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The State of Retail

2015

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1

Executive Summary

In today's connected society where consumers are used to service anytime, anywhere, the bar has been set very high for customer experience and the retail industry is no exception. Retailers are realizing they must provide a superior customer experience in order to survive.

TimeTrade recently conducted a survey of 1,029 consumers, which asked in-depth questions regarding their perceptions and behaviors around retail shopping. What the survey reveals is that the physical retail store is still relevant because more than ever, customers are looking to the in-store experience to help them validate their final purchasing decisions. Retailers must be aware of this shopping behavior and make sure their in-store associates are equipped with the right knowledge to help customers. Additionally, not only should store associates be knowledgeable, but also readily available, which means improved management of the store flow and balancing pre-scheduled appointments as well as walk-ins. Recent research by eMarketer also reveals that disposable income spent by consumers in the U.S. for brick-and-mortar retail stores will grow to be \$5 trillion by 2020, all the more reason for retailers to focus on enhancing their in-store experience.

Retailers must also keep in mind that when consumers are searching online, this is the opportunity to convert the digital first contact to a more valuable level of engagement, such as an in-store visit. This creates a high-value, personalized interaction that leads to a more satisfying experience for the customer as well as creates an opportunity for cross-sell/up-sell for the retailer.

Retailers can also use survey and analytic tools to track the customer's experience (from inquiry to purchase) and learn how to improve processes in the future. The store associate or manager can use this information to follow up with the consumer for future needs. All these elements create an optimal path to purchase, which TimeTrade sees as most crucial to retailers in terms of creating brand loyalty.

The TimeTrade survey also reveals that various demographics have different shopping habits. For example, Millennials have different shopping habits than Baby Boomers or Gen Xers. In addition to demographics, the survey reveals habits around mobile shopping as results reveal that consumers are using their mobile device for browsing more than actual purchase.

This report examines the current state of retail, what changes are occurring in terms of consumer habits and what actions retailers need to take in order to retain their customers. This report gives an overview of TimeTrade survey data as well as research from other sources and industry outlook and opinions from retail and customer experience analysts on the current state of retail as well as predictions of what will happen in retail over the next few years.

Introduction and Key Findings

Today's connected consumers have set the bar very high for customer service and retailers know they must accommodate these expectations through superior service, or they will lose market share.

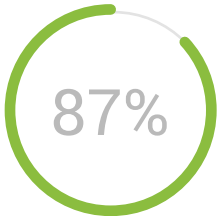
Retailers are realizing more and more that the key to superior customer service is personalization. This means knowing the customer and being able to anticipate their wants and needs, and in the case of retail, being able to anticipate their purchase behaviors and give them the appropriate help. Companies have been using analytic tools to gather information online, through digital and social channels, as well as call center data, to get to know and build a closer relationship with their customers. However, retailers also realize that a highly personalized in-store experience with a knowledgeable associate is what leads a lasting impression and creates brand loyalty.

This is where we see a paradigm shift in retail. Though e-tail channels are still popular, we are seeing retailers placing a renewed value on the physical, in-store experience. Even traditional e-tailers such as Amazon are opening up brick-and-mortar stores in hopes of providing a more personalized experience. And, congruently, consumers are admitting that in terms of their shopping habits, they prefer the in-store experience so they can feel and touch items and most importantly, make final purchase decisions.

This changes the dynamic of the in-store experience, as retailers must keep in mind that consumers are now much more educated and want knowledgeable help. C-level retail executives, store managers and associates must be prepared for this new type of customer while understanding that different demographics will have different spending habits and needs.

This report further examines the drivers behind changing consumer purchase behaviors today, what this means for retailers and what changes need to be made in order to keep them relevant.

2.1 Key Findings



Retail stores are still relevant: 87% of respondents to the TimeTrade survey plan to shop in stores at least as often as they did in 2014.



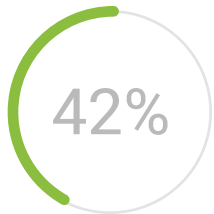
Consumers prefer to shop in-store: More than half (65%) of survey respondents report that if an item they want is available online or in a nearby store, they prefer to shop in the store.



Drivers for shopping in-store: An overwhelming majority of consumers (85%) report they like to shop in the store because **they like to 'touch and feel' products** before they decide what they want to buy.



Once consumers are in the store, **they are willing to spend:** Nearly 60% of consumers prefer to shop in store when spending as little as \$50 and as much as \$200. And, 82% of all consumers surveyed will buy more than they originally planned to.



Mobile Shopping is slow to grow: More than 42% of consumers have never purchased something on their mobile devices and when consumers are looking to buy something, only 13% will make a purchase from their mobile device.

2.1 Key Findings (cont.)



Though mobile and online shopping trends frequent headlines, **mobile shopping is not predominant**: Most consumers use their mobile device only to browse for items (50% to research products, more than 60% to compare prices, and 46% to look for the nearest store location).



Traditional e-tailers open **brick-and-mortar stores** and consumers are welcoming with open arms: More than 70% of consumers would prefer to shop at an Amazon store versus Amazon.com

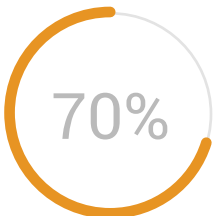


Millennials can be a gold mine for retailers who get it right:

More than 90% of 18-34 year olds plan to shop in stores as often if not more in 2015 as they did in 2014 and 92% will walk into a store either know exactly what they want or having narrowed it down to 2-3 products and 87% will buy more than they intended to when shopping in a store.



Millenials look to meet in person: 25-34 year olds are more likely than any other age group to book online appointments.



Baby boomers are spending as well: Baby Boomers are still the group controlling 70% of the disposable income in the United States.

2.1 Key Findings (cont.)



Consumers want knowledgeable help: Nearly 90% of survey respondents are more likely to buy when helped by a knowledgeable associate.



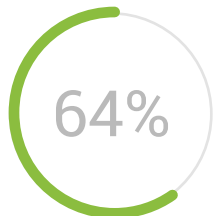
Consumers today do much research online prior to going into the store and approach the in-store experience as the final buying decision: Nearly 90% of consumers are more likely to buy when helped by a knowledgeable associate.



Consumers seek associates with expertise: 50% of respondents report what they value most in a sales associate while shopping is smart recommendations.



