Preparing for the Future of Retail

A report by PushON

an award-winning full service eCommerce agency

Introduction

The past few years have been a period of great upheaval for retailers, with the advent of internet, and more recently mobile shopping changing the retail landscape forever. Between December 2008 and December 2018, **internet sales increased from 5.8% to 20%** of total retail sales in the UK, while the UK mobile commerce market is expected to **double** by 2022, reaching a total value of **£243.7 billion**.

Despite the fact that **81%** of UK consumers believe **brick and mortar shops are still vital** to the shopping experience, it's clear that where once an established high street presence was the only necessary ingredient for success, shoppers now expect to be able to browse and purchase via an ever-growing range of channels.
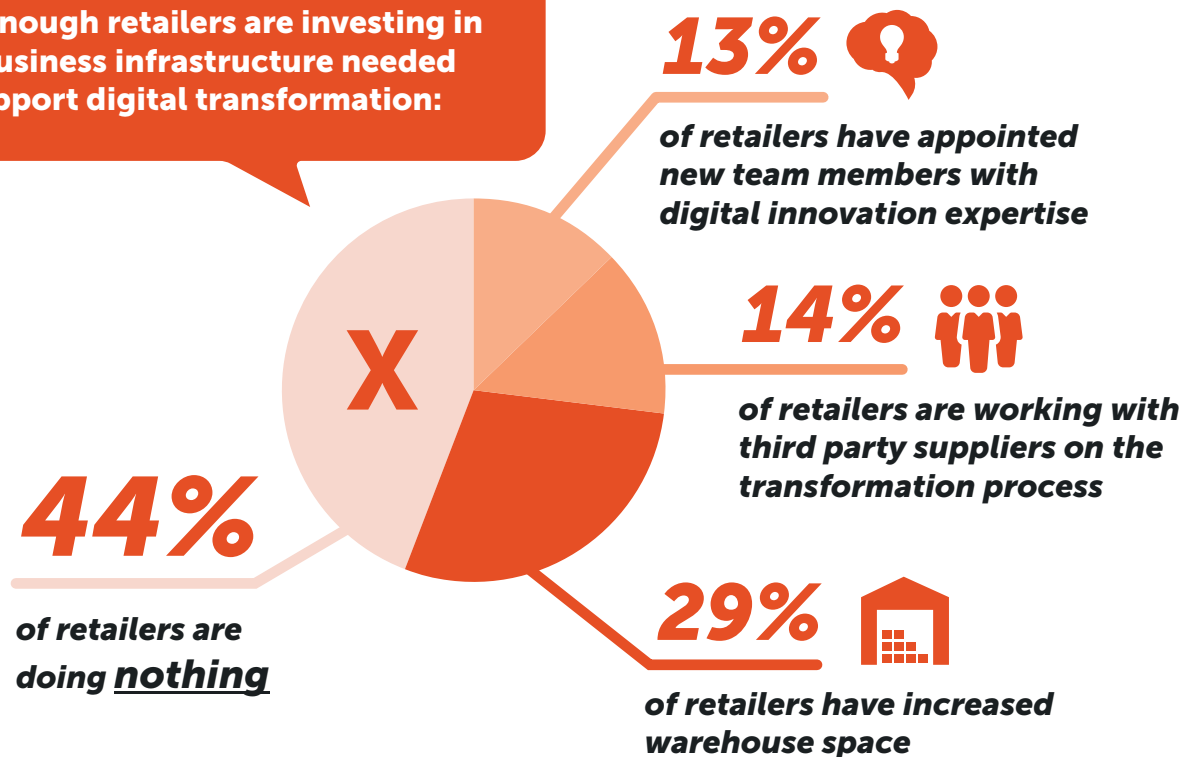
This report delves further into the disparities between what consumers expect and what retailers are delivering. It also reveals attitudes to new technologies and the challenges retailers face not only in meeting customers expectations, but also delivering digital and cultural transformation internally within the business to achieve it.
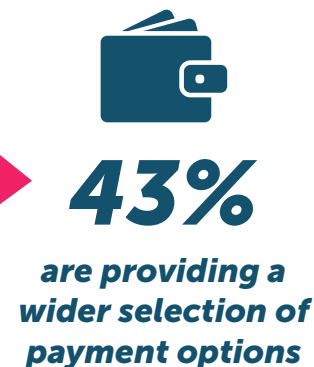
Key Findings: Business Transformation

