The Future is Here: The Top 5 Consumer-Driven Trends in Retail
E-commerce has been steadily growing for several years, and it’s expected to hit $327 billion by 2016, up from $202 billion in 2011. More brick-and-mortar-focused retailers are stepping up their online game and increasing the percentage of their sales that come from online channels, and Web-only retailers have been growing at an impressive clip, too.

Retailers have spent these years honing the shopping experience on their websites. But just when they thought they knew their consumers, things are changing again. The rise of social is shaking up things in surprising ways. The emergence of mobile as a major shopping channel is putting new power into consumers’ hands. Customers expect to use all channels as though they are a single experience, requiring tight integration across those channels. And big data now makes it possible to gain deeper insight into consumers than has ever before been possible.

What does this mean for retailers? Everything. It means the competition, which has already been fierce, won’t get any easier. It means there’s a huge opportunity to capture new market share—and a substantial risk of losing market share to retailers who can execute effective strategies that address social, mobile, and big data.

To succeed, retailers need to leverage five trends that are currently transforming the retail landscape. Retailers that embrace these trends and incorporate them into their strategy can realize higher conversions and larger transaction sizes.

Commerce on smartphones is expected to skyrocket from $3 billion in 2010 to $31 billion in 2016.

– Forrester Research, Inc.
Shopping is social

Customers are talking about products and services in highly visible places all over the Web, and these conversations are playing a role in consumers’ purchasing decisions. Shoppers aren’t just stumbling into user-generated content about products and services; they’re actively seeking it out and making it an indispensable part of their purchase process. In fact, 70% of consumers research online before purchasing in-store, and the average shopper uses approximately 10.4 sources of information to make a purchase decision.

Retailers can’t sit back and hope for positive word-of-mouth content. They have to play an active role in its creation—and they have to put word-of-mouth content right in the path of consumers who are considering purchases. By integrating customer purchase and experience stories, ratings and reviews, and questions and answers into the online and in-store shopping experience—and even into marketing campaigns—retailers can increase awareness of their brands; engage consumers; and create loyal, lasting relationships. After Dillard’s increased review volume on its site, it found that shoppers who looked at reviews with media such as photos were 23% more likely to convert. When footwear brand Skechers added Q&A functionality to product pages, it saw a 32% increase in conversion for those products. Notifying customers that their questions have been answered garnered even bigger results: an 80% open rate on notification emails and a 51% conversion rate from those same emails.

By embracing and facilitating social where customers are discovering, considering, and buying, retailers can also expect to increase wallet share. Benefit—a cosmetics brand with an e-commerce site, physical stores, and retail presence—saw a 1,000% higher click-through rate for the “Buy Now” button on Facebook than its average online advertisement.

A key differentiator for retailers will be the ability to provide not just any social content, but relevant social content. Consumers want emails, alerts, product suggestions, and user-generated content that they can filter and sort according to the attributes they care about. They want some of this personalization to happen automatically, too, such as customized suggestions based on recent searches or buying history. Retailers that can provide this kind of personalization will ensure that shoppers encounter the most persuasive data possible at the right point in the buying cycle.
Millennials—those born roughly between 1978 and 1995—are already profoundly shaping the consumer experience. In fact, by 2017, it’s estimated that this group will have more spending power than any other generation. And the way they will wield that power is already driving the way retailers think about consumers and create shopping experiences.

Millennials are highly motivated by social information, and they carry their social networks everywhere they go. They trust brands less than they trust their peers, and they are more suspicious of overt marketing than generations that came before them. Personalized shopping experiences—such as word-of-mouth content that can be filtered from people with similar attributes—is more likely to motivate them than unfiltered user-generated content. In fact, 51% of Millennials say consumer opinions found on a company’s website have a greater impact on their purchase decisions than recommendations from family and friends.8

Millennials also want to award their dollars to brands that reflect their values and personalities. Sixty-three percent of Millennials say that knowing a company is “mindful of its social responsibilities” makes them more likely to buy from that brand, and 58% are even willing to pay higher prices when part of their spend goes to help causes they support.9

Retailers need to be aware of the unique preferences of the Millennial generation and create shopping experiences that satisfy their need for trustworthy information, personalization, and socially conscious products and practices. This generation is already a powerful force in the market, and it will only grow in spending power.

Mobile is no longer an up-and-coming medium for shoppers; it’s here and now. Smartphones are everywhere, and by the end of 2013, more than half of all people in the U.S. will have one.10 Mobile traffic is also growing dramatically, and it’s estimated that in 2013, mobile traffic will account for a whopping 40% of all traffic.11 It’s no surprise, then, that commerce on smartphones is expected to skyrocket from $3 billion in 2010 to $31 billion in 2016.12 (And that number doesn’t include tablet commerce, which will likely grow as those devices become more ubiquitous.)

