

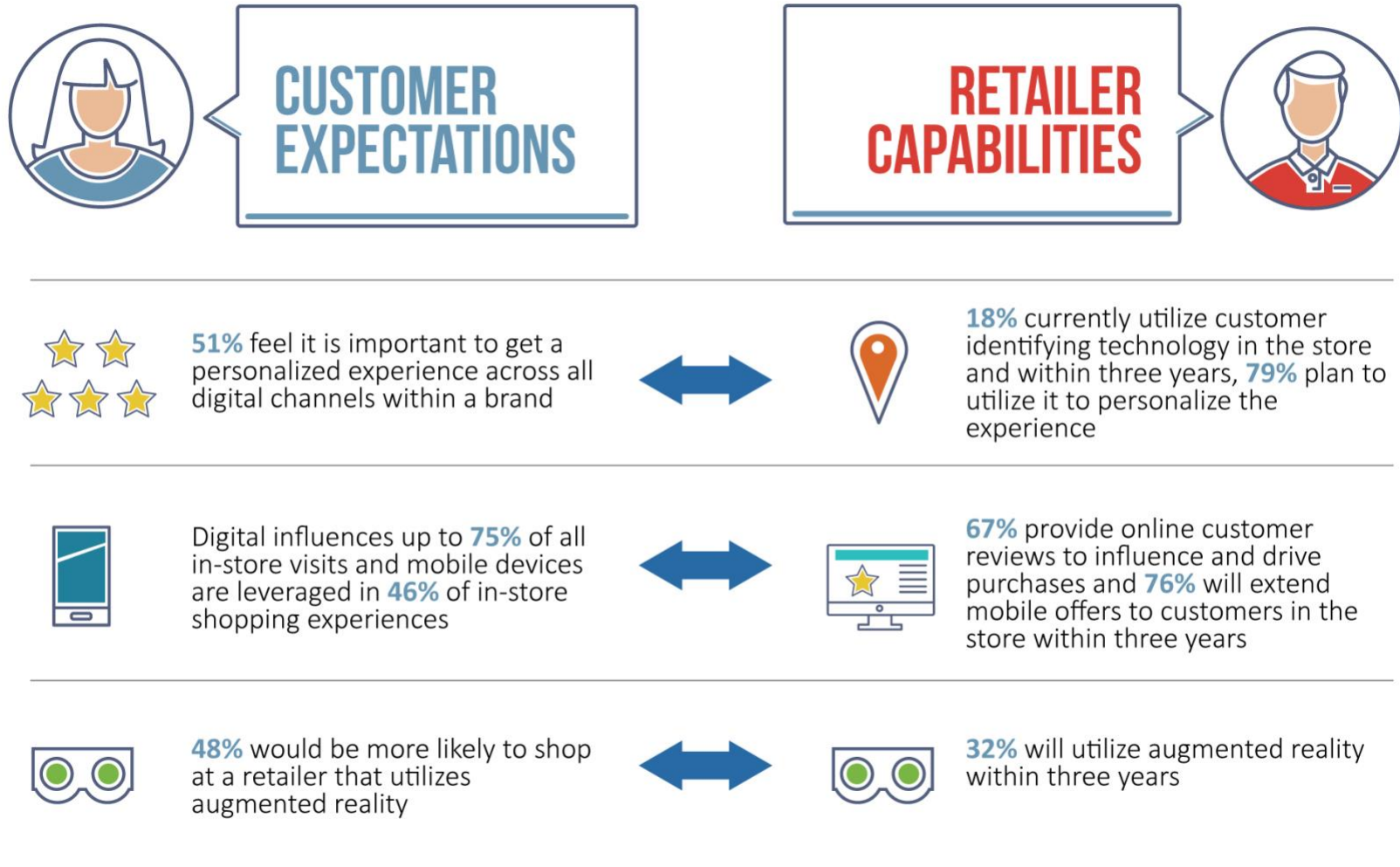


# 2018 DIGITAL COMMERCE SURVEY

Gold sponsors:



## Key Findings



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*“The need for personalization in the customer shopping experience continues to be a driver for change in the industry with 38% of retailers prioritizing the need to personalize the digital experience.”*

Jeffrey Neville, Senior Vice President, BRP

## Introduction

**The traditional retail model has experienced significant disruption over the last decade.**

The current cycle of disruption is driven by increasing customer expectations, competitive pressures from new entrants, and the proliferation of new technology like artificial intelligence, augmented reality and enhanced functionality within our ubiquitous smartphones.

Customers’ journeys are more complicated and varied than ever before. Consumers now start and stop their shopping journey in different channels, including online marketplaces and social media, and frequently shop for the same product across different retailers, both online and in the store. The path to purchase also varies by consumer and type of product being purchased. Consumers expect their experience to be seamless as their “shopping cart” follows them through their journey. They expect one continuous shopping experience across an entire brand and they don’t want disruptions as they cross individual channels or locations.

As retailers adapt to the new shopping journey, customer engagement models must transform. In addition to a blurring definition between physical and digital environments, there is also a transformation of retail formats to include virtual showrooms, retail “theatre,” pop-ups, stores within stores, and more. New entrants, sometimes from non-traditional areas bring increased competition as the retail industry continues its transformation to meet customer expectations.

The challenge for retailers is to “keep up” with continually rising and evolving customer expectations. The growth of mobile is driving

demand for increased digital capabilities bundled with personalization in the store. The



Look for the **VOICE OF THE CUSTOMER** outlining results from *Retail’s Digital Crossroads: The Race to Meet Shopper Expectations* consumer report sponsored by BRP and Windstream Enterprise and conducted by Incisiv

gap between consumer demand for digital experiences and retailers’ current digital capabilities is what we call the ‘great digital divide,’ which is driving additional changes in the industry.