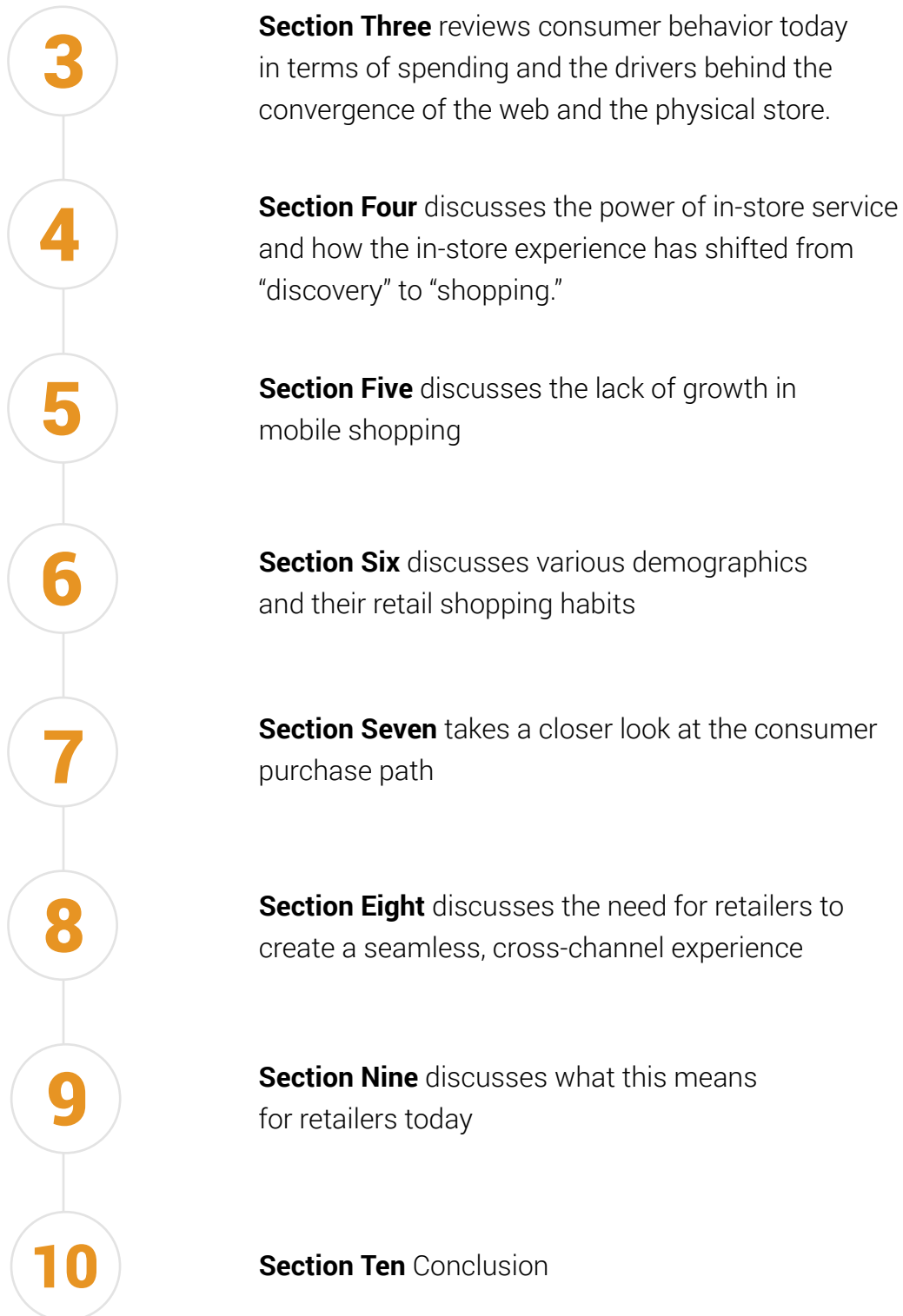
Consumers shop based on superior customer experience: 63% of respondents report that if an item is the exact same price at four different retailers, they will decide where to shop based on the overall customer experience they have in the store.



Knowledgeable help creates customer satisfaction: If a knowledgeable sales associate recommends items a customer may need or based on what the store knows about them, 64% of respondents report they will leave the store much more satisfied.

2.2 Report Scope and Structure

State of Retail 2015 is structured as follows:



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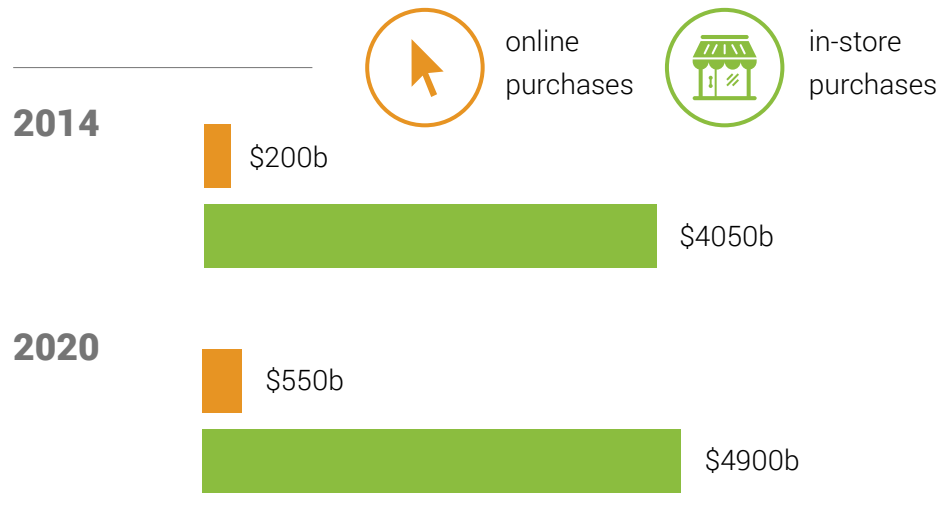
Consumer Behavior

3.1 Consumers look to spend in brick-and-mortar

When discussing the state of retail, it is important to investigate retail spending trends. Recent research by eMarketer¹ takes a look at how and where consumers in the United States are going to be spending money over the next 6 or 7 years. eMarketer's research reveals that disposable income spent by consumers in the U.S. for brick-and-mortar retail stores will be \$5 trillion by 2020 (**Figure 1**).

This chart points out two important factors; online retailing is going to grow and more than double, but the relative level of money spending in stores is still many multiples of what is spent online, even when projected out to 2020. The fact that consumers will be spending \$5 trillion in brick-and-mortar by 2020 means that retailers have to be prepared to accommodate shoppers and their changing needs.

Figure 1. Disposable Income for U.S. Shoppers



According to a recent report from the U.S. Department of Commerce², in 2014, e-commerce accounted for only 8.3% of total retail sales. In other words, despite the rapid growth rate of the e-commerce market, the lion's share of retail sales is still done within traditional brick-and-mortar stores.

TimeTrade recently conducted its own survey of 1,029 consumers regarding their perceptions and habits around retail shopping. Results indicate that more than 87% of respondents plan to shop in stores at least as often as they did in 2014.

¹"Retail Sales Worldwide Will Top \$22 Trillion This Year," eMarketer.com, December 23, 2014

²Quarterly Retail E-Commerce Sales 4th Quarter 2014, U.S. Department of Commerce, February 17th, 2015

3.2 Retail Convergence

The statistics by eMarketer, the Department of Commerce and TimeTrade prove that retail brick-and-mortar stores are still very relevant. Traditional e-retailers are well aware of this trend as they are now opening their own retail shops. E-tailers who are known for their online dominance, such as Amazon and Warby Parker, are opening physical stores, starting in key markets. Amazon will soon be opening its first brick-and-mortar store in New York City, as well as multiple locations in California.

The primary reason these online giants are vertically integrating stores to the physical realm is because they understand that the personalized part of shopping (especially for highly personalized goods such as glasses) is very important to consumers and the in-store experience allows for such an opportunity.

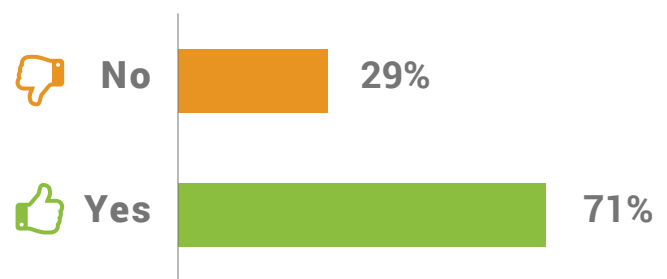
Also, with its entry into the smartphone market with its Fire phone, it is possible that Amazon is also setting up shop to model Apple stores and are looking to provide customers with a showroom that allows them to tryout products or have a face-to-face interaction with a store associate. Amazon is also known for its Kindle tablet and this would allow for display of these devices as well.

Amazon is a perfect example of the notion of retail convergence, which is the converging of web and physical retailing. Retailers need to take note of this extremely important and growing trend.

When asked if they would shop at an Amazon store, 71% of TimeTrade survey respondents reported they would prefer to shop in Amazon's physical store versus Amazon.com

The main driver for retail convergence is that purchase behavior has changed. Consumers are now more educated and now view the in-store experience as the final buying decision point. When asked if they would shop at an Amazon store, 71% of TimeTrade survey respondents reported they would prefer to shop in Amazon's physical store versus Amazon.com (**Figure 2**). Also, 65% of respondents indicate that if an item they want is available online or in a nearby store, they prefer to shop in a store.

Figure 2. Would you shop at an Amazon store?

