

HOW MUCH DIGITAL TECHNOLOGY MATTERS TO RETAIL BRANDS





Introduction to Survey

Focus of the survey is concentrated on the retail industry and adoption of digital. In the times of highly volatile and complex world, economic and technological changes frequently cause disruptions at different scale. Retail is subject to some of the fastest transformational forces caused by market fluctuations, emerging business models and new markets, omnichannel trends, high pace of digital innovation and elevated customer expectations.

Using responses to the number of closed multiple-choice and open questions of this survey, we seek to find out, understand and forecast how retail companies adopt to this fast changing environment, what digital tools opt to apply and what strategies plan to implement to save their competitive advantage or develop a new one.

130+ respondents from various retail areas took part in the survey—fashion, clothes, jewelry, accessories, watch and shoes, equipment, sports, gifts and flowers, games and toys, pet products, etc. All the respondents represent U.S.-based retail companies.

The survey is conducted by Digiteum technology agency. All received data is analyzed, systemized and further managed in the form of a series of reports, graphs and pie-charts by the team of digital experts and business analysts.

Results of this study allow retail market players understand existing and emerging competition field better, self-assess their standing in this environment, forecast trends and discover future opportunities.

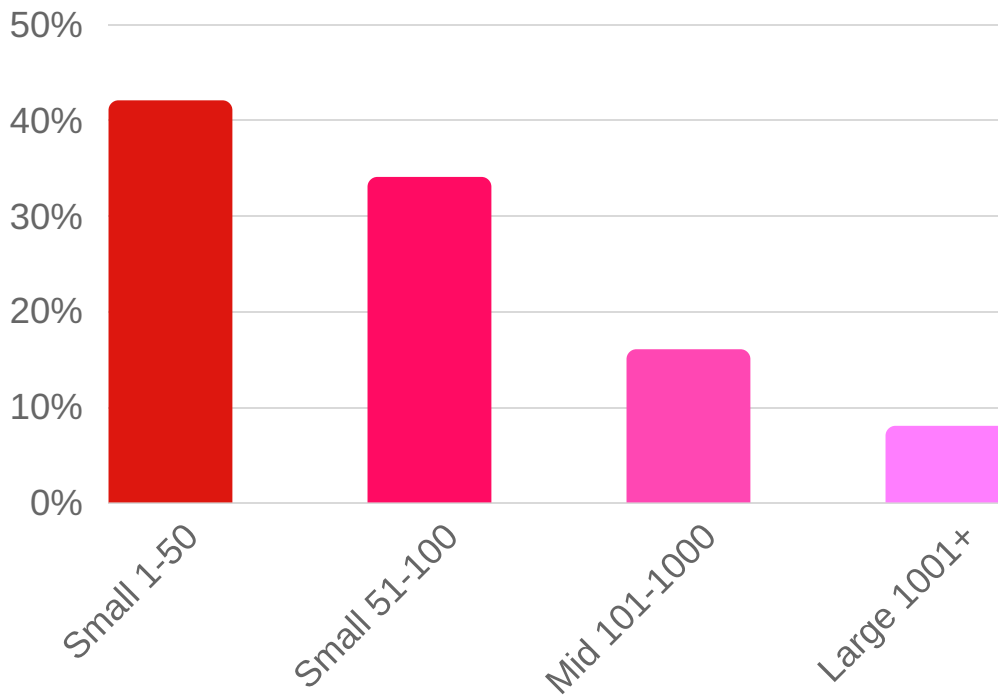


Respondents

Open survey How Much Digital Technology Matters to Retail targets C-level executives and decision makers of the U.S. retail companies across different areas, including clothes, luxury products, games, equipment and gifts. Respondents hold the offices as managing partners, presidents and vice presidents, general managers, executive directors, etc.

Companies represented in the survey differ by size, business model, level of digitization and target audience. This diversity allows to create a natural up-to-date market profile and develop a more comprehensive outlook of the retail industry in the U.S.

132 companies took part in the first round of the survey. 76% of companies get into small-size category with up to 100 employees. Together with 16% of medium-size companies (<1,000), they constitute SME part. Only 8% of the respondents indicated their business as a large enterprise (>1,000).