Within this exciting environment, BRP conducted the 2018 Digital Commerce Benchmarking Survey to understand the current retail challenges and available opportunities as we face the future of retail. This report compares retailers’ priorities with customer expectations – based on results from *Retail’s Digital Crossroads: The Race to Meet Shopper Expectations* report<sup>1</sup> conducted by Incisiv and sponsored by BRP and Windstream Enterprise – to understand how retailer priorities are aligning with customer expectations.

## Driving Forces

**While retail is going through a transformation, the possibilities for retailers are endless, with new technologies and opportunities arising to enhance the customer journey.**

BRP has identified six major trends driving fundamental changes in retail over the next few years:

<sup>1</sup>Retail’s Digital Crossroads: The Race to Meet Shopper Expectations, July 24, 2018.  
<https://brpconsulting.com/download/2018-retail-research-report/>

### Trend #1: The blurring lines of retail

Retail is no longer simply a store or a website – it must be a cohesive channel-agnostic brand experience, and the channels keep expanding. Competition continues to increase as today nearly every retailer competes against Amazon (while some also use Amazon marketplace as another selling channel) and non-traditional retailers such as start-ups, brands, and wholesalers reach across traditional boundaries for a stake in the game. Products are becoming brands while brands are becoming products – witness Casper, whose true differentiation and innovation comes from how the product is shipped, is now a multi-channel retailer.



**The impact:** 57% of retailers are focused on offering a consistent brand experience across channels, although achieving that becomes more difficult as channels continue to expand (**Exhibit 1**). This has been a top priority for retailers over the past four years so they understand the importance. However, current disparate systems, manual processes and siloed organizations continue to make this difficult to achieve. Those retailers that effectively deliver a consistent cross-channel experience will have a competitive advantage.

### Trend #2: Curated shopping

Curated shopping involves the creation of exclusive product lines to provide customers with a unique and personalized collection catering to their specific tastes. StitchFix, Blue Apron and BirchBox are well-established brands in this arena but it continues to expand with new entrants, including Amazon, venturing into this area. With artificial intelligence capabilities becoming mainstream, additional retailers will offer curated subscription services, going beyond simply offering consumers merchandise to challenging employees to fundamentally rethink the merchandising process.



**The impact:** 38% of retailers indicate that improving personalization is a top priority but personalization can only occur if retailers are able to identify the customer and then – quickly and easily – access their likes, purchases, preferences, etc. to offer personalized product suggestions

such as curated assortments (**Exhibit 1**). Personalization is becoming critical to consumers so those retailers who can identify their customers have a head start on the competition.

### Trend #3: Bespoke products

Bespoke products used to be a high-end luxury reserved for wealthy consumers with the time and money to have a suit or garment made for them, however, things have changed. The last few years have seen a boom in online offerings of made-to-measure suits at off-the-rack prices. Suitsupply, J. Hilburn, Indochino and Black Label are a few of the more well-known bespoke mainstream retailers, offering a convergence of the digital and physical worlds to create a new industry around a virtual inventory model with men's suits starting under \$500. While the bespoke-suiting business currently represents less than 1% of the \$50 billion U.S. menswear market<sup>2</sup>, the area will likely grow based on the ease and value of ordering bespoke clothing through this model.



<sup>2</sup> How Indochino Makes a Custom Fit Suit for Under \$500, September 16, 2017.  
<http://fortune.com/2017/09/16/indochino-custom-suit/>



**The impact:** The ability to provide personalized product offerings continues to grow. Products that have been traditionally only been available in a physical store are now accessible online, such as bespoke suiting, offering consumers further options as the digital and physical retail environments continue to converge. 27% of retailers are focused on increasing the convergence of the physical and shopping environments (**Exhibit 1**). Consumers expect the meshing of digital and physical retail so they receive benefits from both areas as they shop.

#### Trend #4: Influence of mobile

There is no denying the power and influence of mobile technology as a disruptor in the retail industry. Mobile devices are ubiquitous and offer tremendous capabilities for consumers and opportunities for retailers. Augmented reality (AR) and virtual reality (VR) have created additional opportunities for retailers to offer customers the ability to create a new, immersive digital shopping experience. Furniture retailers like IKEA, Wayfair and Houzz all offer AR apps that allow customer to envision products in their homes.



**The impact:** The mobile shopping experience continues to expand as consumers expect more from their phones. AR and VR capabilities will continue to make inroads as consumers have latched on to the possibilities that these technologies offer to enhance the digital shopping experience. 24% of retailers are focused on improving the mobile shopping experience to meet customer expectations (**Exhibit 1**).

#### Trend #5: Conversational commerce

As digital assistants continue to become more mainstream and consumers become accustomed to new behaviors – researching and shopping by voice command will replace the “big browser experience” as the main form of search. With more than 32% of U.S. consumers now owning a smart speaker<sup>3</sup>, and growing quickly, it is easy to see the possibilities.



**The impact:** 38% of retailers are focusing on improving the user experience. As consumers are becoming more comfortable with digital assistants such as Google Home and Amazon Alexa, conversational commerce will evolve to become an expected mode of communication and commerce for consumers. With this approaching customer expectation, retailers need to begin planning how they will infuse these capabilities into their customer experience and understand the impact it will have on their processes.

#### Trend #6: Autonomous fulfillment and delivery

Fulfillment continues to evolve as customers expect their purchases as quickly as possible – while retailers strive to fulfill orders as efficiently as possible. Autonomous delivery and distribution are the next steps to improve fulfillment, with self-driving vehicles being tested by companies such as Waymo and Uber. While the tragic death of a pedestrian earlier this year by a self-driven Uber vehicle slowed self-driving progress, it has also likely resulted in the institution of more stringent safety requirements.