35% of retailers do not have a business transformation strategy in place for the rise of digital technology and changing consumer habits

Not enough retailers are investing in the business infrastructure needed to support digital transformation:

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13% of retailers have appointed new team members with digital innovation expertise

14% of retailers are working with third party suppliers on the transformation process

29% of retailers have increased warehouse space

44% of retailers are doing **nothing**

Retailers have been working to improve their customers' online checkout experience

48% are investing in better delivery options

43% are providing a wider selection of payment options

Key Findings: Investment

A well-designed website is by far the most desired innovation amongst consumers

62.1% of shoppers want retailers to invest in this area

30% of retailers have invested in a new eCommerce platform

26% of retailers have been investing in new in-store technology, such as digital display units and tablets

1/5 retailers have invested *NOTHING* in evolving their business in the past year

"Retailers are underestimating consumer demand for a smooth omnichannel experience"

ONLY 10% of retailers believe this is important to shoppers

BUT 29.2% of consumers want retailers to invest in it

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Key Findings: Are Retailers Up To Speed?

3/4 of consumers don't think the majority of retailers are doing enough to keep up with digital trends and consumer needs

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36.8% are worried about the future of retail

Which emerging digital innovations are consumers most sceptical about?

Voice Search
21.5%

VR
34.6%

AI
35.1%

Convenience is **key**

40% of consumers value a simple returns process

28.1% want retailers to offer one-click ordering

21.1% prefer retailers that offer mobile payments

Are retailers prepared for the future?

The challenges facing the retail industry have been well publicised with the British Retail Consortium asserting that around **70,000 retail jobs were lost** over the course of 2018.

However, **20%** of the retailers we surveyed have **invested nothing** in evolving their business over the past year. Even more worryingly, **35%** currently have **no strategy in place** at all to prepare for the rise of digital technology and changing consumer habits.

Many seem to be underestimating the problem at hand, with just **26%** believing that business transformation will be crucial for them to survive in the competitive retail market, and only **29%** only just starting to think about their business transformation strategy.

Meanwhile, although **65%** of retailers do have a strategy in place, only **27%** said that they are currently progressing well with their transformation.

What are retailers currently investing in?

Many retailers have been working to improve their customers' online checkout experience, with **48%** investing in better delivery options, and **43%** providing a wider selection of payment options. This is crucial, as the conversion rate at the checkout stage one of the most common issues encountered by eCommerce stores.

In 2018, the cart abandonment rate in the UK for all eCommerce orders was **74.6%**, which is estimated to cost businesses around **£18bn a year**. It has been shown that almost three-quarters of UK online shoppers have abandoned their cart because they did not like the shipping options available. However **55%** of all online transactions are predicted to be made using alternative payment methods in 2019.

Almost a third **(30%)** of retailers have invested in an improved eCommerce platform. Choosing the correct eCommerce platform is absolutely vital.

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While a mobile app can be a good investment, retailers should also be monitoring the new trend for progressive web apps (PWAs). Although still in their infancy, PWAs marry the benefits of mobile websites and native apps. Quicker and cheaper to develop, and more convenient for the user, they could very quickly provide a viable alternative to native apps, helping retailers to capitalise on the growing mobile market."

Sam Rutley, Managing Director at PushON.

In-store technology

Investment in in-store technology is less widespread, with just **26%** of retailers having done so. It is perhaps therefore, unsurprising that only **26%** of retailers asserted that bricks and mortar stores are still important to the success of their business, and as few as **10%** believed a good omnichannel experience to be important to consumers nowadays.

Although eCommerce is predicted to account for **53%** of the **UK's total retail sales** by 2028, abandonment of the high street in favour of online could be a short-sighted move by retailers. Our own research previously revealed that a massive **81%** of UK consumers believe bricks and mortar shops are vital to the shopping experience, and **70%** enjoy the full experience of going in-store to browse.