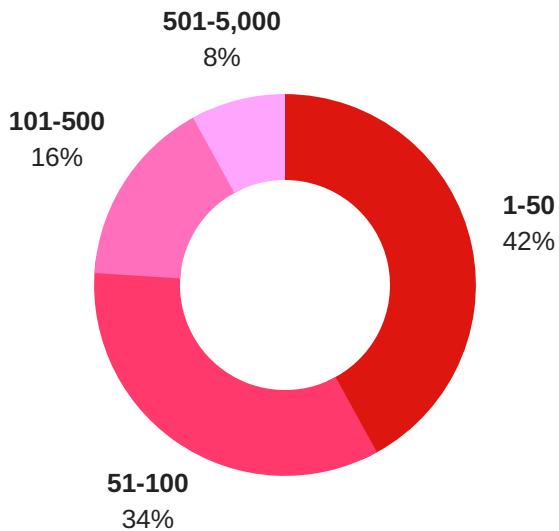
Key Findings

- Retail industry exhibits unprecedented dynamics and fragmentation due to emerging markets and economics. Established brands learn how to share market with small nimble businesses powered by tech innovation and global trends.
- To defend market standing and preserve customer loyalty, retailers enhance customer-centric approach and create continuous relevant connection with consumers across digital channels along the whole purchase journey.
- Retail brands are ready for substantial technology investment as a right way to preserve competitive advantage.
- Large-scale investment into digital is explained by the range of diverse challenges retail brands have to cope with simultaneously. Moreover, technology investment is seen both as a remedy to the disruptions retail business models experience day to day and foundation for a new business strategy sustainable to fast changing industry environment.
- Retailers occupy the place among the first adopters of technology and new digital channels. Seeking to deepen customer relationship, ensure operational excellence, increase cart size and checkout rate, brands explore the power of chatbot technology, AI, VR/AR and other innovations.

An aerial, top-down view of a parking lot. The cars are arranged in a grid pattern, with white lines marking the spaces. The cars are mostly dark-colored, but there are some lighter-colored ones scattered throughout. The text is overlaid in the center of the image.

**77% OF RETAIL
BRANDS HAVE
ALREADY INVESTED
INTO DIGITAL AND
PLAN TO INCREASE
TECHNOLOGY
INVESTMENT
IN THE FUTURE**

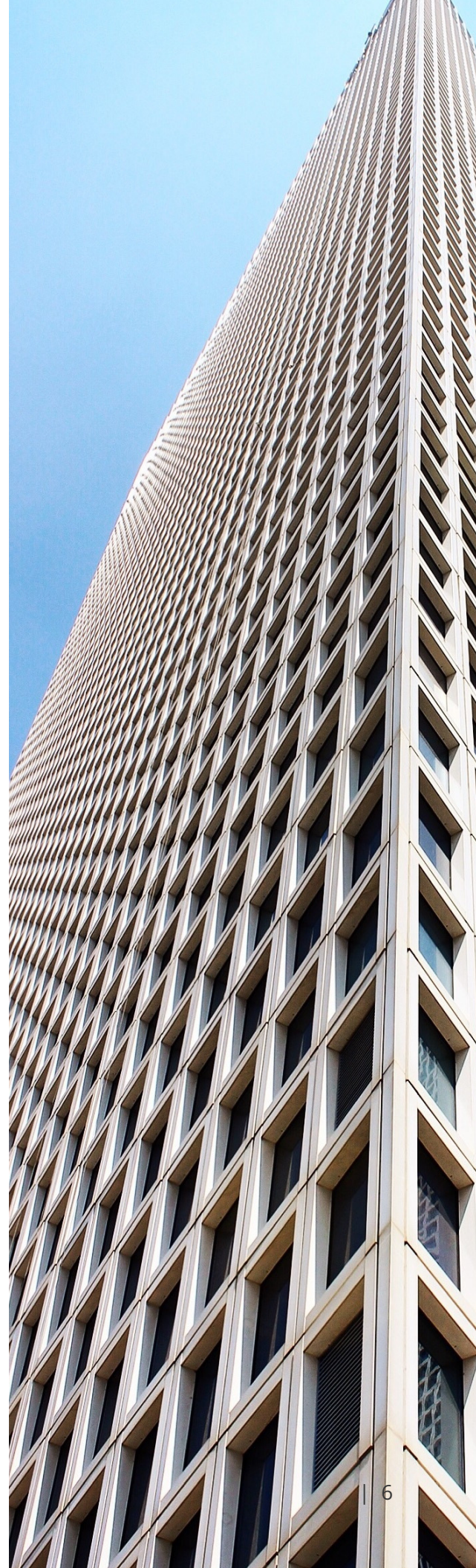
42% SMALL BUSINESS (1-50)

