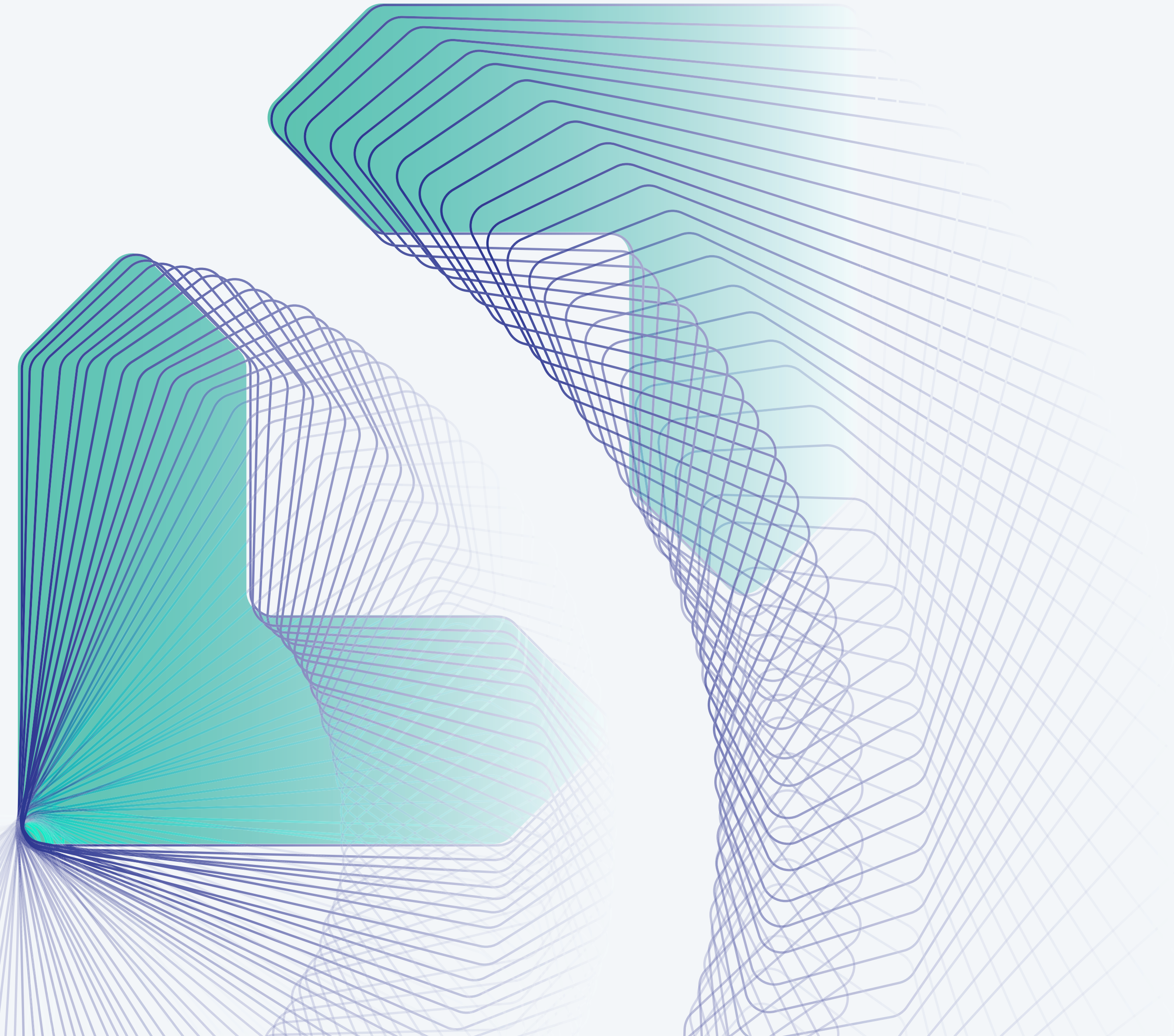
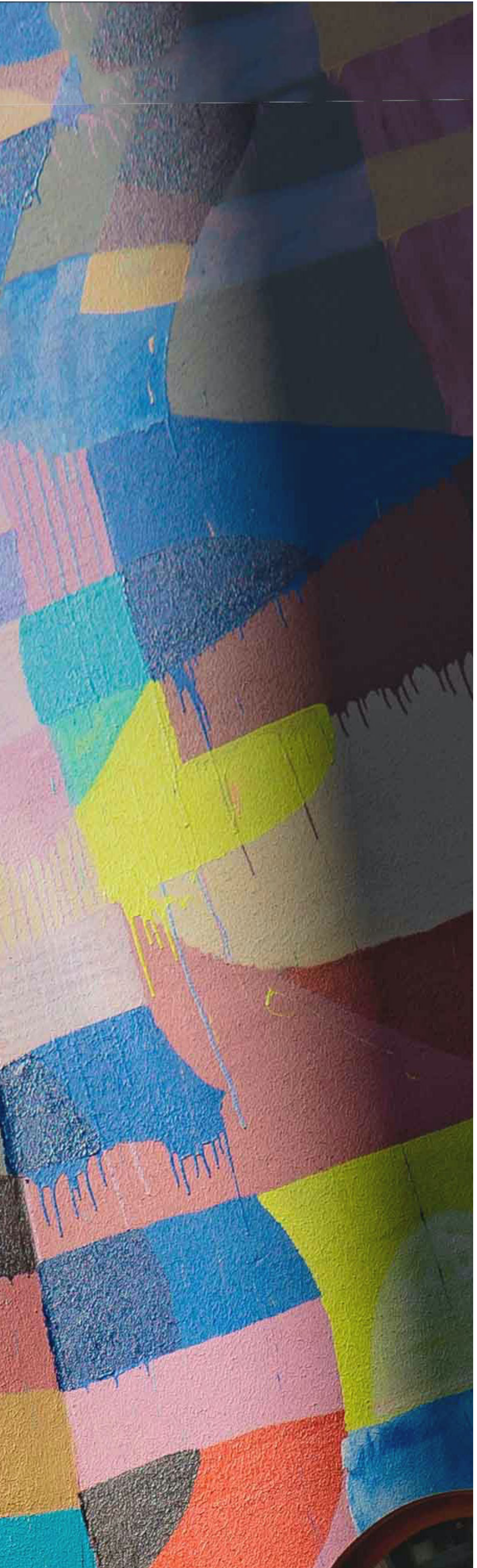


