KAIHAN'S
RETAIL

INSIGHTS AND PERSPECTIVE

CONTEXT

- Seventy-five percent of consumers prefer a personalized shopping experience (Retail42).

- Retailers saw a 35 percent increase in credit and debit card spending between January 2020 and January 2021 (McKinsey).

- As a result of the COVID-19 pandemic, digital shopping saw a 50 percent increase year-over-year in revenue at the end of 2020; purchases stemming from social media references increased 104 percent (Salesforce).

- Between Q4 2018 and Q4 2020, the percentage of adults who purchased products directly through social media channels doubled from 13 percent to 25 percent (Salesforce).

- E-commerce sales are projected to pass $6.5T in 2022, to $7.3T in 2024 (Motley Fool).

- By 2040, 95 percent of all purchases will be made online (Retail42).

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1. Omnichannel Retail

- With mobile commerce closing in on 50 percent of all digital commerce in the United States, the mobile-first approach to the shopping experience is a growing opportunity (MuleSoft, Gartner).

- Omnichannel retail marries digital touchpoints to physical touchpoints by creating a seamless purchasing experience across multiple devices and multiple locations. Customers who purchase through omnichannel structures spend 15-30 percent more than conventional customers (MuleSoft). Additionally, those same customers tend to interact more often with retailers' channels—most often other digital touchpoints like mobile applications, personalization portals, and others (HBR).

- Outdoor retailer REI found that 75 percent of their customers shopped online or on their app before visiting the store. In a move to be mobile-first, REI offers free Wi-Fi to customers, and equips each in-store sales associate with a mobile device to better assist in-store customers who shopped digitally first (Shopify).

- Warby Parker sells eyeglasses primarily through digital channels, but offers customers valuable product testing experiences, such as libraries, in its retail locations around the United States and Canada (Shopify).

2. New Payment Systems

- It is expected that by 2024, cash will only account for 12.7 percent of spending, while digital wallets will account for 33.4 percent (Motley Fool).

- Growth in technology and retail have unlocked numerous ways to pay and are carving the way for even more payment options for customers. Many retail establishments can already accept a variety of digital, contactless forms of payment such as PayPal, MasterCard PayPass, and Android Pay (MuleSoft).

- Biometric authentication as a form of payment is also entering the retail space. In an experiment, 80 percent of people were satisfied using their fingerprint as authentication for contactless payment (Thales).

- At Amazon's Whole Foods locations around Seattle, customers are able to pay for their transaction using their palm print, which is connected digitally to their credit card through Amazon One, the system behind it (Reuters).

3. Personalized Retail Experiences

- Today, customers expect retail experiences that meet their individual needs. Eighty percent of customers want personalized experiences when they shop (Epsilon). Companies who implement personalization programs successfully have seen 20 percent higher customer satisfaction, a 10-15 percent increase in sales-conversion rates, and a 20-30 percent increase in overall employee engagement (McKinsey).

- Customers are increasingly willing to share personal data with companies if that information will be used to give them offers and discounts in the future (Salesforce). Using data collection, analytics, and implementation tools, companies can create personalized experiences for customers and increase positive interactions at the individual level.

- Members in Nike's NikePlus program are given a number of personalized options to make their Nike experience better: access to an exclusive storefront, one-on-one appointments with Nike experts, and access to Nike by You, which allows members to fully customize their Nike

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shoes and view them in real time (McKinsey).

4. Repurposing Storefronts

- In correlation with the growth of omnichannel retail strategies, companies are seeing value in redesigning their storefronts to serve a different purpose.

- Customers are spending an increasing amount of time and money online, and visiting stores less often. The retail store must be treated as a brand-building experience rather than a transactional salespoint (McKinsey).

- Successful redesigning of storefronts in a customer-centric way has the potential to increase sales by 10-15 percent and customer satisfaction by 20 percent (McKinsey).

- Capital One is redesigning the meaning of in-person banking with the addition of cafes in which customers and non-customers can commune, collaborate, and caffeinate, all while having banking staff present for services such as financial coaching and account opening (Forbes).