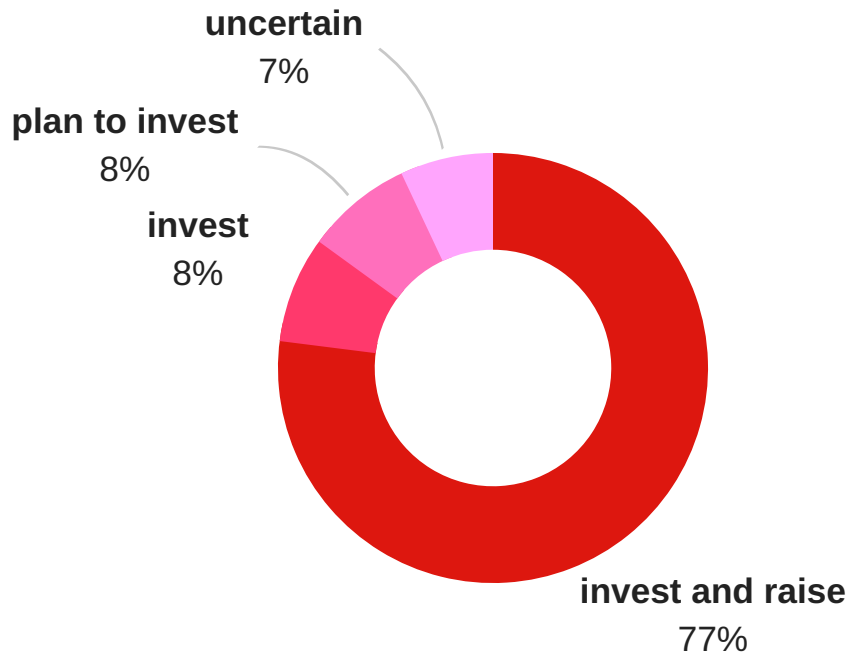


Q: Choose the size of your retail enterprise (number of employees)

According to Deloitte 2017 retail industry outlook, "the world of retail has entered a period of enormous transformation" with growing digital opportunities for small companies and tight race to win a tech-savvy demanding customer.

Established market players, both big-box and SMEs, enter stronger competition environment. New business models, purchase concepts and foreign markets confidently step into the field. Results of the survey prove increased diversity and proliferation of retail economics of various sizes. 42% of small business (10-50) take the largest share among the respondents. Small and mid-size companies together form SME layer that in total constitutes the majority 92% of respondents.





Q: Does your brand invest into adopting digital technology in 2017-2018?

77% PLAN TO STEP UP DIGITAL INVESTMENT

Retail companies focus on and invest into digital technology from the basic steps of digital transformation (getting a website) to the experiments with emerging solutions based on the innovations in AI, IoT or robotics. However, be it conventional expansion from storefront to web or mobile, integration with retail-specific platforms or development of a custom digital solution, enterprises pursue similar aims:

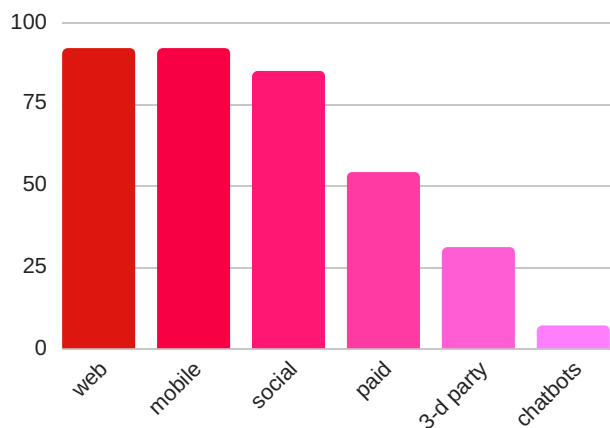
- provide customers with seamless omnichannel experience;
- ensure operational excellence;
- cut cost and save competitive advantage.