Digital Innovation For The Experience Economy

Retail

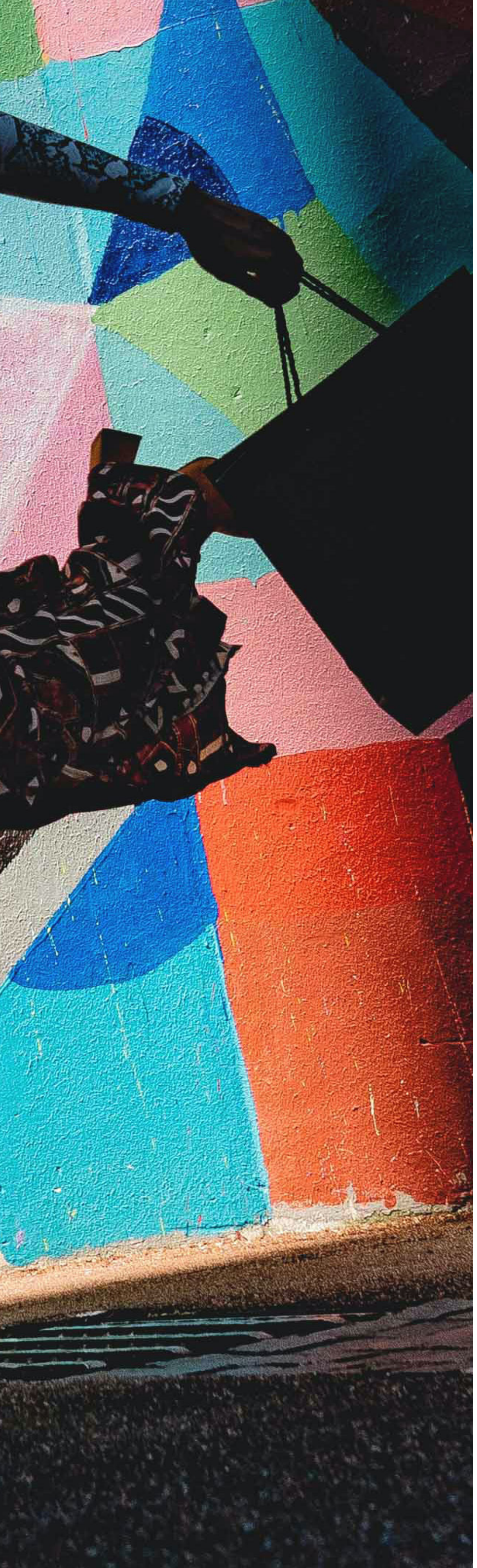


Consumer expectations of retailers and the shopping experience have dramatically shifted. Gone are the days when consumers measured and compared a brand's digital experience to those of its competitors within the same space. Today, consumers are comparing brands with the very best digital experiences across completely different industries.

Digital experiences are a brand's most valuable currency in 2021, but they fit into a larger omnichannel experience that needs to be seamless and add value to the consumer at every turn. Brands that understand their consumer are the ones most likely to get this experience right - and ultimately grow and thrive.

The CX challenges in Retail

When it comes to customer experiences (CX) that drive consumer behavior, retailers face many challenges. Though leading brands have been CX-driven for quite some time, the pandemic accelerated customer's digital-first behaviors and exposed where the experiences fell short.



Some of the biggest challenges facing retailers as we move into the post-COVID world include:

01

Adapting to changing customer expectations

The retail industry has seen more change in the past 18 months than it has in years. This has been out of necessity, but much of this change will be permanent and driven by customer preferences and convenience.

More and more, consumers will demand an uninterrupted connection between their online and in-store experiences. Too often though, these channels operate in parallel rather than in the seamless, cohesive way that consumers now expect. This kind of omnichannel experience requires the right tools and technologies work together to provide one experience across channels, not several parallel experiences.

02

Creating a single view of the customer

Creating a great CX is a team effort, yet many retailers struggle to bring the right data together to create a single view of the customer. Most brands have the relevant data but it is siloed and inaccessible, making actionable insights impossible.

In these cases, what's needed is a solid data and analytics strategy that will help the business understand in real time how their consumers are behaving, how the landscape is changing and what new opportunities that presents. To achieve this, data from multiple channels must be made accessible to all stakeholders in developing the CX journey.

03

Staying competitive with adaptive, agile technologies

Creating a seamless CX on the right technologies should be a priority for any brand. However, legacy technologies make things like content distribution, customization and scalability difficult - and a seamless experience impossible. To optimize digital experiences for shoppers, technology should be invisible. A seamless customer experience starts with a modern tech stack that syncs the various channels and customer data, making interactions feel consistent and unified.

To get CX right, you must first understand what the

customer values

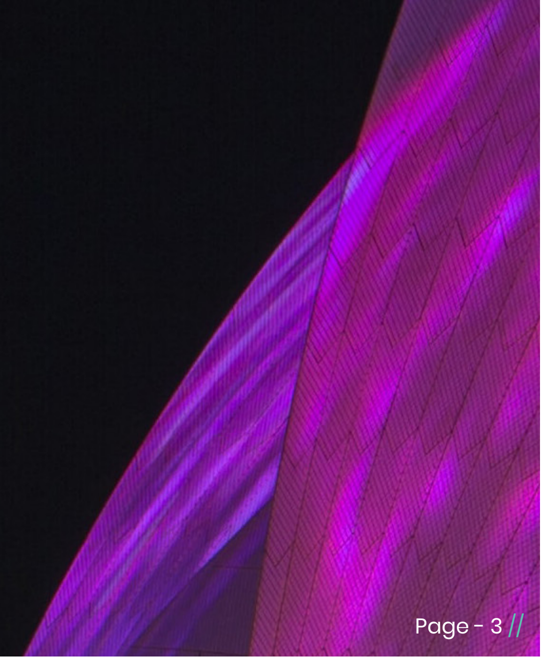
Appnovation's research measured Canadian and American Retail consumers' values and expectations of brands, specifically in relation to their digital experiences with retailers.