**The impact:** 8% of retailers are focused on decreasing the cost of delivering products to customers (**Exhibit 1**). With Amazon offering same-day delivery in some markets, the push is on for retailers to get items delivered to customers as soon as possible. Some brick-and-mortar retailers are utilizing their already established stores as mini distribution centers as a more efficient way to fulfill products.

While some of these trends may take a few years before they have a big impact, smart retailers are already planning for the store of the future and these forces will drive how that looks. As the retail environment and associated customer behaviors continue to evolve, BRP has identified three major pillars that are retail imperatives to meet the challenges outlined above. Retailers need to create a **Personal**, **Ubiquitous**, and **Unified** environment to enhance the customer’s shopping experience, improve customer loyalty and increase sales.

<sup>3</sup> “Study Finds Consumers are Embracing Voice Services. Here’s How,” September 10, 2018.  
<https://www.cmo.com/features/articles/2018/9/7/adobe-2018-consumer-voice-survey.html#gs.np0FC9g>

## Personal

**Personalization may be the most powerful way for retailers to differentiate their brand and enhance the customer experience, but the challenge is to identify the best method to customize the experience for each customer.**

Customers want to shop at their convenience – whether it is on their phone, in the store or at their computer – and they expect the benefits of both the digital and physical retail environments wherever they shop. Retailers must infuse digital features into the store environment to exceed customer expectations, compete more effectively and offer a more complete shopping experience. Digital commerce is much more than purchasing an item online – it is the convergence of the digital experience with the physical environment, as customers carry their ability to shop anytime and anywhere in their pocket or purse.

Personalization plays a critical role in optimizing the customer's shopping experience. Personalization encapsulates all the details that make the customer's shopping experience unique. It involves identifying the customer, understanding past purchases and current interests and recognizing what the customer is shopping for and why they are shopping.

The retailers surveyed are focused on personalization with 38% indicating it is a top digital priority (See Exhibit 1).

### Customer identification

To engage with the customer, retailers need to quickly and easily identify the customer. Therefore, it is imperative to identify the customer early in the shopping process and at every touch point. This initiates the dialog and sets the foundation for relationship building. Identifying the customer as they enter the store – via their smartphone,



#### VOICE OF THE CUSTOMER

51% feel it is important to get a personalized experience across all digital channels within a brand

#### VOICE OF THE RETAILER

79% plan to utilize customer identifying technology in the store within 3 years



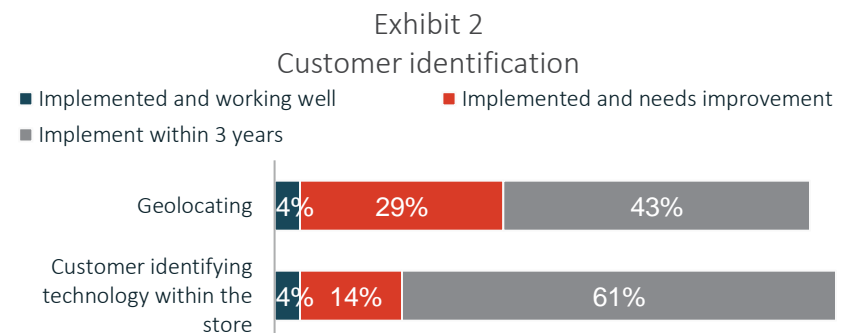
beacon or other technology – affords the retailer the opportunity to personalize the customer's shopping experience.

79% of retailers plan to utilize customer identifying technology in the store within three years (Exhibit 2). However, in many cases, the customer is still not identified until the point of checkout. This is too late to empower the associate to personalize the shopping experience. Customer identification needs to happen when the customer enters the store to enable associates to personalize the experience and influence purchase decisions.

### Contextual content

Once the customer is identified, understanding their profile, location and current environmental factors (e.g., time, weather, traffic, etc.) enables the retailer to immediately and easily communicate relevant and related messages – what we call customer context communications. Customer context is defined as the interrelated factors of customer insights and environmental conditions that make the shopping experience relevant to the individual customer.

When content is personalized and relevant to the customer, it strengthens the brand relationship and increases customer loyalty. This



information must be instantly available when a customer enters the brand's website, mobile app, or store for effective customer engagement. Without this data in real-time, any information provided is out-of-date and can be inaccurate. Retailers must collect, analyze and respond, in real-time, to their customer's interactions across all touch points.

Geolocation is one method retailers utilize in



#### VOICE OF THE CUSTOMER

Digital influences up to 75% of all in-store visits and mobile devices are leveraged in 46% of in-store shopping experiences

the store to understand where the customer is and automatically provide messaging based on gathered customer insight. Geolocation uses a combination of indoor location-based technologies and the customer's own mobile device to transmit their location within the store. This information can then be utilized to send promotions or information based on the proximity of merchandise or displays. Retailers realize the value in this information with 76% planning to utilize geolocation within three years (**Exhibit 2**).

### Customer engagement

Customer expectations have been reshaped by the digital retail experience. Today's well-informed and technologically-savvy consumers are not satisfied with a 'one size fits all' experience – they expect retailers to put time and effort into establishing and communicating a personalized experience. How the organization selects, implements, and provides incentives based on a given engagement model should be aligned with the customer experience.