Survey results demonstrate how retail brands across various areas invest or plan to invest into digital in 2017-2018.

In total, 93% of retail executive realize the opportunities of digital innovation and choose proactive approach to put intelligent technology into their business process. 77% of respondents have already invested into technology and plan to increase funding in 2017-2018. 8% won't increase this budget in future, and another 8% put digital transformation on the agenda and plan to allocate budget for digital transformation.



WEB AND MOBILE-92% OF TRAFFIC



Q: What digital channels do your customers use to interact with your brand?

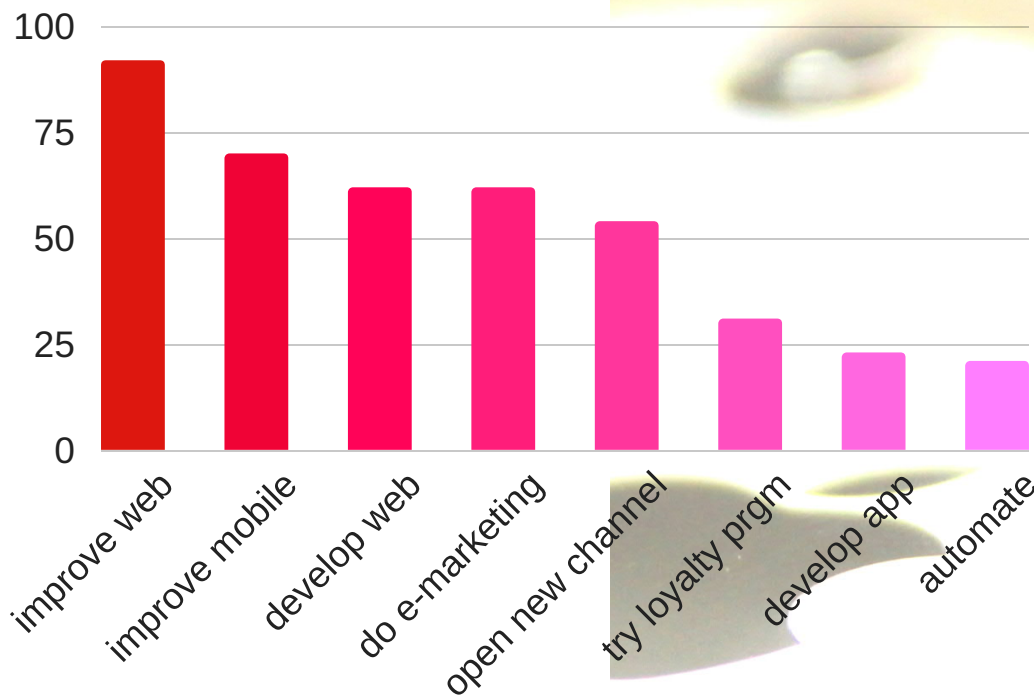
As there's no single way to purchase, there's no single way for retailers to target diverse cross-generation audience that shops in omnichannel environment and demands excellent customer experience regardless of place, time and device used.

Brands remain puzzled trying to adjust their marketing and digital strategies to keep up with shifting purchase patterns and habits.

Retail environment is diverse and multi channel. Even though more than 90% of retailers consider web and mobile as primary traffic source, other digital channels get a good share, too. 85% of respondents put social media as the third best traffic source. 8% of retail brands already try chatbots to reach customers.

**MAJORITY OF RETAIL
BRANDS FOCUS
TECHNOLOGY
INVESTMENT ON
IMPROVING
WEBSITE (93%) AND
MOBILE (69%) USER
EXPERIENCE**

54% READY TO DISCOVER NEW DIGITAL CHANNELS



Q: What digital initiatives do you invest into to improve your omnichannel capabilities?

