

Ideally, this article will help you rally support around your organization's unique formula for success.[21]

Get in touch →

Find out how Lucidworks Fusion can help you address your Mobile, Voice, and Customer UX concerns, contact us today at lucidworks.com/contact or give us a call at +1-415-329-6515.

20) Jessica DiNapoli, Mike Spector, "On brink of demise, Sears to reconsider billionaire chairman's bid," Reuters, January, 8, 2019
21) "Lowe's looks to hire 65,000 new employees in tightest labor market in decades," CNBC, January 4, 2019