Key Takeaways:

- Over half of North American consumers say they make an online purchase at least once per week. This is especially high among US consumers (58%) and Gen Z consumers (63%). Though the pandemic drove consumers online at rates not previously seen, this digital-first behavior is not expected to go away.
- Only one in five consumers rate the current experiences offered by retailers as 'Excellent' indicating that there's room for improvement. This is especially true for Canadian consumers, who rate only 15% of digital experiences to be 'Excellent'. In fact, one in four Canadian consumers stopped using a retailer because they didn't like the digital experience that was offered.
- What's important in a digital retail experience varies among generations. Gen Z consumers value ease of experience above all else (34%), where as Millennials and Gen X value things like price and value (35% and 48% respectively). Many features that customers love - like price and value - are arguably table stakes. Where a brand can truly differentiate is the value-added experience that they provide to shoppers.
- Consumers expect that the future of retail is more digital and more personalized. Eighty five per cent of consumers believe that new features will be added to the retail digital experience and 72% believe that experiences will become more personalized thanks to data collected by retailers. This presents enormous opportunity for retailers who move fast to meet consumer expectations.

"Customer experience is one of the most important differentiators between your brand and your competitors. It's your best opportunity to relate to your consumers in ways that are unique to you and share the values that are most important to you and your consumers."

Scott Wassmer
General Manager, AMER



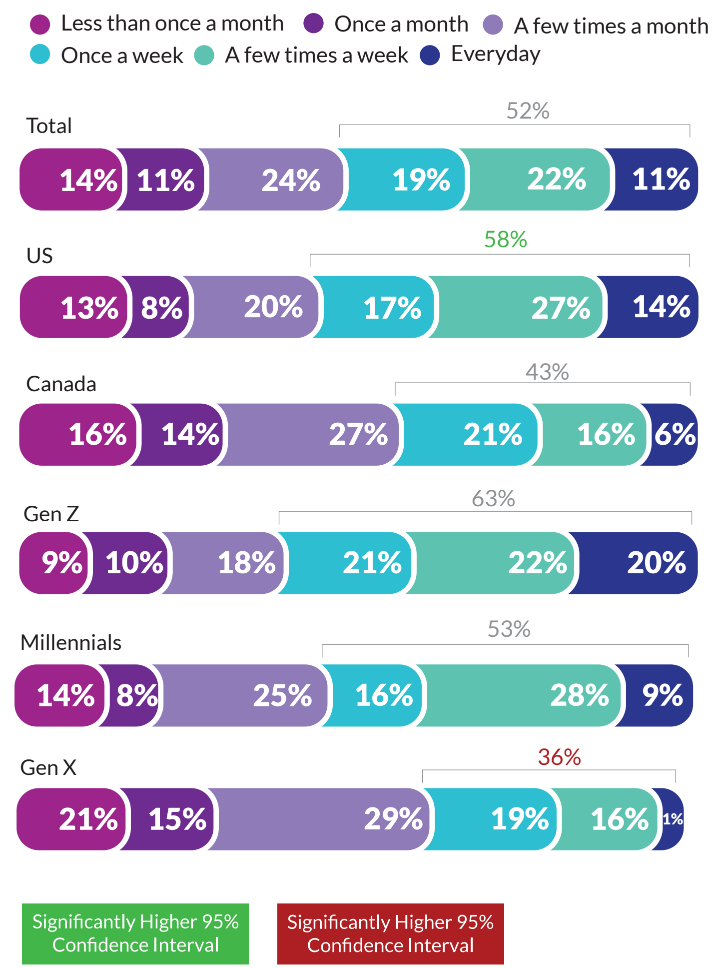
Digital channels are well adopted by shoppers, particularly those in the younger generations. Overall, 52% of consumers make an online retail purchase at least once per week.

Consumers in the US are far more likely than their Canadian counterparts to make weekly retail purchases online. Similarly, Gen Z is significantly more likely than other generations to make retail purchases online at least once a week.

"Gen Z is the first generation that is digital native, meaning they were born into a tech enabled world. Digital interactions with brands are ingrained into their DNA – it's often how they discover and start a relationship with the brands they interact with. This is also why we see their expectations around digital experiences as being higher than those of other generations."

Scott Wassmer
General Manager, AMER

How Often Consumers Make Retail Purchases Online



What is table stakes versus a true differentiator?

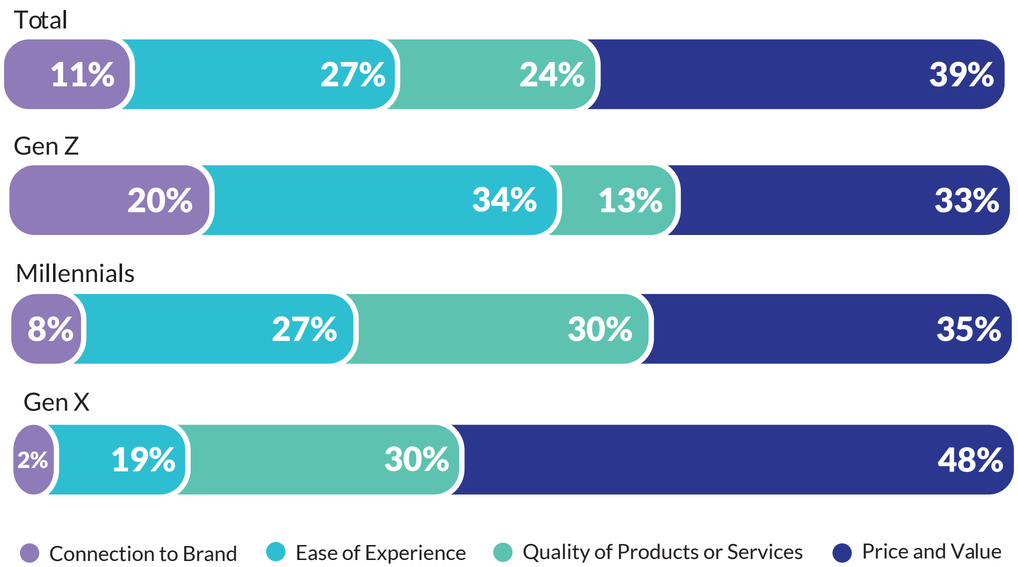
We asked consumers, when it comes to your online interactions with retailers, rank the following in order of importance.