Brands that have already taken on the challenge of building strong omnichannel environment apply different approaches to ensure that customers convert on any channel and end up with seamless experience while shifting devices and places.

According to survey results, majority of retail executives outline the importance and seek to improve user experience on web (93%) and mobile (69%) and put these challenges forward while allocating technology budgets. Hefty part of digital funding (54%) goes to discovering new digital channels such as social media and chatbots. Another strong tool of brand-to-customer interaction—digital marketing—is in focus of 62% retailers. It's worth to single out that process automation and optimization of loyalty programs receive minor traction despite evident advantage of digitization in these areas.

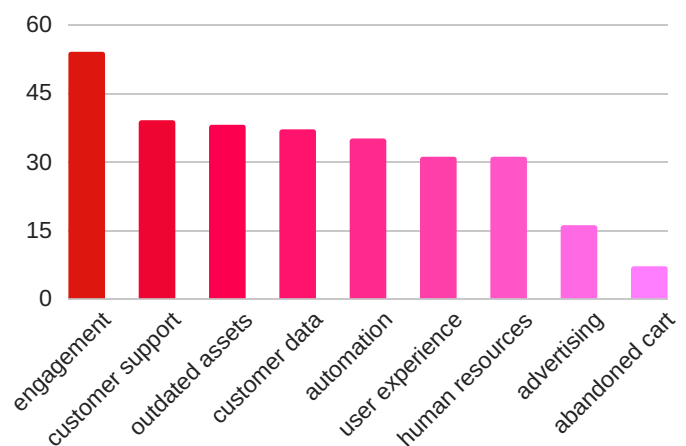


40% DEAL WITH LACK OF HUMAN RESOURCES

Excellence of customer experience across various channels is major, but not the only challenge retail brands confront in 2017. And certainly not the original one.

Retailers in different fields are familiar with low checkout rate, badly designed tools and insufficient human resources.

Survey results prove that brands deal with a wide range of diverse issues. Half of respondents (54%) put customer targeting and engagement in front. The problems based on the lack of or weak technology—outdated digital assets, unused customer data, lack of automation and imperfect user experience—explain rich funding in digital.



Q: What major challenges does your brand confront?

While such weighty issues as poor customer support (39%) and shortfall of human resources (31%) highlight the relevance of chatbot technology to retail, as digital assistants are often built to fill these gaps.



70% STILL HIRE TEMP STAFF TO HANDLE HOLIDAY SALES OVERLOAD

2017 holiday season will see more customers preferring to buy online than ever before. According to Holiday Survey by Deloitte, half of the consumers expect to shop for holiday gifts online making 6 trips over 4 different devices on average.

Apart from major profit boost, this holiday influx brings online retailers the risks of system overload, slowdown and site crash.

These are the most common active measures retail companies plan to take to address holiday heavy traffic:

- 70% hire temps or permanent staff,
- 56% optimize digital assets to handle traffic,
- 14% turn on additional channels such as social media, chatbots and apps.