The National Retail Federation’s first consumer survey of the 2012 holiday season found that nearly 53% of smartphone owners and 64% of tablet owners planned to use their devices to research products, look up store information, and/or make purchases during the holiday shopping season.13 And when they use those devices to find information, they’re more likely to convert. After Jewelry Television added customer ratings and reviews to its mobile e-commerce site, it experienced a 30.55% increase in conversion on the mobile site in less than one month.14

When consumers become smartphone and tablet users, they also become an always-on opportunity for retailers to tap. Shopping can happen anywhere—not just in the store or in front of the computer—and retailers must evolve their strategies to keep pace with these changes in consumer shopping habits.
Consumers want these smooth interactions across all channels, and providing them will be one of the bigger challenges that retailers face in the near future. But for retailers who do it well, a successful omnichannel strategy means less showrooming and greater market share across all channels. In fact, shoppers who interact with more than one channel spend 18% to 36% more than those who interact with a single channel.17

Indeed, many businesses are dabbling in omnichannel to bridge the gap between mobile shopping and in-store shopping. Many retailers are also blending the digital and physical by creating a positive in-store shopping experience that anticipates and even facilitates the use of mobile devices to help consumers make more informed purchase decisions. Their aim is to create a sense of loyalty that will encourage consumers to purchase through the brand—even if the item could be had for a lower price elsewhere.

Clever mobile marketing can drive shoppers to physical stores, but the use of technology in-store can also dramatically increase the chance that they’ll purchase on the spot. Retailers will need to provide nearly the same amount of information that consumers can find online: price comparisons, ratings and reviews, item locators, and more. According to Forrester Research, Inc. many consumers may purchase products in stores because of the immediate availability of products and high service levels.18 In response, more online retailers are experimenting with same-day shipping or delivery within hours in certain geographic regions. Others are producing private-label brands that they can sell directly to consumers—and that are available only through the channels they choose, eliminating the need to compete head-to-head with other retailers.
Big data isn’t just a potential boon for retailers; it also puts power in consumers’ hands. Retailers that can harness big data can offer relevant, targeted promotions to individual consumers and recommend the right products more often. Retailers will also be able to achieve other goals that will change the consumer experience, boost conversions, and even improve margins such as predicting the next best-selling product, preventing out-of-stock scenarios, and ensuring proper staffing at stores.

UK-based retailer Argos discovered that 1.6 million pieces of customer content held a wealth of insight that it could feed back into business decisions to improve both the customer experience and the bottom line. Instead of using the number of product returns as an indication of dissatisfaction with a product, Argos now uses online customer reviews to uncover dissatisfaction with products that customers might not have bothered to return. The supply team also mines online customer feedback for data that can help improve its catalogues every six months and help direct inventory decisions based on customer sentiment.

The challenge for retailers is to provide smooth transactions across all channels.
Be the retailer consumers are looking for

Consumers are already tuned into the kind of shopping experiences they want. They’re finding the information they need to make purchase decisions, even if that means they aren’t getting it from the retailers themselves. They shop on their own terms via the devices they choose at the times they want from the locations that are most appealing. That doesn’t make retailers less relevant; it has the power to make them more relevant if they can provide those experiences seamlessly and give customers the information they want.

To become a trusted partner in consumers’ buying journeys requires tremendous change. But after the doomsayers of the early e-commerce movement, retailers should be heartened: Competing in this new environment of always-connected, highly informed consumers won’t be easy, but it can be rewarding. Retailers that can embrace the trends sweeping the industry will find loyal, engaged consumers waiting for them—consumers who will follow through on purchases, spend more, and even spread your message for you.

About Bazaarvoice

Bazaarvoice, a leading social commerce solutions company, assists clients in bringing the voice of the customer to the center of business strategy. With over 2,000 clients globally, including over half of the Internet Retailer 500, over 20 percent of the Fortune 500 and over one-third of the Fortune 100, Bazaarvoice helps clients to leverage social data derived from online word of mouth content to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, effectively scale customer support, decrease product returns and enable retailers to launch and manage on-site advertising solutions and site monetization strategies. This online word of mouth content can be syndicated across Bazaarvoice’s global network of client websites, shopper media sites and mobile devices, making the user-generated content that digital consumers trust accessible at multiple points of purchase. Headquartered in Austin, Texas, Bazaarvoice has offices in Amsterdam, London, Munich, New York, Paris, San Francisco, Stockholm and Sydney. For more information, visit www.bazaarvoice.com, read the blog at www.bazaarvoice.com/blog, and follow on Twitter at www.twitter.com/bazaarvoice.

Shoppers who interact with more than one channel spend 18% to 36% more than those who interact with a single channel. – Bazaarvoice
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