Online customer engagement is important as customers research and shop across channels and even if they purchase in the store, digital technology has an influence on the purchase. Instructional videos and customer reviews can be helpful in providing information to customers to influence and drive purchases. 67% of retailers provide customer reviews and 55% provide instructional videos to help consumers make informed choices, whether online or in the store (**Exhibit 3**).

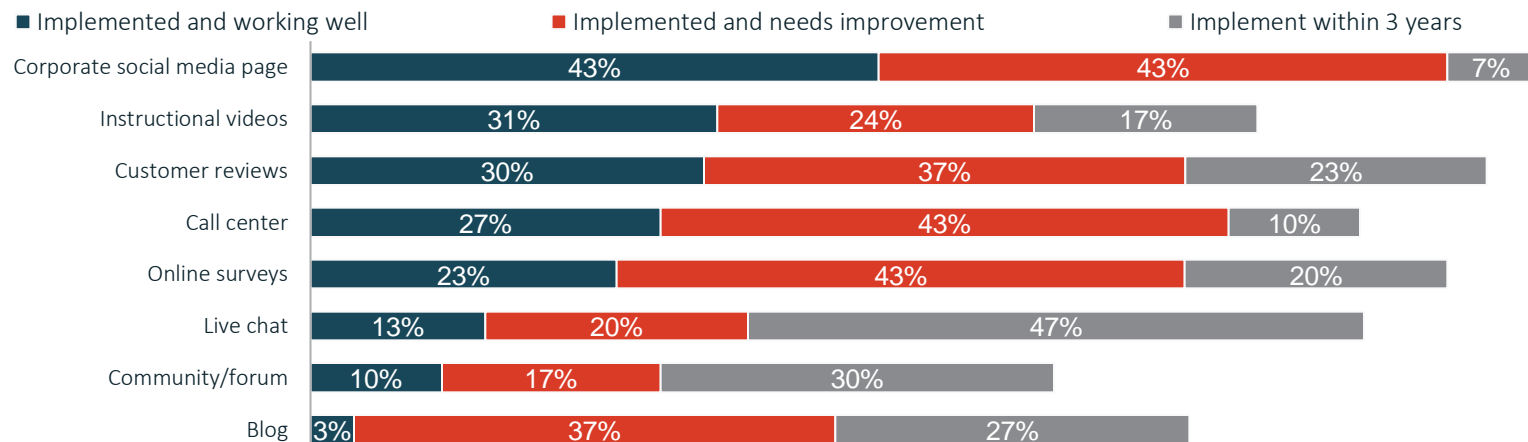
#### VOICE OF THE RETAILER

67% provide online customer reviews to influence and drive purchases



Exhibit 3

#### Online customer engagement





In the store, sales associates are an integral part of personalization – offering relevant assistance and recommendations. When a customer shops online, they still want that same level of personal interaction they receive in the store. However, there are service gaps between the personalized attention received in the store and the personalization available online and as the physical and digital worlds converge, retailers need to bridge that gap.

Another important aspect of the customer experience is what happens after a purchase is made. As a means to enhance customer loyalty and encourage additional purchases, retailers need to look at ways to personalize the post-purchase experience by providing the customer with information about their order. Providing customers with confirmation of their order, which should be an expected communication, is only provided by 30% of retailers (**Exhibit 4**). Providing a request for the customer to complete a product review so the customer can share their positive experience, is only offered by 11% of retailers. Successful retailers continue to look for opportunities to engage with customers after they make their purchases.

### The future of personalization

Technology is transforming the methods available to personalize the customer shopping experience. Artificial intelligence, virtual reality and augmented reality are all offering new opportunities for retailers to

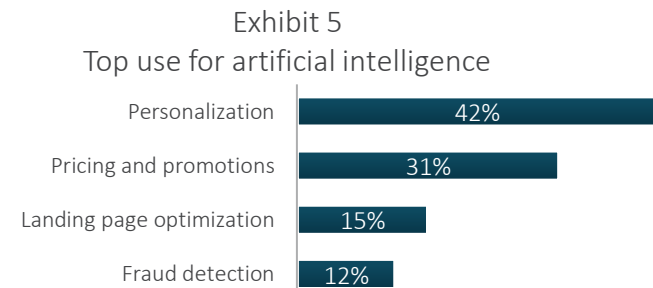
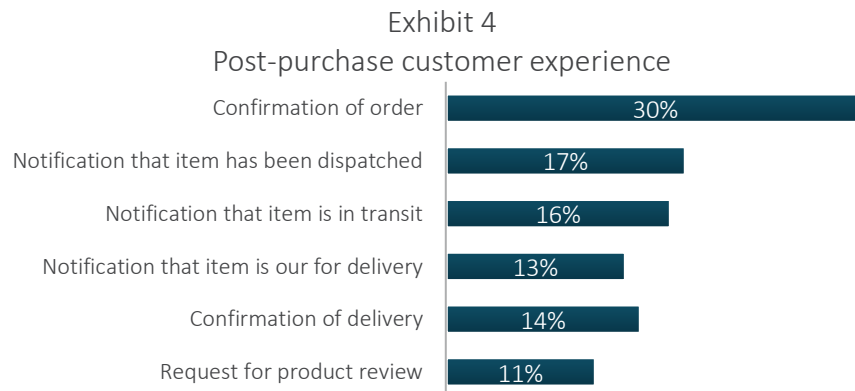
create and utilize customer context to deliver an enhanced experience.

### Artificial intelligence

With the advent of artificial intelligence (AI), retailers have the capability to reach a much larger group of consumers on a personal level. As such, it should come as no surprise that many retailers are looking at using AI to improve the customer experience. Retailers can use AI to pinpoint the most convenient time of day to reach out to consumers with products they would be willing to purchase based on past clicks and website traffic data.