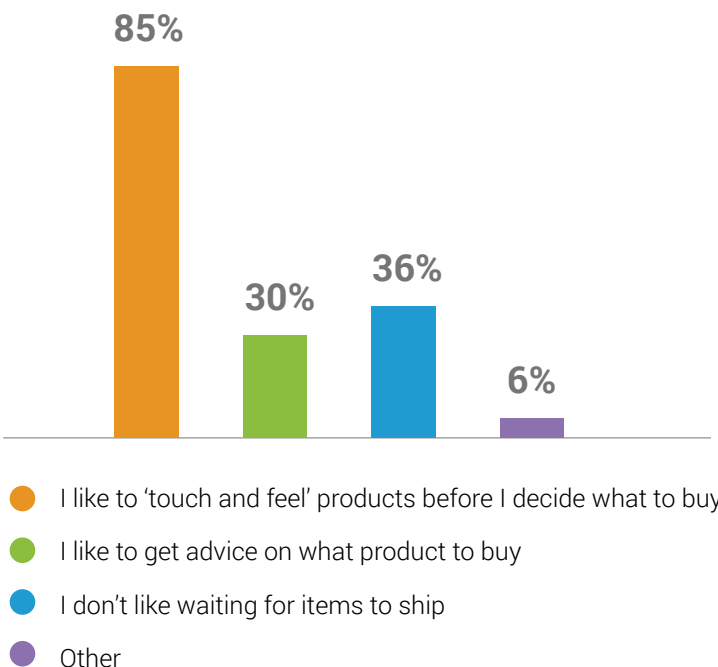


“The web and physical retail are converging, and we see this more now than ever. Shoppers are empowering themselves to glean knowledge online, ratings and reviews, pricing, and general availability –then making their final decisions in the store. Online retailers, like Amazon are adapting by opening their own retail stores, launching Amazon lockers, and getting into local real time delivery.”

- Jeremiah Owyang, Founder of [Crowd Companies](#)

At the same time, 85% of TimeTrade respondents indicate they like to shop in the store because they like to ‘touch and feel’ products before they decide what they want to buy (**Figure 3**).

Figure 3. *Why do you prefer shopping in the store?*



3.3 Purchase Behavior Has Changed

The fact that consumers prefer to shop at a physical Amazon store versus online, when Amazon has such roots in e-commerce, is further proof that purchase behavior has changed. Purchase behavior has changed drastically over the past four years. What has changed primarily is that consumers do most of their shopping or “discovery” online. Shopping, as in, looking through merchandise, seeing what size might fit, learning about different options or specifications (if it is consumer electronics) and looking at pricing and online discussion forums. This is where the shopping gets done. Now that the consumer is highly educated, that is when they go to the store for final purchase validation.

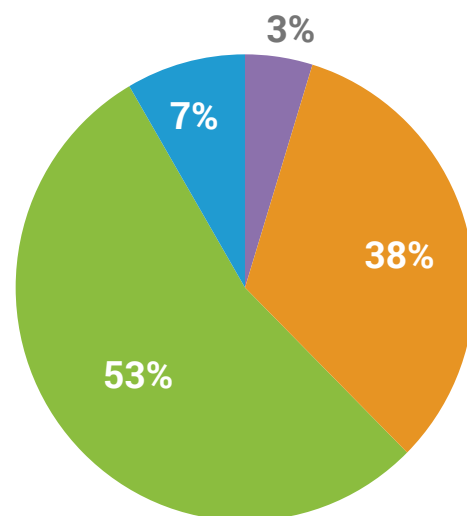
53% of TimeTrade survey respondents report that after they have browsed online before making a purchase, they have narrowed their selection down to 2 or 3 products but need help making a final decision

Once customers are in the store, retailers must keep in mind that customer in-store behavior has shifted from “discovery” to “final purchase decision.” By the time a person walks into a store they are well versed on what they want to buy, they have not made a final decision but they need emotional validation for the purchase. This is why they go into the store and seek out experts that can help them. So this modern store behavior is really about buying much more so than it is about shopping. For this reason, customers today need prompt service from the right person because they, for the most part, know what they want, they just need help with the last steps in buying.

- I know exactly what I want to buy
- I've narrowed it down to 2-3 products and need help making a final decision
- I know the need I'm trying to fulfill, but I don't know what to buy to meet that need
- I usually don't know what I'm looking for when I go to the store

This has led to a new reality for retailers and what they need to offer in the store. Previously, it was the idea that people would come into the store and shop and retailers would display as many items as possible. Today the physical store not only has to have physical goods, but now there is a shift in focus on the in-store staff. Store managers and store associates must have the right knowledge to help these educated consumers with their final buying decisions. Associates must be able to answer questions that are deeper than product specifications and be knowledgeable enough to have an in-depth dialog with these already educated consumers. How store employees handle in-store behavior is more crucial than ever as consumers will take their business elsewhere. Prompt and knowledgeable service will lead to customer satisfaction as well as store and brand loyalty. It is a matter of retailers providing this level of service.

Figure 4. When you browse online before making a purchase, how much do you know about what you want to buy before you go to the store?



4

Power of In-Store Service

TimeTrade has discovered through its own research and talking to customers that 85% of consumers who come in to buy and do not get the right sales person with the right knowledge and expertise will go elsewhere. This is why providing the right in-store service is so crucial. Customers today need a service guarantee that they will have prompt help from a knowledgeable employee who can provide them with product expertise. The reason is that the customer is coming in to buy and they are looking for final validation, for example, maybe they are narrowing down their purchase choice to three cameras

and want to learn more about each camera's reputation, etc. Fifty-one percent of TimeTrade survey respondents indicate that if a knowledgeable associate helps them, they are extremely likely to buy **(Figure 5)**.

Not only does the in-store visit benefit the customer who may get additional expertise, but it benefits the retailer as it enables cross-sell and up-sell opportunity. The TimeTrade survey reveals that 60% will buy more than they originally planned to if they genuinely like the sales associate assisting them. **(Figure 6)**.

Figure 5. When helped by a knowledgeable associate, how likely are you to buy?

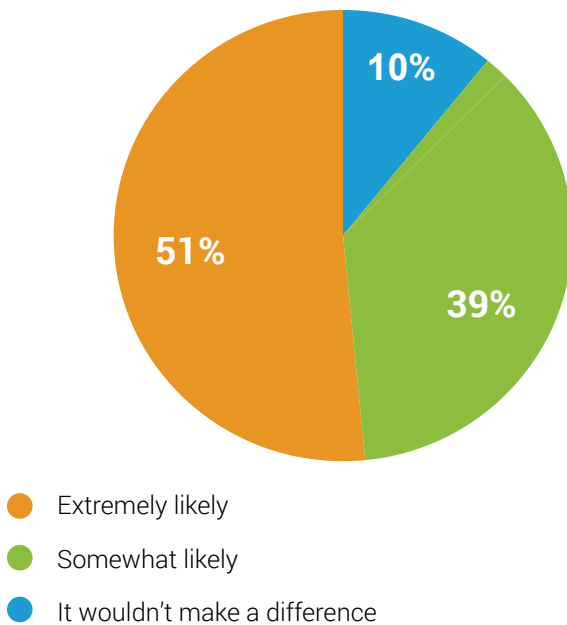
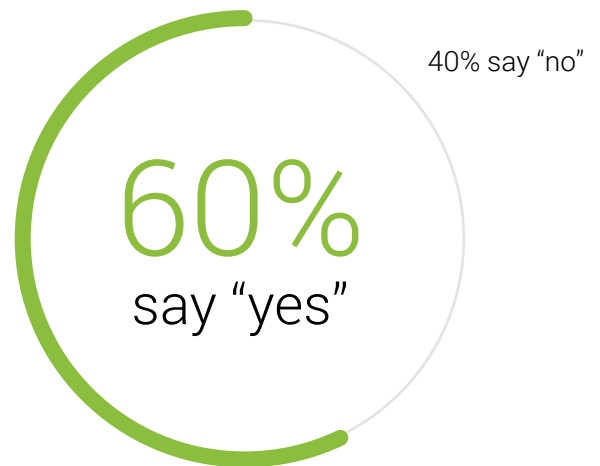


Figure 6. If you genuinely like the associate helping you, are you likely to buy more than you planned to purchase?



TimeTrade sees retailers restructuring around in-store collaborative selling. This type of collaboration between store managers and store associates is to ensure that all customers coming in the door receive the proper level of service. Some of largest brand names with the largest retail operations are going in this direction of collaboration. TimeTrade refers to this as the ["Appleization" of retail](#). Meaning, no modern retailer has made more strides at creating an exceptional in-store customer experience than Apple.