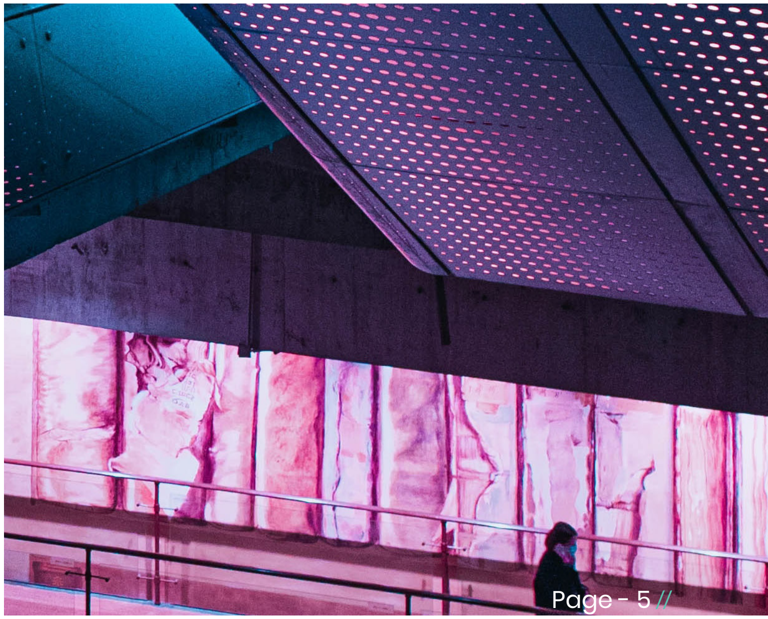
What emerged is a significant generational difference in terms of what consumers value.

Gen Xers valued Price and Value (48%) above all else, followed by Quality (30%). On the other hand, Gen Z ranked Ease of Experience (34%) as their top factor in an online interaction. In addition, they rated Connection to the Brand significantly higher than any other generation at 20%, compared to only 2% of Gen X and 8% of Millennials.

Many features related to digital interactions have become table stakes. All consumers expect a retailers will offer competitive pricing and that quality of the product will meet a certain threshold. What is coming through as a differentiator is how easy and convenient the retailers make the experience, as well as the strength and meaningfulness of the connection. This is particularly true for younger shoppers.

Top Factors of Online Interactions



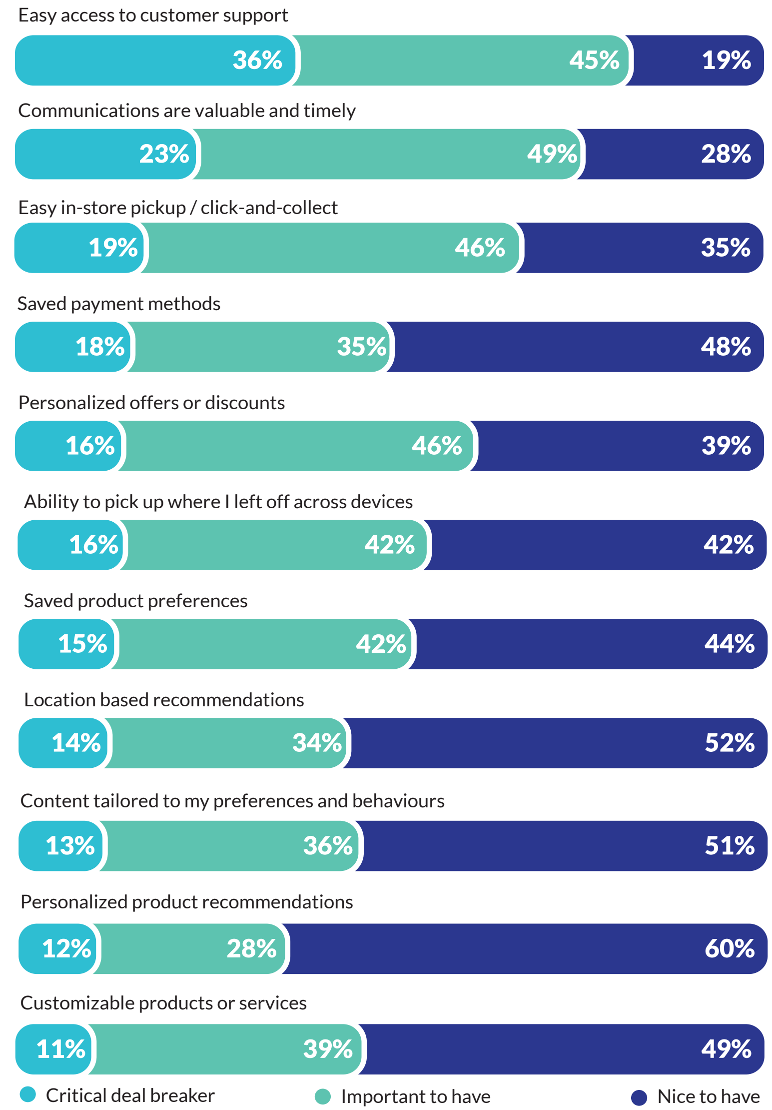


When it comes to a personalized digital experience, the top three deal breakers are lack of easy access to customer service, poor or irrelevant communications from the brand and a lack of easy pickup or click-and-collect options.

Top three features that are important to have are timely and valuable information from the brand, contactless pick up options and personalized offers and discounts.

Across the board, American retail consumers are more likely to consider poor digital experiences as a critical deal breaker. Gen X has lower expectations for a personalized digital experience, scoring things like location based recommendations, tailored content, personalized recommendations and customization of lesser importance than other generations.