In an effort to further personalize the customer experience, some retailers have started integrating aspects of AI, including machine learning and natural language processing, into their organization. In fact, 42% of the retailers surveyed indicated that personalization was their top use for artificial intelligence (**Exhibit 5**). Overall, more than half (64%) of the retailers surveyed utilize or plan to utilize AI within the next three years (**Exhibit 6**).

When AI and machine learning are used to analyze customer experiences outside of the retail industry, new insights are gathered which can lead to innovation across the entire customer journey and create new touch points. Applying concepts from other industries to retail helps identify innovative new processes, services, or products that wouldn't have otherwise been considered. This gives businesses the opportunity to create what doesn't exist today to adapt to customer expectations that are changing faster than executive philosophies.



Innovative use of voice technologies creates opportunities to elevate the unified commerce experience by enabling customers to talk to a virtual clerk in a store, on their phone, at home on an Amazon Echo, or through a chatbot on the retailer's mobile app. The conversation could be accessed and continued across all channels, customizing the experience on the fly.

### Virtual reality

Virtual reality technology is not new, but developers continue to come out with new hardware innovations. The creation of Google Cardboard and similar inexpensive options offers the ability for nearly everyone to participate. The device converts any smartphone into a virtual reality headset with two lenses and a magnet plus a piece of cardboard.

Virtual reality eliminates the limitations of space and time to create unlimited opportunities. Understanding the opportunities, 32% of retailers plan to utilize virtual reality within three years (Exhibit 6).

### Augmented reality

Through augmented reality (AR), innovative retailers are inspiring their customers and offering them the ability to see what a product looks like in their home or even on their body.

AR has some interesting applications and opportunities, as the ability to mix virtual and real elements can be game changing – especially for furniture and home décor retailers. Customers can appreciate how a product would look in their own home rather than the home in a catalog. AR benefits the retailer, not only by boosting sales but also by providing customer service and displaying products without investing in expensive displays. 32% of retailers plan to implement augmented reality within three years (Exhibit 6).



**VOICE OF THE CUSTOMER**  
48% would be more likely to shop at a retailer that utilizes augmented reality

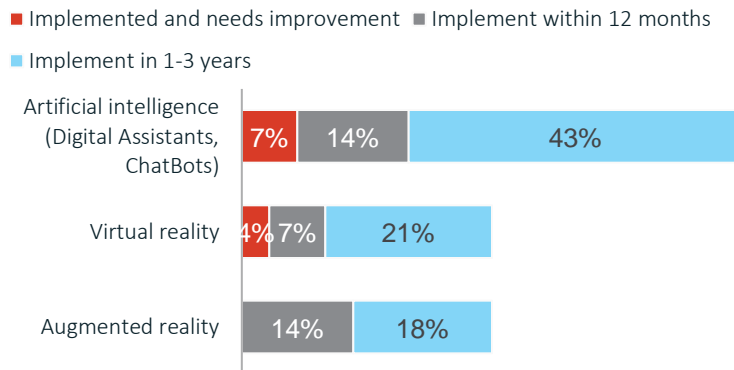
**VOICE OF THE RETAILER**  
32% will utilize augmented reality within 3 years



Today's mobile technology offers consumers incredible opportunities to access information, buy products and communicate with

anyone in the world, at any time, from anywhere. This vast array of information also causes an overload for customers, and personalization is critical in breaking through that overload to make an experience special. Personalization is not just a trend – it is a critical way for retailers to differentiate themselves from companies like Amazon and create customer loyalty.

Exhibit 6  
Disruptive technologies



## Ubiquitous

**Customers expect a seamless and frictionless experience as they research and shop across channels.**

The pervasiveness and user-friendliness of mobile devices offers tremendous opportunities for retailers as the customer takes control of their own retail experience across channels. Mobile purchases are still a small percentage of overall retail sales but there is no denying the power of the device as a research and informational tool for customers.

Retailers realize that mobile devices are ubiquitous and recognize that a mobile device in the customer's hands holds tremendous opportunities to enhance the customer experience across channels. The increasing influence of digital is driving retailers to experiment with new store experiences and formats to deliver on customer expectations.

As time-constrained consumers demand more convenient and expedient shopping and delivery options, it is critical for retailers to offer omni-channel fulfillment options such as buy online, pick-up in store, same-day delivery and other flexible delivery choices. To offer customers the seamless experience they want across channels,

retailers need to make it unified and transparent. Customers want access

to a single cart to shop across channels and be able to reach their cart via phone, computer, or even in the store. Further, customers want the ability to “start anywhere, finish anywhere” with their shopping cart.



### VOICE OF THE CUSTOMER

Digital influences up to 75% of all in-store visits and mobile devices are leveraged in 46% of in-store shopping experiences