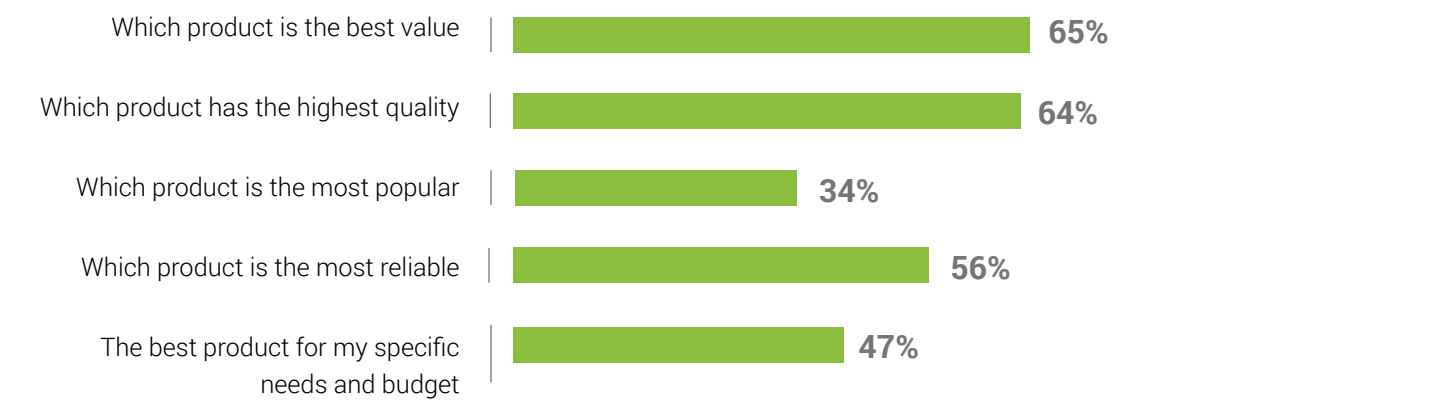
The cornerstone of the Apple experience is the service and attention customers receive while visiting the Genius Bar. Apple recently made changes to its Genius Bar this past year with an effort to further enhance the in-store experience and prioritize customer service based specifically on customer need. In addition to previously scheduled service appointments, Apple Genius Bars will now accept walk-ins to do a quick triage on a problem. Customers will receive text updates to keep them in the loop on expected wait time, be sent a reminder and then a final notification confirming an Apple Genius is available.

For shoppers, this seems like a simple, necessary, move based on evolving customer service expectations. After all, consumers value their time and expect retailers to understand this, but this is not always the case. However, achieving real-time collaboration at the sales-floor level is more difficult than it sounds. Apple is setting the stage and smart retailers will follow suit.

Retailers have to adapt to this changing market and take after this Apple business model to better leverage customer data and prioritize the customer experience. Making this change will require the right tools, which allow for the combination of big data, mobile technology and a cohesive effort among sales teams.



Figure 7. When being helped by an associate, I expect them to know:



Connecting customers with sales associates that have exactly the right knowledge and expertise to help them is just the beginning, the store then has to provide great in-store service and then follow up with the customer if needed.

According to the TimeTrade survey, consumers leave more satisfied after being helped by a knowledgeable associate and 91% are more likely to shop at that store in the future.

Respondents also report that if a product is the exact same price at four different retailers, more than 63% of consumers will decide where to buy based on the overall in-store experience they have with a retailer. And, even in this fast paced world, half of respondents value smart recommendations over fast service (50%).

Survey respondents also expect sales associates to provide valuable insights and recommendations based on product value and quality, more than popularity and reliability. Nearly two-thirds of respondents expect that sales associates can recommend which product has the best value and which has the highest quality (65%, 64%, respectively) (Figure 7). And, more than half of respondents (56%) expect them to know which product is most reliable.

Contrary to popular belief, the large majority of consumers expect to get the same experience whether they are shopping at a high end or typical department store.

Either way, consumers are much more concerned with the value of the in-store experience, seek superior customer service and equate this with overall customer satisfaction. Sixty-four percent of survey respondents indicate that if they receive help from a knowledgeable sales associate that recommends items that they need or want based on what the associate knows about them, they will leave the store much more satisfied (**Figure 8**). This proves that personalization is highly valued by today's customer.

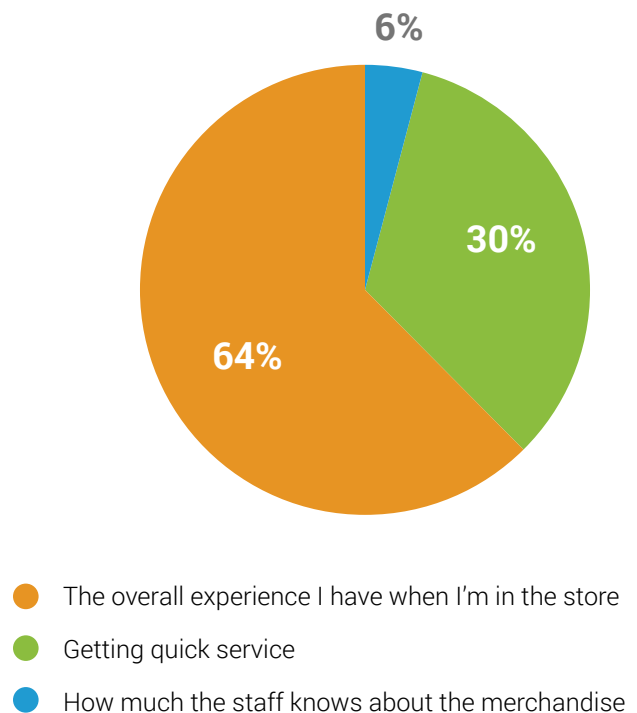
Figure 8. *If a knowledgeable sales associate recommends items you may need or want based on what they know about you, what kind of impact would that have on your shopping experience?*



Responses from the TimeTrade survey reveal that:

- What 50% of consumers value most in a sales associate while shopping is smart recommendations
- If an item is the exact same price at four different retailers, 64% of consumers will decide where to shop based on the overall customer experience they have in the store
- If an item is the exact same price at four different retailers, 64% of consumers will decide where to shop based on the overall customer experience they have in the store (**Figure 9**)

Figure 9. *If an item is the exact same price as four different retailers, how will you decide where to shop?*



5

Mobile Shopping Slow-to-Grow

Despite the ubiquity of mobile devices, consumers still seem hesitant when it comes to actually making purchases on their phone. According to the TimeTrade survey, more than 42% of consumers have never purchased something on their mobile devices. And, of those who have, nearly 70% have only done it 1-5 times.

Respondents indicate when they are looking to buy something; only 13% will make a purchase from their mobile device. However, mobile devices are being used to compare prices (61%), research products (50%) and look for the nearest store location (46%) (**Figure 10**).

Respondents indicate when they are looking to buy something; only 13% will make a purchase from their mobile device.

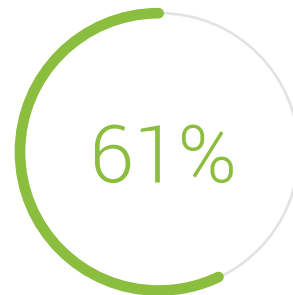
And, in many ways, Millennials are leading the charge on mobile shopping. According to survey results, Millennials are nearly 2 times more likely to use their mobile devices to actually make purchases than consumers 35 and older. Nearly 62% are using mobile devices to research products before buying. And, nearly 70% use their mobile devices to compare prices.

Figure 10. *When I'm looking to buy something, I use my mobile device most often to...*

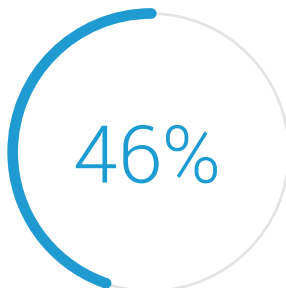
Research different products



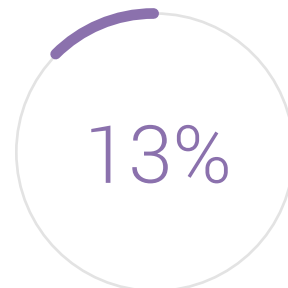
Compare prices



Find the nearest store location



Make my purchase



6

Demographics

6.1 Millennials

Defined as those born between 1980 and 2000, Millennials will make up one third of the population by 2020 according to the U.S. Census³. And, Millennials account for more than \$1 trillion in U.S. consumer spending according to the Boston Consulting Group⁴.