Importance of Personalized Digital Experiences



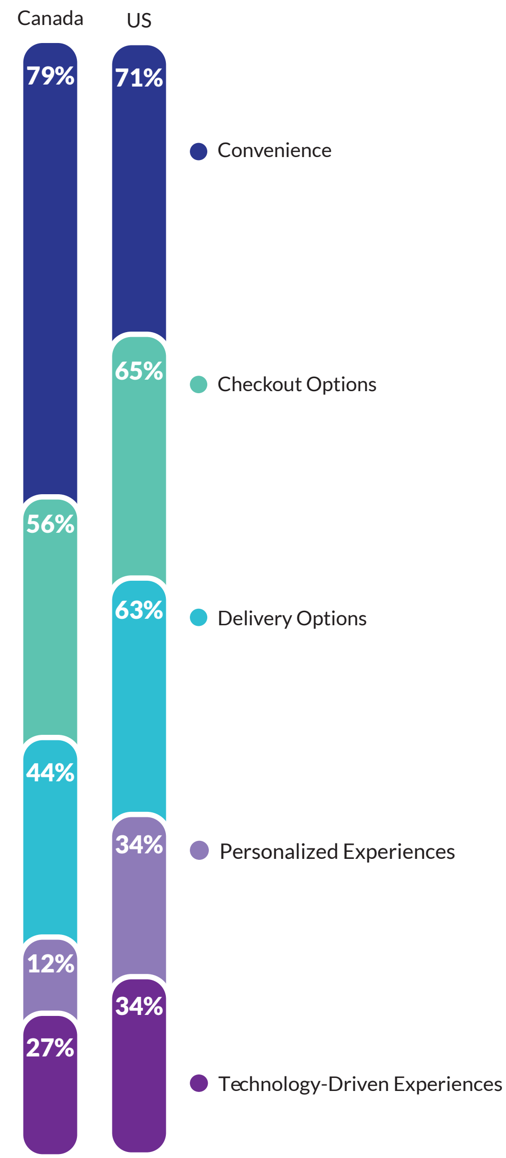
Over 70% of US and Canadian consumers agree that digital technologies have made their online shopping experiences more convenient.

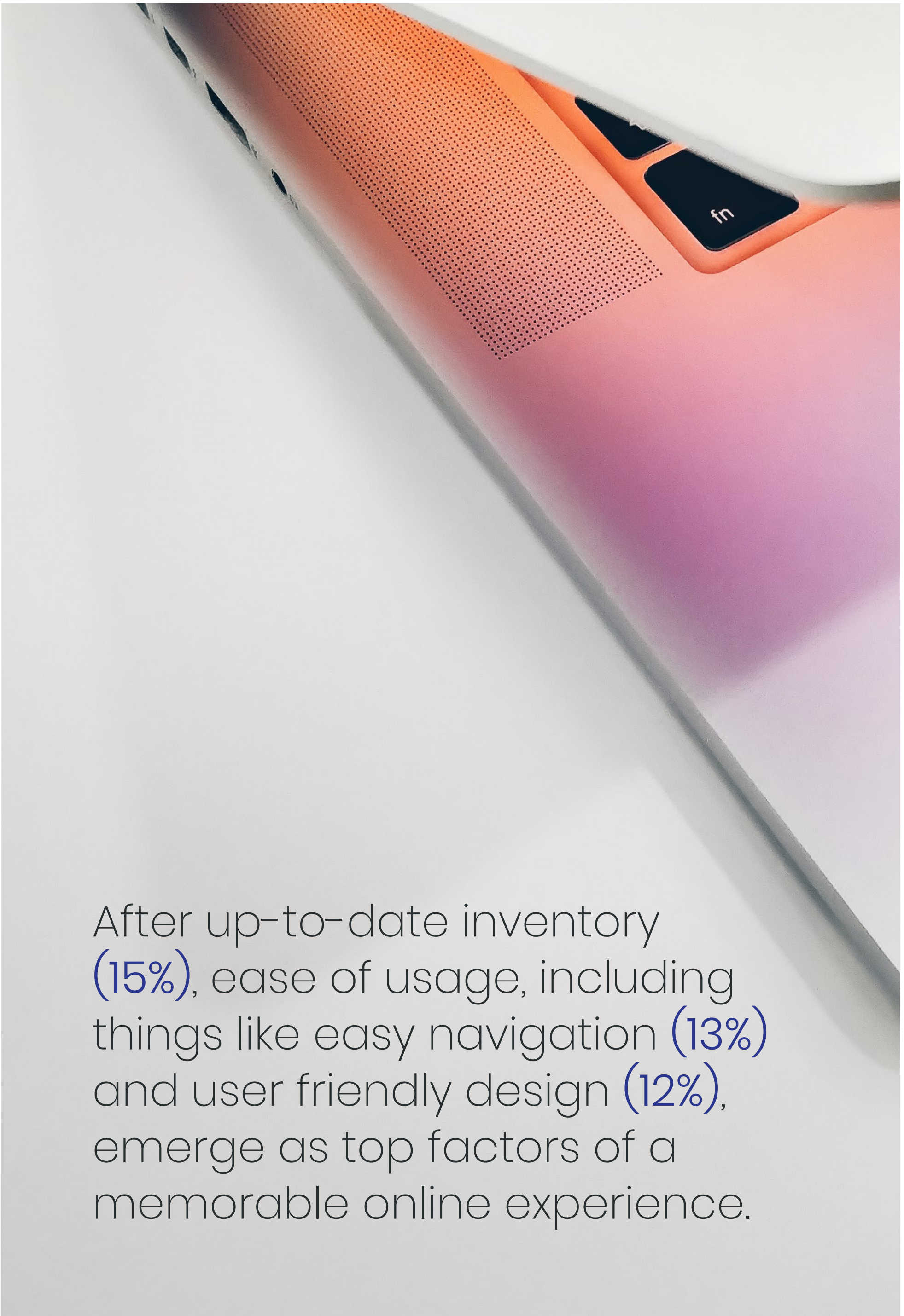
34% of American consumers say that digital has improved personalization of the shopping experience, compared to only 12% of Canadian consumers.

63% of American consumers say that digital has given them more delivery options compared to only 44% of Canadian consumers.

While consumers in the US are more appreciative of mobile check out and touchless tech, Canadians like how digital has helped with contactless deliveries and curbside pickup.