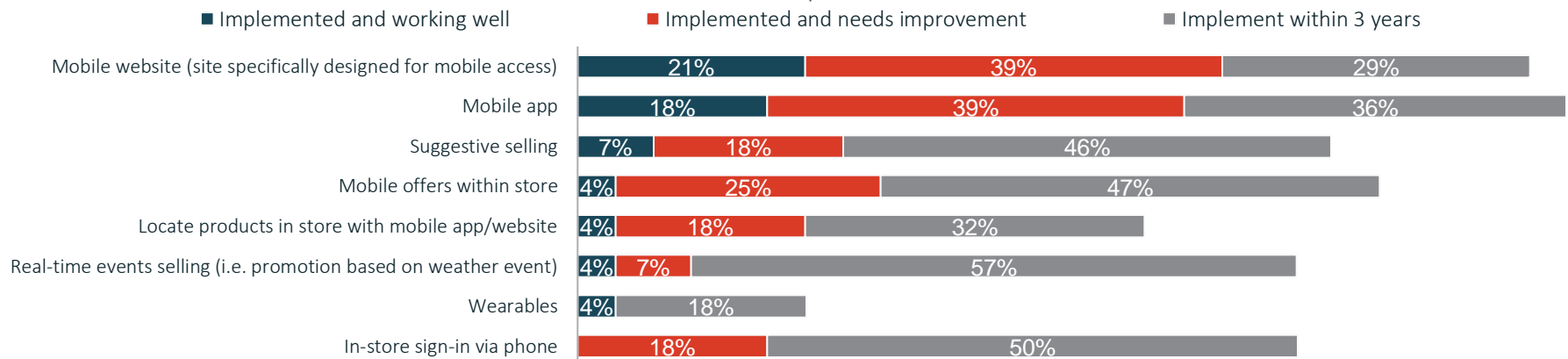
### The mobilization of retail

In today's digital and mobile environment, consumers expect their needs to be easily met within a reasonable amount of time without confusion or frustration. This requires a seamless, frictionless shopping experience and while most retailers recognize this goal, execution is not that easy.

Expansion of mobile capabilities represents a huge customer engagement opportunity for retailers. 24% of the retailers are focused on improving the mobile shopping experience as a top priority (See **Exhibit 1**). While the main goal of mobile technology from a retailer

Exhibit 7

#### Mobile capabilities



standpoint may be to drive sales, it is also the conduit that bridges the convergence of the digital and physical experiences.

Today, slightly more retailers focus on mobile websites than separate native mobile apps, with 60% of retailers offering a mobile website and 57% offering a mobile app. **(Exhibit 7).**

Mobile apps/websites are critical to customer engagement as customers research and shop across multiple channels. Even if the final purchase occurs in the store, most purchases are influenced by digital features. Providing information helpful to customers as they research and shop, such as product information (85%) and coupons and discounts (56%), gives customers incentives to purchase from the brand **(Exhibit 8).**

#### VOICE OF THE RETAILER

76% will extend mobile offers to customers in the store within 3 years



### Fulfillment capabilities

Fulfillment is a critical part of digital commerce. The process encompasses everything from receiving products to storing merchandise to shipping it to the customer on a timely basis. Today's mobile and global world brings additional complexities to this process that retailers must consider as part of their overall fulfillment strategies.

Customers expect immediate gratification with same-day delivery quickly becoming the norm. Buy online, pick-up in the store (BOPIS) is really just an interim step as retailers work towards the ideal of same-day delivery to compete against the Amazon model and meet customer expectations. Enterprising retailers understand that this can enable the store to operate more like a showroom and change how retailers and customers view the traditional store.

Today's channel agnostic world requires all aspects of the unified commerce process to be integrated into a seamless operation. Retailers realize they need to enhance their fulfillment process with 8% of retailers focused on decreasing the cost of delivering to customers and many of them looking at ways to offer additional pick-up and delivery options for their customers **(See Exhibit 1).**

However, most retailers are still working on creating an optimized seamless fulfillment process. In the meantime, they are offering other ways to enhance the customer experience through various pick-up and delivery options as they try to bridge across channels and compete with services such as Amazon Prime and Google Express.

Same-day delivery continues to increase, as 40% of retailers currently offer it and 67% plan to offer it within three years **(Exhibit 9).** Delivery via a third-party service, such as Uber, is also rapidly picking up speed from 20% two years ago to 32% last year and now to 54% this year. Retailers continue to look at different ways to offer customers the flexibility to shop, purchase and receive their goods how and when they want.

Exhibit 8  
Mobile app/website key features

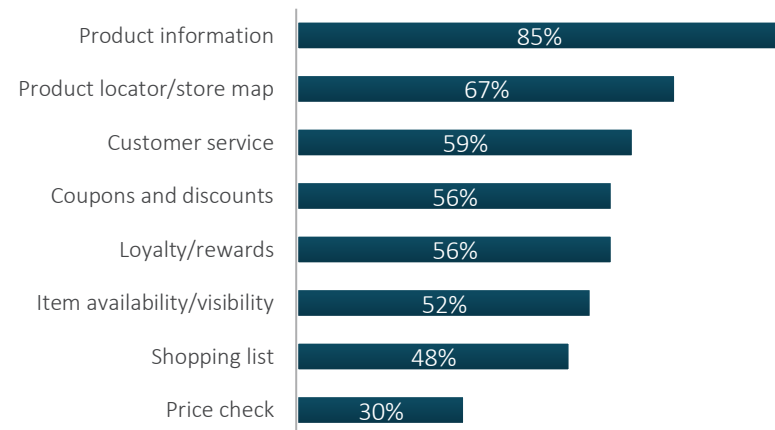
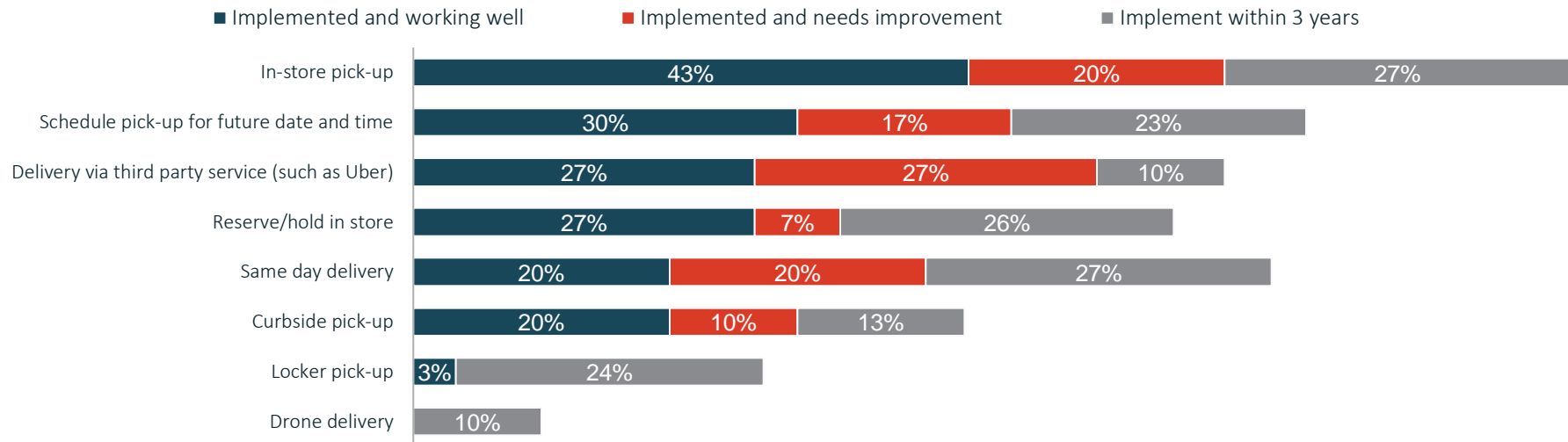