Like the generations before them, Millennials make purchases according to the retail and technology environment they are familiar with. When it comes to retail shopping, it should come as no surprise that Millennials prefer being able to engage with brands through digital channels versus traditional marketing tactics such as print advertising or in-store promotions. Retailers also cannot rely on the traditional “quality products at a good deal” approach, an effective marketing component of Baby Boomers. Instead, Millennials are forcing brand marketing strategies to become much more digital and social savvy and engage them over channels such as Twitter, Facebook, Instagram, etc.

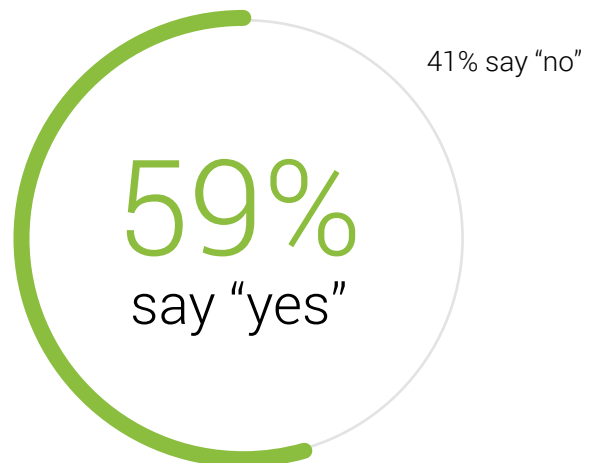
The TimeTrade survey revealed the following statistics about Millennials:

- More than 92% of 25-34 year olds plan to shop in stores at least as often in 2015 as they did in 2014
- Millennials expect more knowledge from sales associates: 74% want to know the best value, 69% want to know the highest quality, and 62% want to know which product are most reliable
- Of the 25-34 year olds making \$100K or more, 100% will shop at least as much, if not more, in stores this year versus last

Millennials are also causing retailers to re-think their distribution strategy and store locations as this demographic is drawn to non-mall, mixed-use neighborhood lifestyle shopping areas which are being developed according to consumer preferences.

Millennials like individual attention and increasingly want specific, exclusive “just-for-me” products. For example, the TimeTrade survey reveals that 25-34 year olds are likely (59%) to book online appointments (**Figure 11**). This reveals that, despite their time spent on digital channels, when given the self-service opportunity, Millennials will convert a digital touch point into a high-value, in-person meeting.

Figure 11: *If you could book an appointment with a sales associate before going to the store, would you use it for your next visit?*



³Current U.S. Population By Age, U.S. Census Bureau, June 2014

⁴The Reciprocity Principle: How Millennials Are Changing the Face of Marketing Forever, BCG Consulting Group, January 15, 2014

6.2 Baby Boomers

Baby Boomers are described as those who are born between 1944 and 1964. Baby Boomers are the largest demographic in the U.S. and they have the most money to spend. Baby Boomers outspend other generations by an estimated \$400 billion each year on consumer goods and services (U.S. Government Consumer Expenditure Survey)⁵. And, in a recent report by Gallup⁶, Baby Boomers are spending more than they were a year ago.

This spending power is impressive and should not be ignored, but retailers must keep in mind how Boomers spend their money and how they are influenced. Baby Boomers grew up in an era where media was different than their younger counterparts, therefore different types of advertising influence them in different ways. For example, eMarketer.com⁷ reports that while Internet users age 50–69 go online to compare prices, what really sways their purchasing decisions are commercials on television.

Pre-purchase research online is now common among boomers. As a recent survey by Prosper Insights & Analytics⁸ found that nearly half of US boomer internet users researched online before buying electronics. More than one-fifth said they did this before purchasing apparel or appliances.

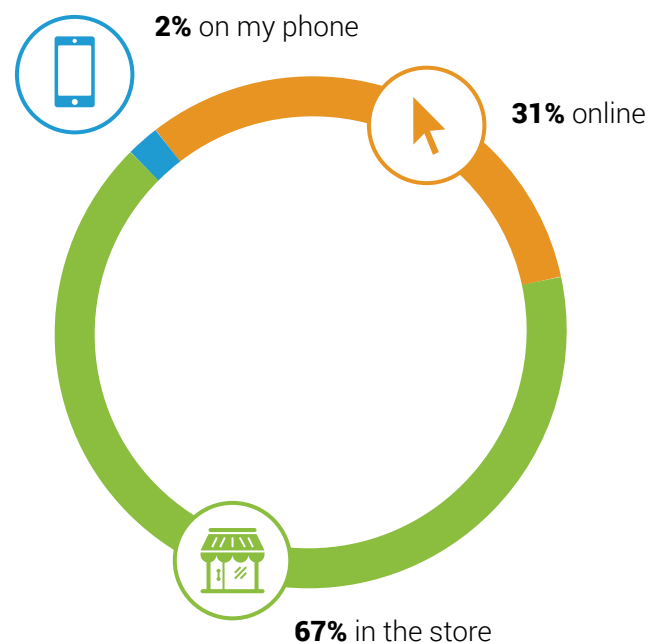
Boomers' online research is distinct compared to other generations though. A recent survey by Market Strategies International⁹, indicates that Baby Boomers are more likely than Millennials to use "consumer websites and publications" and much more likely to cite these as "primary" sources.

For the majority of Baby Boomers, purchasing happens in the store.

67% of TimeTrade survey respondents between the ages of 55 and 64, report that if an item they want is available online or in a nearby store, they prefer to shop in the store.

Figure 12: In general, if the item you want is available online and in a nearby store, do you prefer shopping in a store, online or on your phone?

(Respondents Age 55-64)



⁵Consumer Expenditure Survey, U.S. Labor of Statistics, 2014

⁶"Baby Boomers Are Opening Their Wallets," John H. Fleming, Gallup.com

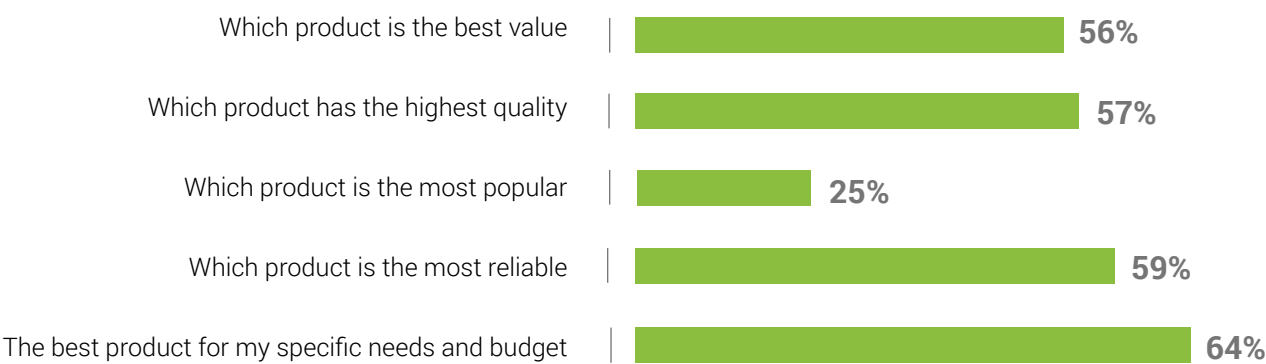
⁷"For Digital Shopping, Baby Boomers Favor Desktop Over Mobile," August, 14th, 2013, eMarketer.com

⁸Consumer Snapshot, Prosper Insight & Analytics, consumersnapshot.com, April 2015

⁹"How Old-Fashioned Are Baby Boomer Shoppers?" www.marketstrategies.com, July 18, 2014

Figure 13. *When being helped by an associate, I expect them to know (please check all that apply):*

(Respondents Age 55-64)



At the same time, 89% of TimeTrade respondents between the ages of 55 and 64 indicate they like to shop in the store because they like to ‘touch and feel’ products before they decide what they want to buy. This is 4% higher than the survey’s global result.

And, 60% of this survey segment values smart recommendations over fast service, This is 10% higher than the answer by global respondents.