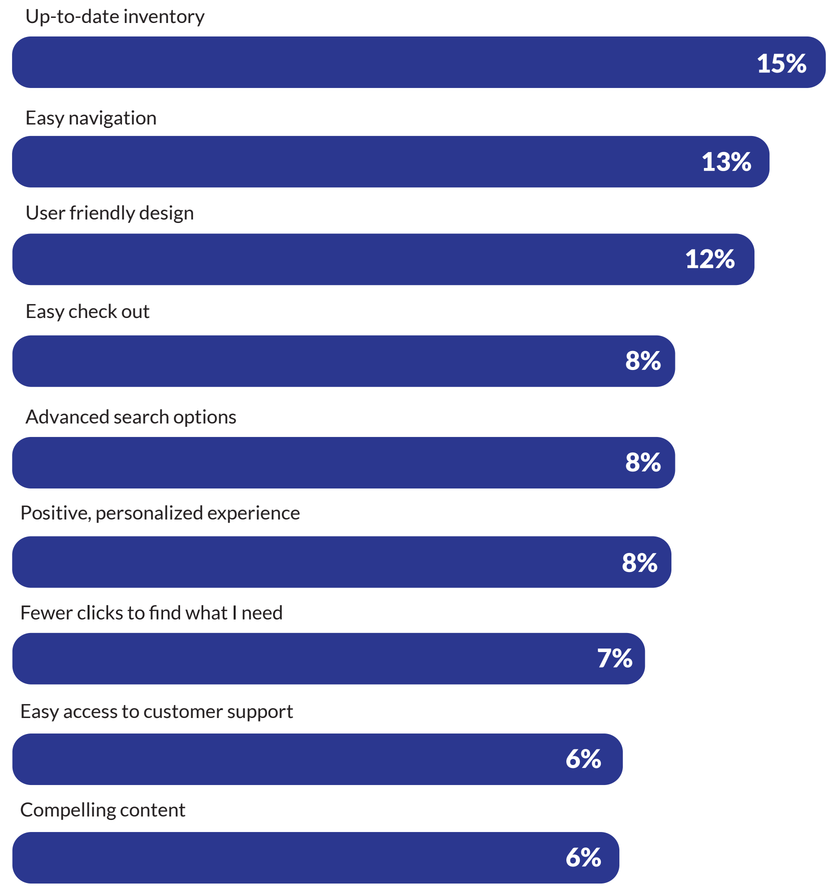
How Digital is Improving Shopping Experiences





After up-to-date inventory (15%), ease of usage, including things like easy navigation (13%) and user friendly design (12%), emerge as top factors of a memorable online experience.

Top Factors of Memorable Online Experiences



Room for improvement

Despite over half of consumers making weekly online transactions, only

1 in 5

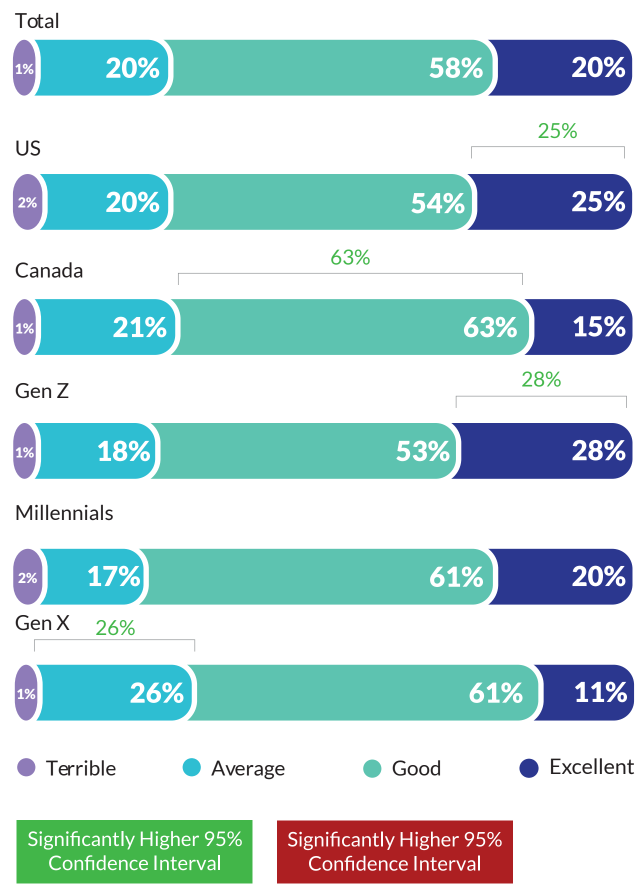
rate the current online shopping experiences offered to them as 'Excellent'. This suggests that the majority of people believe there is further room for improvement.

Gen X in particular is less likely to rate the current online retail experience as 'Excellent' at only

1 in 10.

On the other hand, US-based consumers and Gen Z are most likely to highly rate their online shopping experiences at 25% and 28% respectively.

Rating of Current Experiences Offered



> Brands need to understand that their consumer experience is going to be compared to other digital experiences outside of their vertical on a regular basis. The digital world has become the great equalizer of brand experience and that means that your retail experience will be judged against those created by Apple, Google and Facebook regularly.

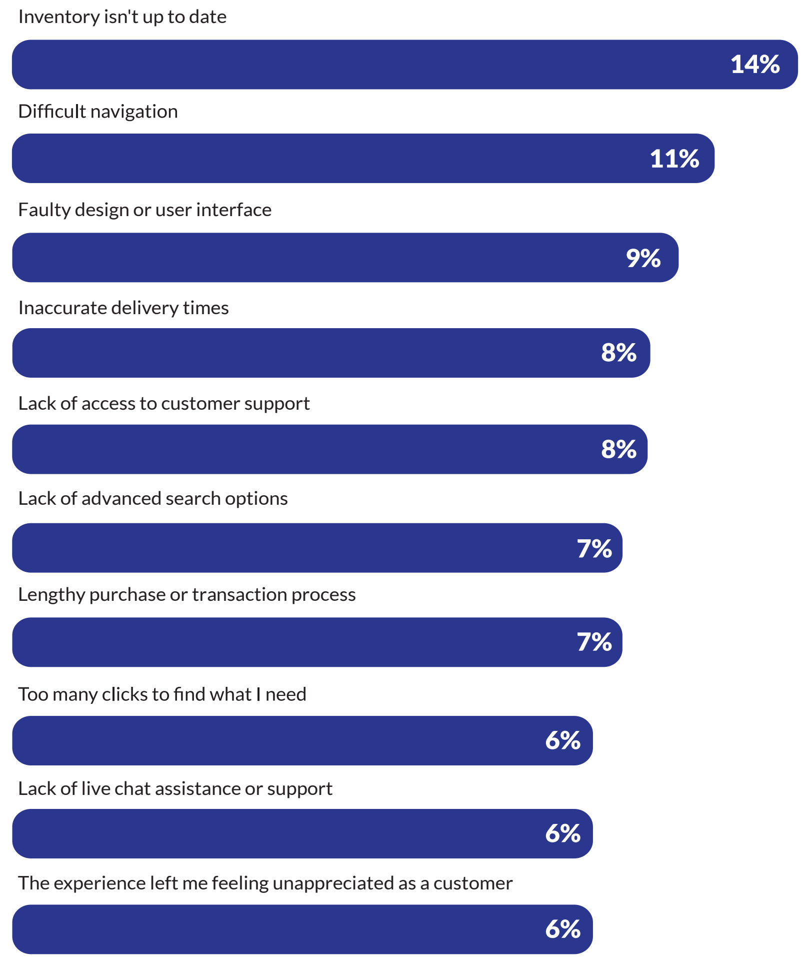
Scott Wassmer
General Manager, AMER

CX
that frustrates the customer

Customers' biggest frustrations in their digital experiences are out-of-date inventory (14%), difficult navigation (11%) and a poorly designed interface (9%).