Exhibit 9  
Omni-channel fulfillment



### The future of fulfillment

As consumers demand more convenient and faster shopping and delivery options, it is necessary for retailers to adopt new unified commerce fulfillment methods. Retailers are looking at turning physical stores into distribution centers, allowing retailers to lower their overall enterprise in-stock inventory levels and reduce shipping costs, all while offering customers faster shipping or the opportunity to pick up their orders at their closest store to avoid shipping charges.

Marketplaces are another area of expansion as brands look for more points of distribution. It is clear from the success of Amazon marketplace and others that they are here to stay and will likely increase. Driven by customer demand for greater convenience, consumers are turning to digital marketplaces as a means to research and shop in one place, much like consumers turned to physical malls in the 1970s and 1980s.

The next big thing may be autonomous delivery and distribution. Imagine Amazon sending a self-driving truck out with your order. As the truck arrives in your driveway, you receive a text with the combination to a locker on the truck with your order. You can decide right then if you want it. If not, send it back with the truck. Food delivery companies such as DoorDash and Domino's are already testing the possibilities – the reality is that this will be available to the masses within the next few years.



## Unified

**Retailers' technology, processes and organization need to be aligned and unified to offer a seamless and consistent customer experience within and across channels.**

It's not a secret that returning customers are better for your business than new customers. Studies have shown that it costs nearly seven



### VOICE OF THE CUSTOMER

51% will stop shopping at a specific retailer brand after 1-2 poor in-store shopping trips

times more to acquire a new customer than it does to keep an existing customer. In an age where unhappy customers can publicly blast a brand through social media and reach headline status within minutes, keeping customers satisfied becomes an even higher priority.

One key way to increase customer loyalty is to create a consistent brand experience across channels. The survey confirms this fact, with 57% of the retailers indicating this is their top priority (See Exhibit 1).

As retailers focus on the customer experience, they are finding that integrating disparate systems and processes in real-time is extremely difficult and frequently doesn't work very well. Often, retailers have tried to offer customers a unified commerce experience, but it comes at a high cost to the retailer, as these manual and cobbled together

processes are inefficient and ineffective. The greatest cost to the retailer is actually the poor customer satisfaction which is a result of over-promising and under-delivering on a seamless channel experience. These types of experiences cause major issues with customers and can easily push a customer to the competition.

### Solid organization structure

The customer relationship is with the brand, not individual channels or departments and satisfying the customer's expectations requires a cohesive organizational structure, aligned goals and effective performance metrics and goals.

A solid organization of cross-functional teams that have the right skills and goals to work collaboratively is critical to planning, managing and executing all the functions necessary to run a successful unified commerce organization and support the necessary seamless customer experience. However, retailers often operate distinct business areas as functional siloes, which make it impossible to efficiently and effectively deliver the necessary experience for the customer.

We asked retailers where they were allocating resources to support the organization and 82% of retailers plan to increase their digital technology resources for 2019 and 70% plan to increase their digital marketing resources (Exhibit 10). Interestingly, none of the retailers surveyed are decreasing full-time resources across any areas.