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Fortunately, creating an successful omnichannel experience doesn't have to mean a complete overhaul. What's important is creating a smooth, enjoyable experience for the customer. Oasis is a great example of a fashion retailer that has been working hard to provide its customers with a strong omni-channel experience.

Online, it has simply displayed images across its site and social channels, and easy integration between social and its eCommerce site for purchases. It offers a range of home delivery options, with everything clearly explained within one page of its site. Importantly, it also offers a same day 'click and collect' service and a 'find in store' feature that lets customers find their nearest store with a particular product in stock.

Meanwhile, Oasis shop floor assistants are equipped with tablets, meaning they are able to give customers on-the-spot, accurate, and up-to-date product information. This includes being able to check stock levels on all products for customers. If they don't have an item in stock, instead of leaving the customer unsatisfied, they can offer to order it direct to the customer's house instead.

All of these elements work together to unify and integrate the online and offline fulfilment experience."

Sam Rutley, Managing Director at PushON.

Successful digital transformation requires more than just digital investments

Successful digital transformation does not just involve implementing new technology, it requires whole business transformation.

If the knowledge base, C-Suite buy-in, manpower, logistics capabilities, and other essential infrastructure are not in place, then digital transformation is doomed to fail. In order to provide enhanced services such as a variety of delivery options to customers, retailers must look closely at every aspect of their business, including their supply chain, and ensure it's ready.

With this in mind, it's concerning that just **13%** of retailers have appointed new team members with digital innovation skills and expertise, **14%** are working with third party suppliers on the transformation process, and only **29%** have increased warehouse space.
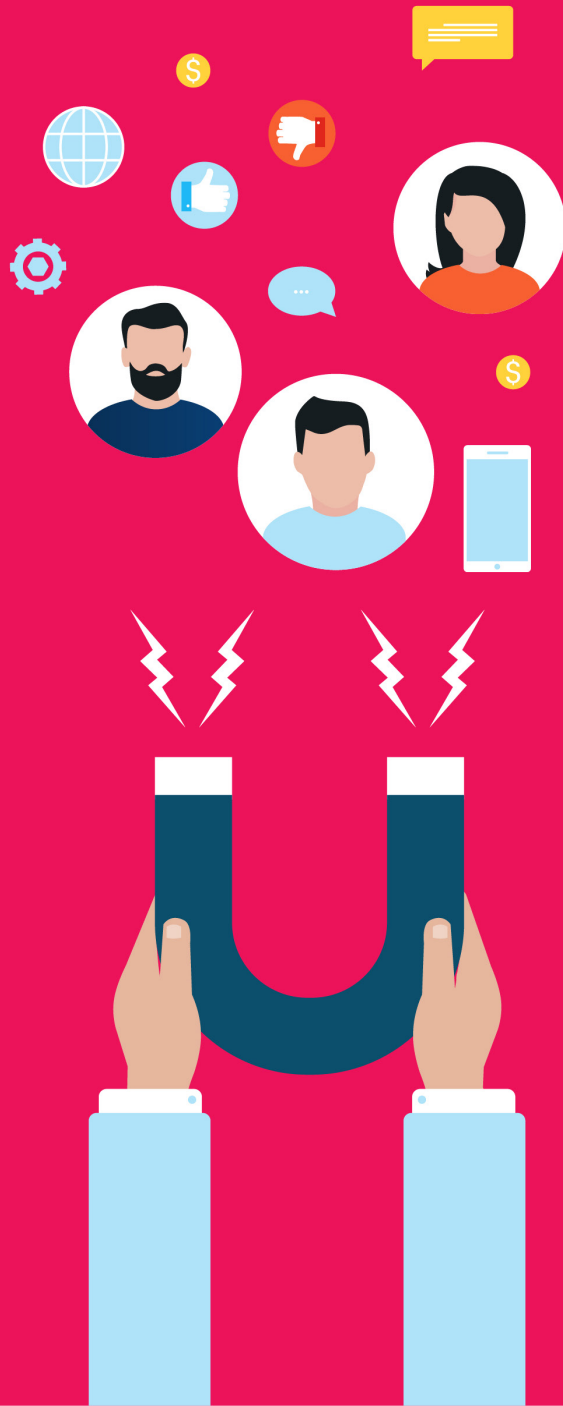
What do consumers want?