- There is movement in the zero-inventory store (ZIS) category as well, with companies such as Bonobos keeping only display inventory in-store and moving all transactions and fulfilment to the digital space (Forbes); this allows customers to see, touch, and experience products while keeping outstanding inventory and associated costs at a minimum.

8PS

Leverage Point	"8Ps" of Strategy	Opportunity for Disruption	Recommended Leverage Points
Position	The shoppers you are targeting and their need that you seek to fulfill.	3	• What methods do you use to collect customer data? How are you offsetting that data collection by providing additional value?
Product	The things you sell and the characteristics that give them value.	5	• How personalized or customizable is your product? Are there features that can be made more customizable? • What elements of your product and service add value beyond the item itself?

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Leverage Point	"8Ps" of Strategy	Opportunity for Disruption	Recommended Leverage Points
Promotion	How you connect and communicate with current and potential shoppers.	8	• What is your appeal factor to untapped customers? • How do you foster loyalty with current customers? • How can you use data and analytics to connect customers with products they will want?
Price	How shoppers pay to have your products.	6	• What elements of value comprise your pricing? How do each of those elements satisfy the varying needs of your customers?
Placement	Where and how shoppers can view, access, and purchase your products.	7	• How can you implement omnichannel experiences into your current sales and marketing channels? • How are you optimizing storefronts to embrace a mobile-first approach?
Physical Experience	How your product meets the needs and expectations of the shopper.	9	• How do you meet sustainability and accountability expectations of your customers? • How does your product and purchase experience exceed expectations of shoppers? • What purpose can your retail stores serve above making transactions?
Processes	How you manage your supply chain. How you manage and use the data and information of consumers.	7	• How are you garnering customer data currently? Are there other ways for you to collect actionable shopper data? • How can you adjust your supply chain capabilities to meet the demand of increasing online sales? • How are you adjusting operations to prepare for a mobile-first approach? • Are you equipped to handle transactions with varying forms of digital payment?

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Leverage Point	"8Ps" of Strategy	Opportunity for Disruption	Recommended Leverage Points
People	The choices you make regarding hiring, organizing, and incentivizing your people and your culture.	5	• How do your staff add to the purchase experience of your customers? • How can you leverage expertise and talent from within to create personalized experiences for shoppers?

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- Nike is restructuring its business model to satisfy a digital-first, direct-to-consumer strategy, ending partnerships with wholesale chains like Belk, Dillard's, and Zappos (Fast Company).

- In 2020, the athletic and athleisure apparel company saw an 83 percent explosion in digital sales.

- During the pandemic, Nike connected with its customers with free training videos uploaded on YouTube, and made its Nike Training Club app free, gaining 25 million members in Q4 2020.

- Nike also released the Nike Experience app, which connected members in cities to weekly activities, in-house workshops, and events hosted by recognized athletes (Fast Company).

- Shopify provides e-commerce and point-of-sale services to retailers.

- During the pandemic, Shopify targeted businesses most impacted by reduced foot traffic with a suite of tools to launch online retail operations "overnight" (Fast Company).

- In its Shop app, Shopify made local businesses visible to online shoppers in an effort to reduce the impact of reduced foot traffic and to assist shoppers in supporting businesses in their communities.

- At the end of 2020, Shopify completed a deal to allow stores to accept payment through Alipay.

- Additionally, Shopify designed ways to display "shoppable ads" on TikTok, creating a direct sales channel between social media and seller (Fast Company).

- The gross merchandise value of products in circulation in Shopify reached $41.1B in Q4 2020, with their revenue skyrocketing to $2.93B, an 86 percent increase.

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amazon

- More than 60 percent of consumers start their online shopping searches on Amazon.com.

- Amazon's revenue from its marketplace sellers increased by more than 50 percent in 2020 compared to 2019 (ECommerce Times). Net sales increased 38 percent (Forbes).

- In 2021, the most successful brands will embrace Amazon and its e-commerce as a top channel and an extension of their own website (ECommerce Times).

- Amazon has opened its own salon to offer hair services with new technologies including augmented reality hair consultations, entertainment options on Amazon tablets, and point-and-learn QR codes to order items for home delivery (WSJ).

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