\$5.57 BN

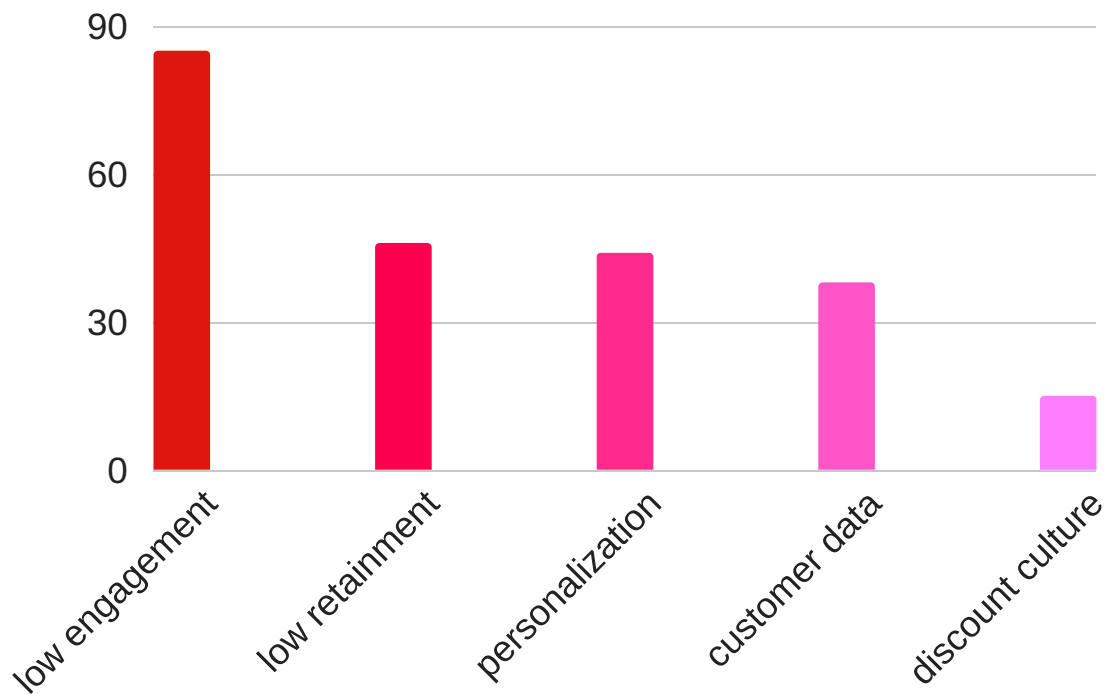
EXPECTED

COMBINED ONLINE

BLACK FRIDAY AND

THANKSGIVING

SPENDING IN 2017



Q: What challenges does your brand go through to achieve customer loyalty?

85% FIND REACHING NEW CUSTOMERS HARD

Tight race for customer loyalty and trust in 2017 will raise two major problems on the agenda of every retail brand:

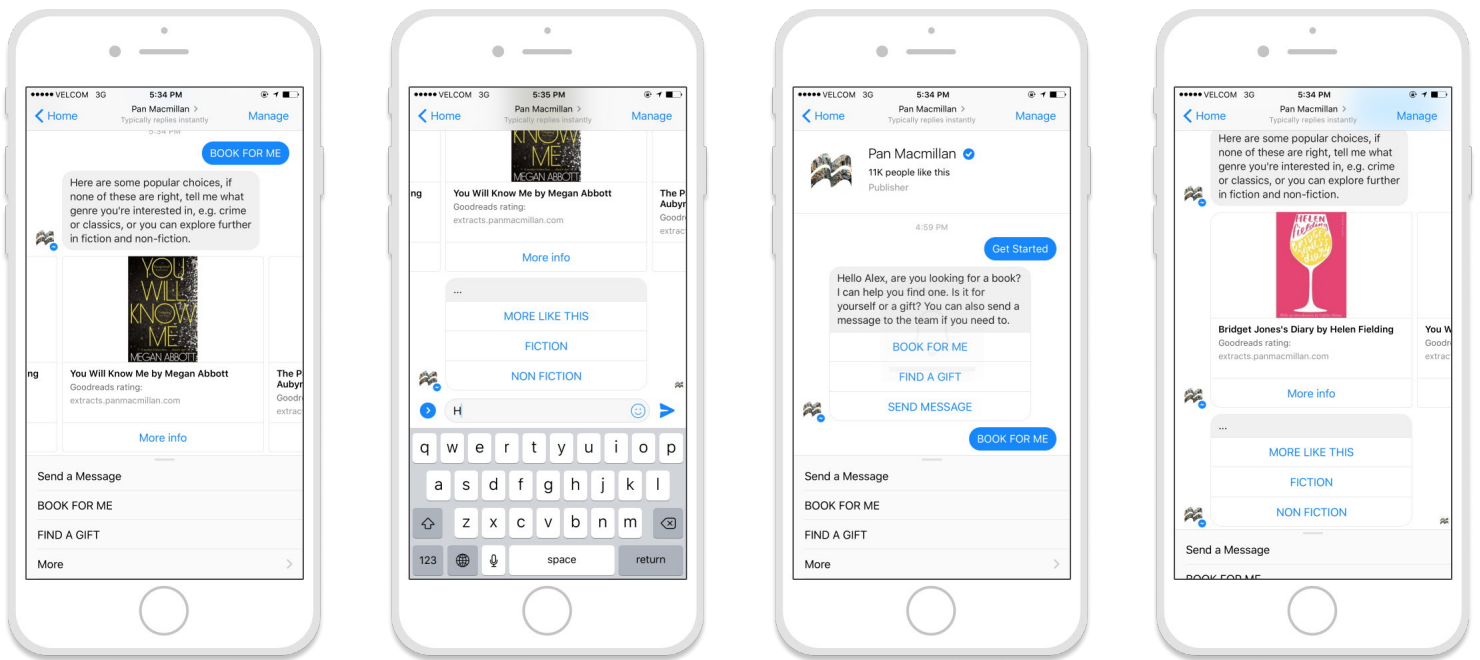
- 1) how to diversify service to approach rich variety of customer groups from wealthy Boomers to tech-savvy Millennials and preserve consistent tone of voice;
- 2) how to engage and retain smarter "shrewder shoppers" (McKinsey) that tend to become more dynamic, sophisticated and harder to predict.