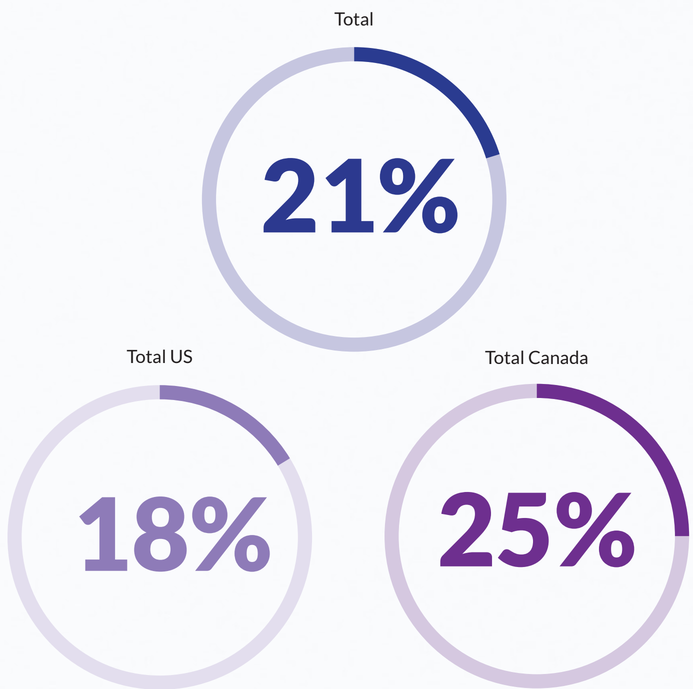
A customer obsession can prevent poor experiences from happening in the first place. Brands get ahead when they leverage data to know how customers want to interact, their behaviors when they do and the easiest way to deliver what they need, when they need it.

Top Challenges to Online Experiences



1 in 4 Canadian consumers stopped using a retailer because they didn't like the digital experience that was offered. This is significantly higher than US consumers.

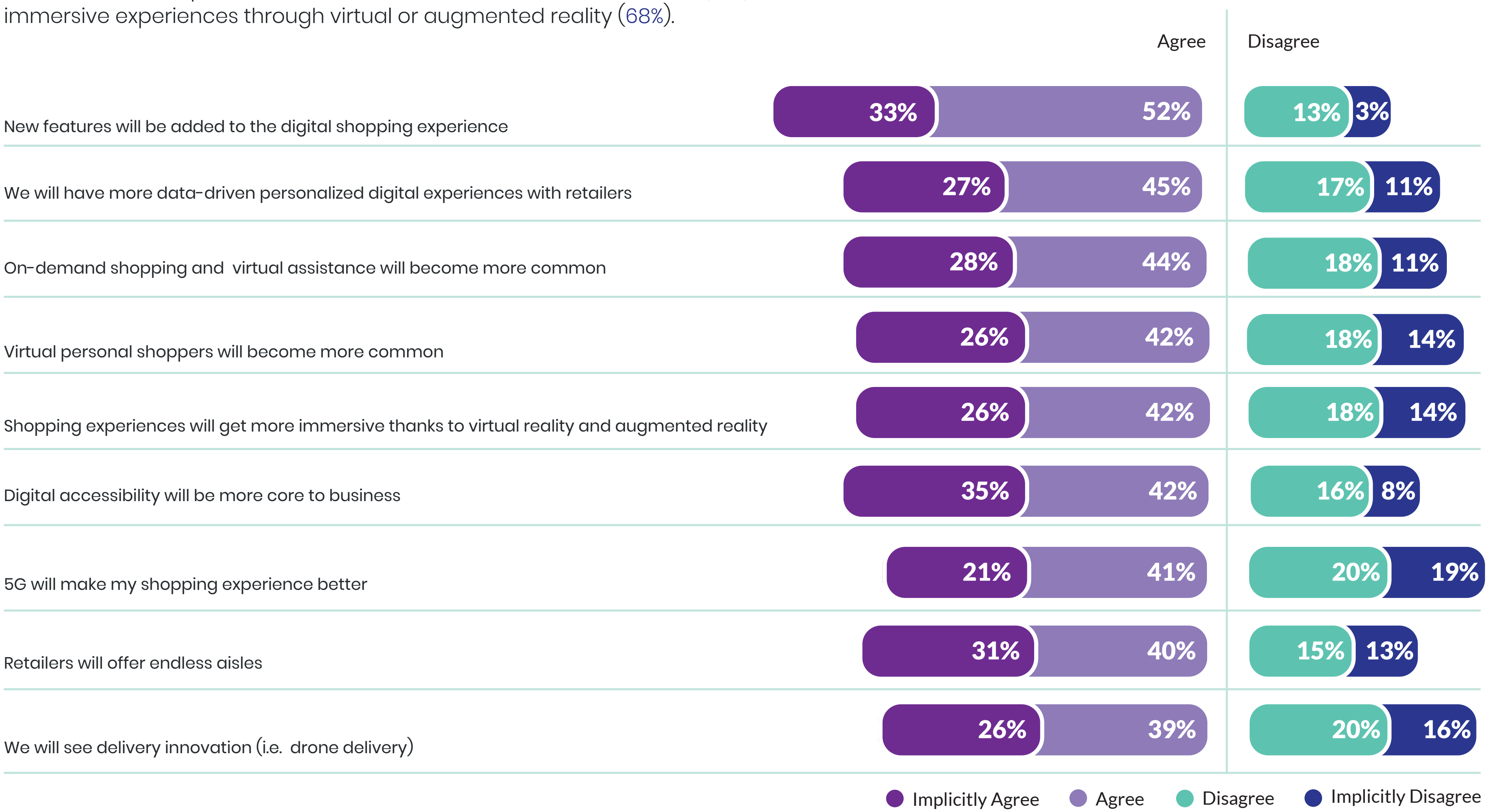
Switched retailers because they didn't like the digital experience that was offered