However, one statistic that stands out is that 64% of survey respondents ages 55-64 want store associates to know the best product for their specific needs and budget (**Figure 13**). This is 17% more than global respondents, indicates that while Baby Boomers have a lot of disposable income, they are still budget-minded and, at the same time, want stores to know their needs.

6.3 Gen Xers

Gen Xers are defined as those born between 1965 and 1979.

In between two larger generations, the Baby Boomers (76 million strong) and Millennials (74 million), Gen X is still a demographic to be taken seriously. The head count for Gen X is estimated at more than 66 million. And, they represent 18 percent of total US spending power— which is \$736 billion, according to American Demographics.

“X is a term that defines not a chronological age, but a way of looking at the world,” says political cartoonist and commentator Ted Rall in his article, “Marketing Madness: A Post-Mortem for Generation X.” Researchers, writers, market pundits and social commentators have described this generation and their “way of looking at the world” as cynical, entrepreneurial, apolitical, educated, tolerant, skeptical, and practical, to mention just a few. Figuring out what shapes their beliefs and values, how they think today and, most importantly, what they are buying and where they are buying it, is what every manufacturer, advertiser and retailer wants to know.

Twenty-nine percent of Xers have bachelors or graduate degrees, six percent more than their parents do. “They raise the bar on knowledge,”¹⁰ notes Pamela Paul of American Demographics, not just formally educated, Gen X grew up in the “information era.”

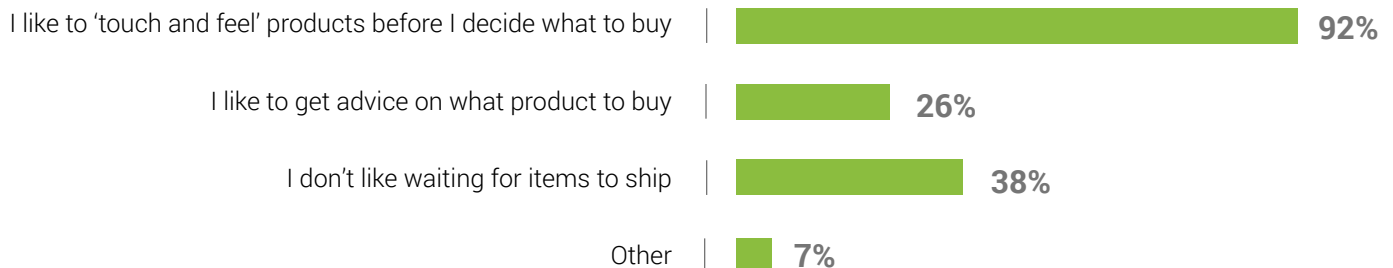
Gen Xers are known for researching anything, and everything in order to make informed choices on a number of levels, including purchases, activities, etc. Not only is this generation highly educated but they are also highly skeptical. Xers do not trust corporations to volunteer information, and recent corporate scandals reinforce that distrust, hence their need to research before buying. Before Gen Xers pay you their hard earned money, they want to know everything they can about what they are buying.

Nelson Barber, an associate professor of hospitality management at the University of New Hampshire, says that “Generation X is very motivated to search for purchase-related information and Generation Xers tend to use information as assurance that they are not being taken advantage of by marketers.”¹¹

How does this translate for retailers? Give this customer segment the details and be transparent in your marketing.

As far as where they shop, it could be anywhere. Xers are open to trying different distribution channels. Like Boomers, Xers are looking for a pleasurable shopping experience where they can go to a store in a convenient location; find what they need with value attached, and at an affordable price.

Figure 14. *Why do you prefer shopping in the store? (Respondents Ages 35-44)*



¹⁰“Global Generation Gap,” American Demographics, March 2012

¹¹Purchasing Habits of Generations X and Y Differ Widely, Nelson Barber, UNH, 2011

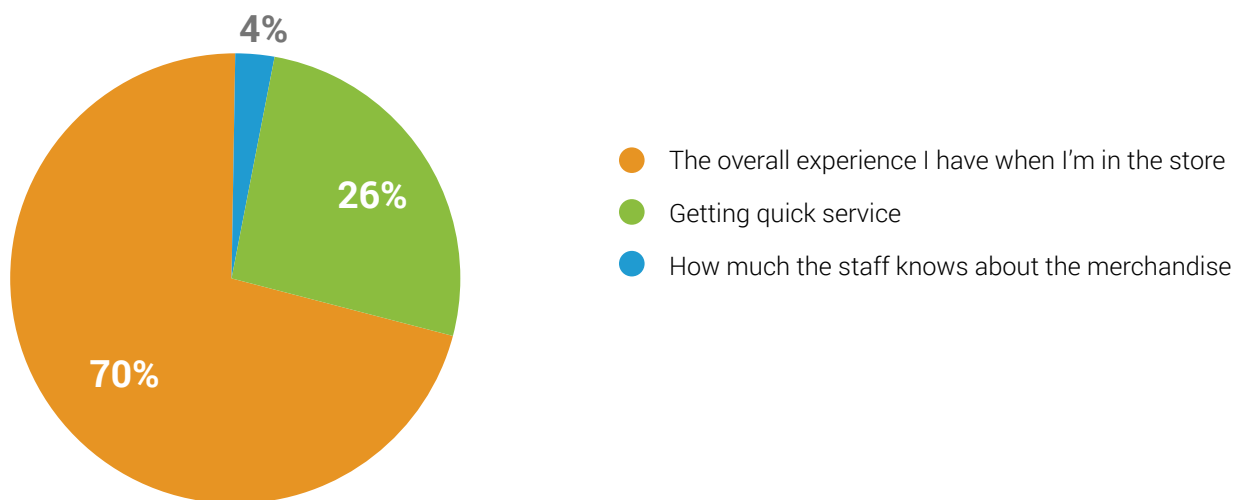
When respondents ages 35-44 were asked why they prefer to shop in the store, an overwhelming 91% of this age group replied that it was because they like to touch and feel things.

For the TimeTrade survey, when respondents ages 35-44 were asked why they prefer to shop in the store, an overwhelming 91% of this age group replied that it was because they like to touch and feel things (**Figure 14**). This statistic is 7% more than the global survey respondents, indicating that Gen Xers value the in-store experience.

For specialty retailers who want to attract Gen X, they must really stand out from the crowd and provide products and customer service in a way that will

resonate with them. As opposed to 65% of global respondents, 70% of TimeTrade survey respondents between the ages of 35-44 report that if an item is the exact same price at four different retailers, they will base their decision on the overall experience they have in the store (**Figure 15**). Known for already being skeptical, a positive in-store experience is what will create brand loyalty for Gen Xers.

Figure 15: *If an item is the exact same price at four different retailers, how will you decide where to shop?*



7

Closer Look at the Path to Purchase

With much discussion of consumers' perceptions and habits around retail spending, it is also important to examine their path to purchase. The path may be described as starting with the first touch point of discovery (web site for example), followed by the in-store visit, then the touch point with the store associate, then the final purchase. The key element of the path to purchase is being driven into the store. Once the customer is in the store, the store personnel helping and assisting customers is the purchase phase and then the customer enters the post-purchase phase where they leave the store and then the retailer can use tools to help measure the customer experience and adjust what they are doing to get the customer to come back and create loyalty.

During the path to purchase the store manager manages the store, makes sure people are available and makes sure the store environment is running well and if someone is late, making sure an associate is available to customers.

During the path to purchase the ideal customer experience or service guarantee is that, when a customer walks into the store, a store associate is going to be there to help, the associate is going to be dedicated to them, they are going to have the right knowledge and they will have a period of time carved out for which they will provide 100% attention on the customer.



A C-level manager can have insight into the path to purchase by using an analytics tool to make an overall assessment of how well a brand and their retail networks or even the individual store or even associates are working. Much of this data comes from data collected during the visit and when the customer leaves the store they fill out an NPS survey and all that data is combined to produce a very interactive picture for C level managers to analyze how things are going.

There are a lot of companies that are doing customer creation, marketing and customer capture in social media out reach response or inbound marketing while other companies give a lot of analytic capability. In order to improve customer experience, retailers need to work with vendors who will help enhance the path to purchase.