Shift to online shopping plays important role

in this regard, as online shoppers are known to be less loyal than storefront customers.

According to Deloitte, 77% will leave a website and change online retailer if they don't find what they want, compared to only 37% abandonment rate among in-store shoppers.

Survey results identify targeting and reaching new customers as a primary problem in retail (85%). In turn, half of respondents add retainment (46%) and personalization (44%) to the challenges on track to customer loyalty.



76% OF RETAILERS CONSIDER CHATBOTS

Recent study by Juniper Research predicts that digital assistants will save retail, healthcare and banking up to \$8 bn in customer service cost. However, business across various domains is still largely unaware of the benefits of chatbot technology.

Fortunately, retail industry is known to be one of early adopters when it comes to customer-focused technology. Digital assistants—lightweight, mobile-native, customizable technology with rich integration capabilities—is the clear example of such technology. This is why retail is predicted to reap maximum benefits from chatbots.

Majority of surveyed retail executives (76%) find chatbot technology relevant to their digital and business strategy and consider this technology as "possible" to adopt.

However, only 8% claim to be ready to apply chatbots today. The prevailing 68% of respondents, in turn, see the technology promising, but lack knowledge to make an informed decision.

Taking into consideration the insight on challenges retailers confront, we can assume that early adopters of this technology will be able to deal with staff shortage, improve personalization, and most importantly, reach customers on new channels—messaging.

Summary

This survey allowed to study the cross section of retail industry on the edge of intensive period of holiday sales. This period is most relevant to demonstrate the approach industry executives apply to address the challenges of current market.

Retail industry experiences steep transformations, waves of disruptions and unpredictable complications. The results of the survey prove that retail executives across various areas are aware and proactive towards changes in the market.

Not only do brands place customer in the center and focus on creating complex continuous relationships across channels. Companies rethink their business strategies and combine industry-specific goals with far forward vision of high-tech retail of the future. Thus, retailers willingly embrace innovation, discover new digital channels such as chatbots and social media, apply digital solutions to achieve new level of operational excellence, adopt data-driven forecasting, increase profit and secure continuous growth in the terms of evolving market.

At Digiteum, we think and talk strategy. We help brands design and develop digital solutions that are worth investment and bring actual value to business.

Let's talk about your project!

CONTACT US

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Apart from the original survey data, following sources were used:

1. 2017 retail, wholesale and distribution industry outlook. Deloitte LLP. 2017.
2. 2016 Holiday Survey. Ringing in the Retail. Deloitte LLP. 2016.
3. The State of Fashion 2017. McKinsey&Company. 2017.
4. Key Challenges Facing Retailers in The Online World. Artificial Solutions. 2017.
5. Chatbots: Retail, eCommerce, Banking & Healthcare 2017-2022. Juniper Research. 2017.
6. Image Credit: unsplash.com.