Just 26% of retailers said that consumers are the main driving force behind their business transformation strategy.

When asked about the most important factors when choosing a retailer, **85.6%** of consumers said price, and **48.9%** want a broad range of products. **68.5%** said that a well-designed, easy to use website enhances their online shopping experience. This includes good product information and descriptions, which are important to **44.1%** of consumers, and good images and videos of products, which **29.4%** of consumers look for.

One-click ordering had recently enhanced the experience of **26.8%** of consumers, while another **28.1%** cited this as an innovation that they would like retailers to invest in. A further **46.5%** of shoppers choose a retailer based on their delivery options, and **40%** value a simple returns policy and process.

More than three quarters **(77.1%)** of consumers don't think that the majority of retailers are doing enough to keep up with digital trends and consumer needs.

Are new technologies the future of retail, or just gimmicks?

Advances in search technology have been the subject of much discussion, with voice and visual search becoming increasingly prevalent.

However, while Google states that **20%** of its mobile searches are carried out via voice, (making it important for retailers to ensure their eCommerce sites are optimised for voice search for SEO purposes), in truth, consumers are currently less bothered about being able to search for an item on a retailer's site this way.

Only **10.3%** of people want retailers to make it possible for them to browse and purchase products via voice, and **21.5%** believe it to be just a gimmick. On the other hand, **nearly a fifth (19%)** of consumers said that visual search had enhanced their online shopping experience, and **16.8%** want retailers to invest further in the technology.

Voice search
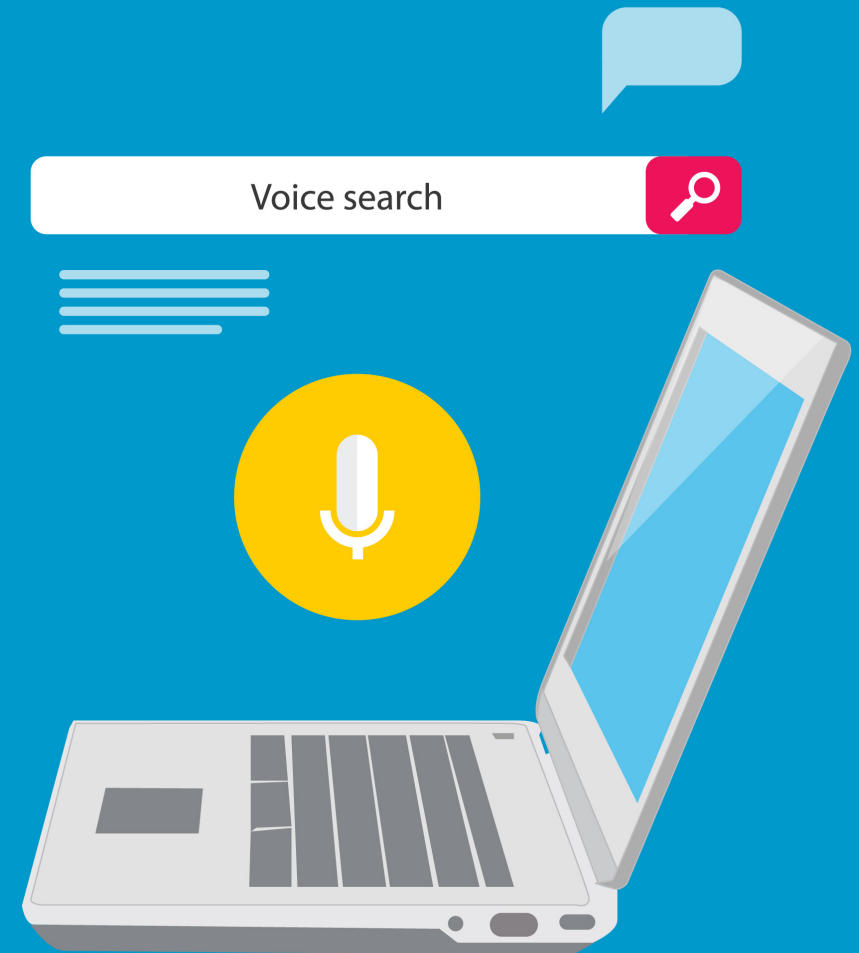
Are retailers and consumers on the same page?