What retailers need is an operative platform that manages the customer experience and gives tools to the retailer to create a superior customer experience during a customer's in-store visit. Something else uniquely happens during the visit is purchase attribution. With today's available tools, it is possible to get a scheduling link somewhere in social media activated and have the customers come in and a retailer can match that activation point in social media to how much they spend in the retail store. Google ads are sold on clicks and exposures. Suppose those ads could now be sold on amount a person spends after they click on an ad, it changes the way online marketing and advertising gets done and TimeTrade sees this as a means of measurement for the future.



8

Omni-Channel

A recent study from global management consulting firm A.T. Kearney suggests that the best approach to retail may actually be a combination of physical stores with an online presence, or what it calls “omni-channel commerce.” According to A.T. Kearney’s study¹², physical retail stores play a key role in converting sales.

8.1 Bridging the Omni-Channel Chasm

Today the interaction of a tech-savvy customer is complex, convoluted and non-linear, traversing multiple different channels and touch points. To adroitly interpret customer preference and provide holistic customer experience, retailers are left with no choice but to stitch together customer data and more importantly customer interaction data spread across different channels. Today, most retailers’ channels operate in silos both organizationally and from a systems standpoint. Therefore it fails to project homogenous single-entity brand awareness, up-to-date information and a unified look and feel, which disappoints customers.

Retailers acknowledge that they need to understand their customers’ individual experiences on a continuous basis as they interact with their organizations both on and off-net. This puts retailers in the best position to manage all the touch points that can affect the customer experience, including the web site, call center, mobile app, retail store, kiosk, etc.

Today retailers’ goals should not be restricted to just creating loyal customers. They need to aspire to go beyond that and create active advocates by creating a more personalized relationship with their customers that are context-driven in nature. In today’s social media-aware age, consumers have the power to make and break a brand. Retailers thus need to build an emotionally weighted relationship with each customer. Hence, providing a superior in-store experience is an effective way to drive a more personal relationship with customers, as well as a means of gathering more information for a customer profile which allows for more personalized offers and consistent service across all channels in the future.

¹²On Solid Ground: Brick-and-Mortar Is the Foundation of Omnichannel Retailing, A.T. Kearney Consulting, 2014

Bridging the cross-channel silos that exist today to create a combination of unified touch points that together creates a seamless customer experience should be a critical step in their quest to deliver on a superior customer experience.

Not so long ago, when these social channels did not exist, a customer of a service or brand could communicate their positive or negative experience via word of mouth to an average of seven people; in today's social media age, the same customer can reach out to thousands of people in a matter of moments. The more positive that relationship, the more trusted the retailer becomes and the more successful the retailer is likely to be at keeping the customer's business, selling the customer further services over time and encouraging the customer to promote the retailer and its products to friends and associates.

Bridging the cross-channel silos that exist today to create a combination of unified touch points that together creates a seamless customer experience should be a critical step in their quest to deliver on a superior customer experience. Unifying cross-channel customer experience is an evolutionary process. Retailers need to strategically embark on such a unifying effort with adequate planning.

Consumers today have never had more channel options. They continue to expect more seamless interactions that build brand experiences and boost loyalty and retention. So it becomes a necessity for retailers to offer a robust cross-channel experience that delivers against customer expectations. Every touch point must enrich the shopper's experience, and every interaction must be viewed as pivotal in the customer's purchasing decision.

9

What This Means for Retailers

What does this mean for retailers? There is no doubt that all generations of consumers are more educated and more selective than ever. Consumers are using digital channels for research, but still looking to the in-store experience to help with final purchasing decisions. More than ever, retailers need to have a seamless flow between channels and, once the customer is in the store, provide a superior in-store experience.

In order to stand out, retailers must make sure they are providing customers with the right knowledge while keeping in mind that the majority of TimeTrade survey respondents prefer shopping in stores so they can touch and feel things. Retailers can enhance the in-store experience through prompt service and enable a smart hands-on experience that helps customers with their final purchasing decisions.

¹³Adam Silverman Forrester Research blog, "The Digital Store Platform Will Support The Retail Store Of The Future," November 2014

Adam Silverman, a Principal Analyst at Forrester, who covers in-store commerce technologies, comments:

"Forrester believes that, in the future, retail stores that drive convenience, service, and relevant personalized experiences through the use of digital store technology will succeed. Why? Because today, customers show an affinity for digital store technology. In fact, 66% of luxury apparel customers are more likely to shop with a digitally-enabled associate. Those retailers who wait on the sidelines are at risk of maintaining the status quo and may only grow marginally.

Although in-store experiential technologies exist today, most implementations will fail to provide a positive ROI because they lack meaningful use cases and do not create convenience for customers. Look for retailers in 2015 to focus on digital store technologies that help customers and associates complete tasks faster and with greater insight."¹³

66% of luxury apparel customers are more likely to shop with a digitally-enabled associate

- Adam Silverman,
Forrester Research

Gartner Research also notes in its report Top 10 Strategic Predictions for 2015 and Beyond: Digital Business is Driving 'Big Change' that:

“With the rapid rise of personal digital technology, customers have become savvier and more demanding about how they want to interact through technology. No longer can a business assume that the experience it has with its customers is good enough, or that it will not need to change in a short time.”

¹⁴Gartner Research Top 10 Strategic Predictions for 2015 and Beyond: Digital Business Is Driving 'Big Change,' October 2014

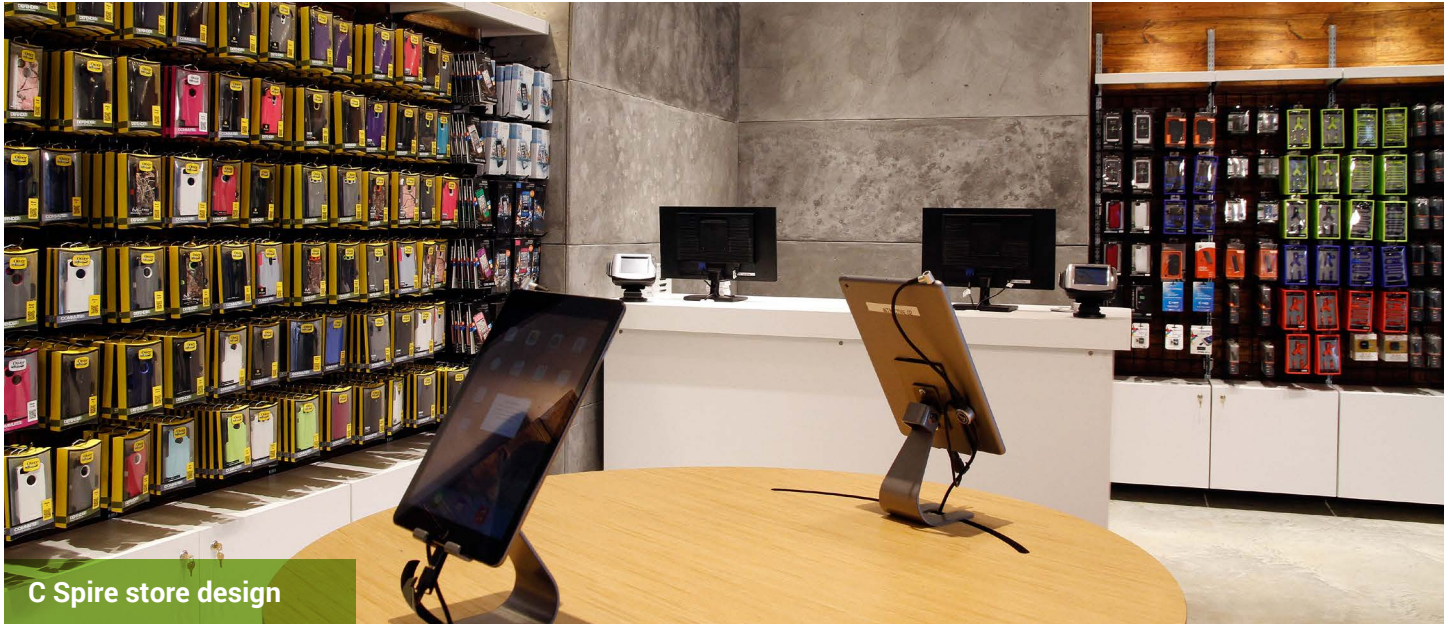
The practical digital business sees customer experience innovation as the next frontier, and half of all consumer goods product investments are likely to be directed toward improving the customer experience.”¹⁴

Richard Reynolds, Director of Retail Operations for C Spire, a regional U.S. telco, notes the changes they are making to their retail stores in 2015.