The future is data-driven personalization, on-demand and customer-centric

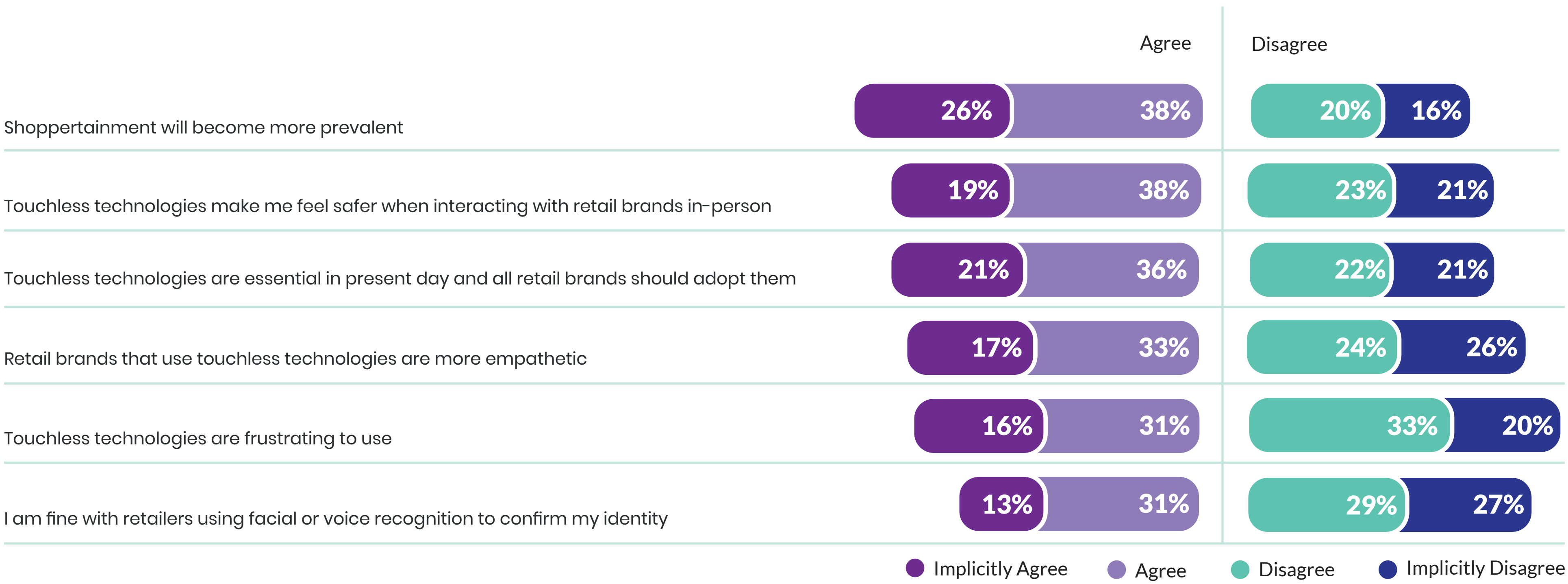
Over the next 3 years, shoppers' biggest expectation of retail brands is the addition of new features to enhance the digital shopping experience (85%). Consumers expect brands to use the information it already has on them to create personalized digital experiences (72%), and that digital accessibility will become more core to brands (77%). Customers also expect virtual assistance to become more common (72%), and more immersive experiences through virtual or augmented reality (68%).

Future Expectations of Retail Experiences



Though there are high expectations around the use of data to create more personalized experiences, consumers are largely split on their comfort with and receptiveness to touchless technologies in these settings, especially when it comes to facial or voice recognition.

Future Expectations of Retail Experiences



What it means for Retail brands

Retailers that are already implementing digital-first strategies that put the customer first are best positioned to thrive in the months and years ahead.

As customers increasingly demonstrate digital-first behaviors, retailers must evolve how they engage with customers and the values-driven experience they offer. Customers ultimately value an omnichannel experience that combines innovative, adaptive and convenient digital experiences with personalized and seamless in-person ones.

What can retail brands do?

01

Focus on the customer. Different generations value different things when it comes to the retail experience. It's important to understand what the customer wants and how they're behaving at every step of the journey in order to deliver a best-in-class experience.

02

Provide personalized, data-driven experiences. By collecting and analyzing data, retailers can create data-driven experiences that are personalized to the individual customer. When this happens consistently, customer loyalty and trust follow.

03

Implement scalable, flexible technology to achieve experience-led and agile CX. Technology that allows for personalization, scalability and the addition of new channels as customers' expectations evolve is essential.

"A digital-first strategy doesn't mean a digital only strategy. Brand values and experiences need to transcend the digital and physical spaces your brand occupies. That said, everything until now has been a warm up for future digital experiences that are going to become more deeply rooted in society as true digital natives become the larger population."

Scott Wassmer
General Manager, AMER

Contact Us

Scott Wassmer

General Manager, AMER
Scott.Wassmer@appnovation.com

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We're relentless innovators, constantly looking for new ways to connect the dots and connect people. We become your valued partner with a commitment to your business goals.

Always looking to take an experience-led approach, we help you understand how digital can enable strategic opportunities, solve real-world business problems and deliver measurable results.

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Methodology & Sample

A 10-minute online survey, fielded to a sample of 300+ consumers (18+) in each country – Canada and US.

The sample in each country comprises of 100+ consumers from each of the following generations:

- Gen Z : Ages 18-24
- Millennials : Ages 25-40
- Gen X : Ages 41-56

The research was conducted online with sample sourced from Maru/Matchbox's proprietary national panels in the US and Canada respectively – Spring Board America and Maru Voice Canada

Fieldwork was conducted between April 29, 2021 – May 4, 2021

The study sample has been weighted on gender and region in accordance to the US and Canadian populations

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