The answer is yes and no.

It's clear that a **good range of delivery options** is one of the biggest priorities for shoppers, with **almost half (46.5%)** of respondents saying this tends to be one of the most important factors when it comes to choosing a retailer. Thus, it's encouraging to see that **48%** of retailers have been investing in their shipping capabilities in response to changing consumer expectations.

However, the digital innovation that by far the most consumers **(62.1%)** would like retailers to invest in is simply a **better, easy to use website**. This should seem obvious, yet less than a third **(30%)** of retailers have moved across to a superior eCommerce platform as part of their transformation strategy.

A high-quality eCommerce platform will improve things like ease of purchase, which **30.5%** of consumers said was very important to them, and website navigation which was of great importance to **27%** of consumers.

Another area that retailers seem to be neglecting to their peril is the value of a **true omnichannel strategy**. Despite the fact that **almost a third (29.2%)** of consumers want retailers to provide a more seamless shopping journey both online and in-store, only **10%** of retailers said they thought a good omnichannel experience is important to customers.

Conclusion

The retail sector is currently at a crossroads. Retailers of all shapes and sizes have been forced to close their doors, there have never been more channels for retailers to invest in and the need for the sector to evolve is clear. But where to start?

While it's great to see retailers taking positive steps by investing in their delivery and payment options, more arguably needs to be done. There is still a concerning disconnect between what consumers want most (an intuitive, well-designed site), and what the retailers that serve them are investing in, with investment in digital transformation and the building blocks of eCommerce apparently an afterthought for a worrying number of retailers.

Consumers are likely to be the primary driver behind long term change. If something doesn't engage customers and drive sales, it's unlikely to take off in the long term. Simply enough, preparing for the future doesn't necessarily mean investing in the next headline-grabbing flavour of the month such as VR or voice

commerce, but rather looking at how the shopping experience can be improved in ways that consumers genuinely want.

The future of retail will belong to the retailers that adopt a customer-first mindset to innovation, and those that do not. Paradoxically, those investing in the most exciting future technologies should expect to be left behind.

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In our experience there are a number of barriers that retailers face when it comes to digital transformation.

Many retailers are struggling with a lack of internal skills. Tackling this usually requires a combination of external hiring in order to ensure there is a high level of digital innovation expertise in the business, and training existing staff. New talent brings fresh thinking to an organisation, but they can only implement effective change in an environment where they are supported by a knowledgeable and enthusiastic team.

There are often constraints as a result of legacy systems and existing infrastructure. To overcome this, retailers need to establish exactly where the gaps are in their capability. This can be achieved by appraising their current infrastructure versus compatibility with their eCommerce roadmap - i.e. will what they have now cater for the future ambitions and growth?

Arguably however, the biggest hurdle is a lack of C-suite buy-in. Gaining sign-off for tech investment is notoriously difficult as it can be hard to prove the ROI on something that has never been done before. To achieve real innovation, retailers must be prepared to fail, but if an investment will not directly improve the customer experience or operational efficiency then they should think very carefully before making a business case for the technology."

Sam Rutley, Managing Director at PushON.

Key Considerations

- The 35% of retailers without a digital transformation strategy in place need to start urgently planning for the future or risk losing customers to more forward-thinking competitors.

- Retailers must invest in better, easier to use websites. This may require them to migrate to a more sophisticated platform.

- Convenience is key. The most popular innovations are those which make consumers' lives easier, from the checkout process through to returns.

- Retailers should not neglect the in-store experience when it comes to digital transformation. Bricks and mortar stores are still an important part of the customer journey.

- "Gimmicky" technologies like AR and VR are not yet a dealbreaker for consumers. This gives retailers time to focus on getting the basics of their digital transformation right first.

- Although social shopping isn't desired by all age ranges, it is most popular amongst 18-34s. Retailers must ensure they are catering for the preferences of this age group.

- Retailers need to be preparing for the rise of mobile commerce. This includes improving their mobile app, optimising their site for mobile, and keeping a close eye on the advent of PWA (Progressive Web Apps).

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