“We believe customers expect more today than ever before as far as their retail experience. That is why in 2015 we created a new store design. The new design brings to life a shopping experience like no other by creating a more interactive and inviting store environment. We designed our new retail experience around the people who matter the most to us – our customers. We looked at how consumers use technology and built our store from the ground up to reflect that reality. The new design delivers an interactive shopping experience that mirrors how customers live, work and play, and will help our company move closer to its goal of becoming known as one of the nation's premiere retailers.”



What This Means for Retailers (cont.)



C Spire reports that its store flow is designed with customer interaction in mind.

That is, the customer walks in to the store, and is first met either with a person who enters them to the queue, or there is a self-check in kiosk for them. Then, as they are waiting for their turn, they can walk around the store and interact with various other 'terminals'. For example, there is a bill payment kiosk that accepts check, credit card and cash. There are also terminals where they can log on to the web site and check their bill etc. All phones in the display are activated phones that customers can 'play with'. And, there are also terminals with iPads that runs 'tech pro' videos. Customers can also run credit on themselves to see how many phones they would be eligible to buy.

Anthony Johndrow, Chief Enterprise Strategy Officer at Reputation.com, recently wrote a white paper titled Chain stores must transition from online liability to digital asset: A Hub White Paper¹⁵. In the white paper, Johndrow writes:

"Modern marketing is dominated by the rise of digital media over traditional channels — witness today's treasure chest of powerful cloud-based platforms that integrate mobile, local, and social — an obsession with the customer experience, and significant focus on data, automation, and proving return-on-investment. But let's not forget about the actual humans in the physical world that all of marketing is concerned with; the real people in your stores, having real experiences that make their way online.

¹⁵"Chain stores must transition from online liability to digital asset: A Hub White Paper" by Anthony Johndrow, April 24, 2015

“The boom in ecommerce has brought challenges—both brick-and-mortar leaders and major pure-play online retailers are learning that the future of the industry is not merely online, but rather in creative omnichannel offerings that link online and physical shopping.”

- Mike Moriarty, A.T. Kearney

When — or if — potential customers find your location on their smartphones via a local search (73 percent of all searches on Google are local), it's alongside online reviews and commentary that makes it sound like your store is a horrible place. It's not fair. Brick-and-mortar still matters, and its future as a digital asset — not a liability — is here today.”

Meaning the in-store experience is what will drive your store or brand's online or social perception, making it more critical than ever.

A.T. Kearney released the 2015 Global Retail E-Commerce Index¹⁶, a study designed to help retailers devise successful global online retail strategies and identify market investment. Mike Moriarty, A.T. Kearney partner and co-author of the study says:

“The boom in ecommerce has brought challenges—both brick-and-mortar leaders and major pure-play online retailers are learning that the future of the industry is not merely online, but rather in creative omnichannel offerings that link online and physical shopping. ”

This comment validates that the notion of retail convergence, the converging of web and physical retailing is very real and important.

¹⁶2015 Global Retail E-Commerce Index, A.T. Kearney Consulting, April 7, 2015

Natasha Baker of Forbes recently wrote an article “5 Tech Trends That Will Hit Every Retail Store By 2020.”¹⁷ The following is a summary of the technologies and trends that Baker lists:



Beacons

Sensors placed around stores that communicate information to smartphones—will track information such as which products customers linger around. The beacons can then push information on those products to customers’ mobile devices, allowing them to order from their devices and have merchandise shipped to their homes.



Analytics

Brick-and-mortar stores will use analytics to map where people walk and what they pickup so they can better position products in the store or track shoppers at the device level to target promotions to them. This data will be used to understand customers and increase sales.



More Intelligent Devices

Stores will use devices that can determine the demographic information of customers as they walk by, and target ads to them through a video console, similar to smart shelves being developed by Mondelēz International.



Technology as a Sales Assistant

Technology will increasingly automate a lot of routine and mundane processes that happen in retail stores. Whether it is more self-service check-outs, in-store mapping to make it easier for customers to self-navigate around stores, or beacon and NFC technology for greater self-education on products, technology will play a greater role in automating the retail experience.



Store Associates Can Focus On Customers

Retailers will be able to take advantage of managed infrastructure at the edge. This is a vitally important enabler because having to add relatively expensive IT staff can make deploying new technologies in retail environments cost prohibitive. Of course, sales associates will not disappear. Rather, with many of their routine tasks automated, they will be able to focus more on building relationships with customers while increasing sales and affinity for their employers.

¹⁷“5 Tech Trends That Will Hit Every Retail Store by 2020,” Natasha Baker, *Forbes.com*, April 3, 2015

Baker writes:

“E-commerce has certainly revolutionized the way we shop, but brick-and-mortar stores are far from dead. Increasingly, online retailers have begun opening physical stores for the first time, which signals that there may be a return to real world shopping – only this time, reinvented for the digital age.”

The following experts are from 451 Research’s Spotlight report *The New Digital Divide Blurs Lines Between Digital and In-Store*¹⁸ written by Sheryl Kingstone, Director of Research.

In summarizing issues that fundamentally must be addressed to meet the new mobile consumer mindset Kingstone notes:

“The industry needs to transition from a merchandising point of view to a customer-centric point of view. The shopping journey has changed more in the last 5 years than it did over the past 150 years. As a result, there can no longer be a divide between digital and brick-and-mortar. It’s important to meet the new consumer behaviors and expectations that doesn’t think among organization silos still rampant in today’s retail industry. Hudson Bay agreed that it’s essential to break down barriers across e-commerce, m-commerce and in-store across the mobile journey. It’s not about channel, but content; whether that be an app, mobile web, e-commerce or store. The entire company owns the customer journey, not the channel.”

¹⁸“*The New Digital Divide Blurs Lines Between Digital and In-Store*, Sheryl Kingstone, 451 Research

In referencing “What’s Hot for 2015” Kingstone writes:

“Clienteling is a sales strategy for increasing the volume or frequency potential of the in-store shopping experience by delivering 360-degree customer views and sales tools to associates. Mobile CRM platforms have become the center of many mobile engagement strategies, especially as they relate to sales enablement. Consumers have more information at their fingertips than the sales associates. Retail stores must empower front-line associates with the right information at the right time. Location technologies have also increased the value by enabling door triggers to know when VIP customers enter the store. The tablet can be the window to everything from past purchases to detailed product information along with guidance for selling. American Eagle empowered their lingerie departments with guidance for selling vs. traditional printed material. Many luxury brands have also invested in tablets for sales associates. The future is also about enabling consumers to request help based on location such as a dressing room or clothing rack. Next-gen solutions will provide unique approach to empower the sales associate. Mobile apps put critical customer intelligence into retail associates’ hands to raise the personal experience for the consumer. Benefits include inventory knowledge, cross selling suggestions along with potential special pricing. The goal is to enable real-time intelligence and location information, as well as personalized offers based on historical patterns and profile data.”

Kingstone notes the bottom line is: “With these exponential adoption rates of mobile devices, harnessing the opportunity across the customer journey will be the ultimate game changer. Retailers need to bridge the digital interactions with brick-and-mortar interactions with new innovative technologies along business process changes.”

10

Conclusion

Retailers must keep in mind that through the digital first touch all the way to the in-store purchase, it is all about the customer's path and how to provide the best service across all these touch points. Creating a high-value, personalized interaction will lead to a more satisfying experience for the customer.

The TimeTrade survey has revealed that various demographics have different shopping habits. Millennials are looking for products and service that is very focused on the individual, while Baby Boomers and Gen Xers have done much research and want purchase validation from an honest and transparent retailer. Though all have different shopping habits, what they all have in common is disposable income as retail sales continue to grow.

In order for retailers to survive and retain market share, they must be progressive in how they create the in-store experience, using modern-day technology while providing prompt service, all the while knowing a customer's needs before they even enter the store. Though this seems like a tall order, leading retailers are doing all of the above and are aware of consumers ever changing needs.

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Thank You

TimeTrade would like to thank those who helped contribute to the
State of Retail 2015 report.

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