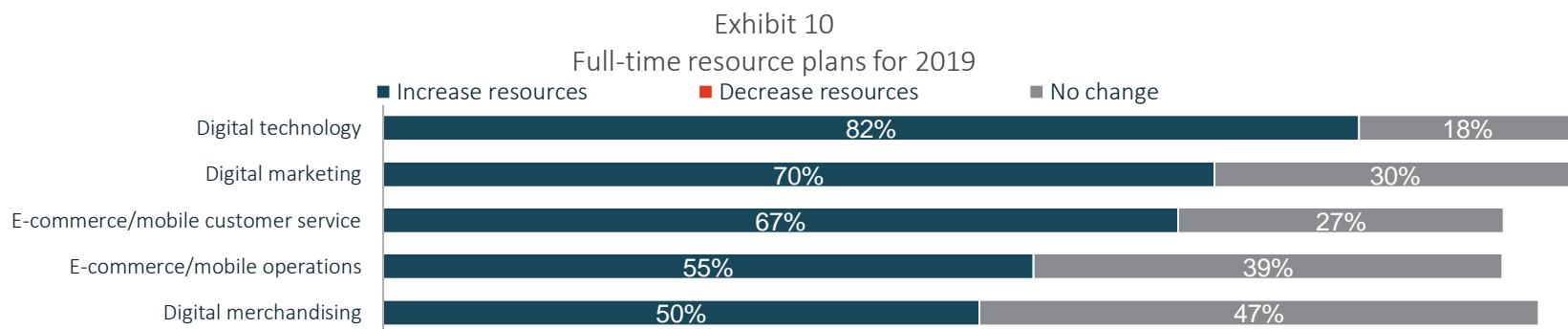
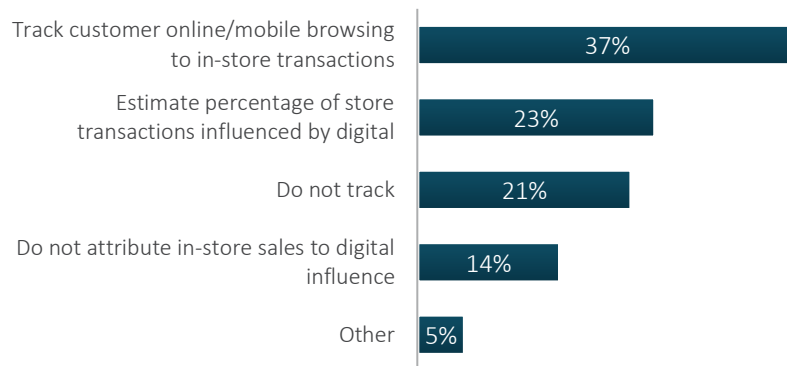


Exhibit 11  
Digital commerce effect on store sales



One of the challenges retailers face as they try to deliver a seamless customer experience is the organizational change that is necessary to adopt radically different selling and fulfillment processes. Thinking and operating as one cohesive channel requires an understanding of the effects that customer touch points have on each other. In a unified commerce environment, it is important to understand the effect that digital capabilities have on store sales. According to the survey, 37% of retailers track browsing to in-store transactions to understand the overall effect on store sales (**Exhibit 11**).

However, more telling is the fact that 21% of retailers do not track the digital effect at all and 14% do not attribute in-store sales to any digital influence. This type of environment does not promote the unified commerce experience that the customer is expecting. Unfortunately, the cost of doing nothing, or trying to leverage less than effective options, will come with its own price in missed expectations, disappointed customers and lost sales.

### Integrated processes

People and technology are part of the equation, but the supporting processes and infrastructure also need to be unified to support the customer experience. Adapting to new unified commerce services such

as buy online, pick up in the store (BOPIS) often requires changes to the store structure and



#### VOICE OF THE CUSTOMER

51% feel it is important to get a personalized experience across all digital channels within a brand

processes. The infrastructure needs to change to support this new retail paradigm. To offer customers the expected unified commerce experience, retailers must unify product, pricing and inventory data across the brand and create a transparent customer-facing environment.

Enabling the necessary seamless cross-channel experience requires a unified view of the customer and a consistent experience across all customer touch points. To fully embrace a unified commerce retail approach, retailers need to integrate all the data collected across channels, including shopping and purchasing behaviors, browsing history, in-store and online purchases, inventory information, social media interactions, etc.

### Unified commerce technology

Retailers have made great strides in understanding customer personas, the shopping journey and their customers' expectations. The current gap or 'great digital divide' between applications offered

by retailers today and customer expectations, is likely due to the current technical and operations complexity that is the result

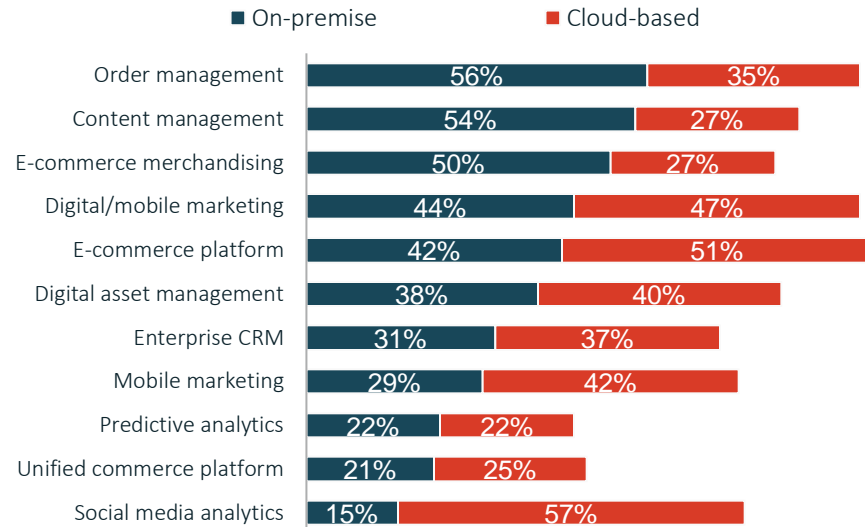
of years of under investment in technology. This is commonly referred to as technical debt. One way that retailers have found to overcome this "debt" is to leverage cloud applications and SaaS (software as a Service) solutions to replace aging subsystems, one step at a time.

#### VOICE OF THE RETAILER

25% operate a cloud-based unified commerce platform



Exhibit 12  
Cloud-based applications



Many of the retailers surveyed are exploring SaaS or cloud-based options as retailers recognize the benefits of cloud-based applications: speed of deployment, faster software updates, lower software costs and a real-time single version of the truth. The solutions most often operated in the cloud are social media analytics (57%) and an e-commerce platform (51%), although it is interesting to note that 25% utilize a cloud-based unified commerce platform (**Exhibit 12**).

For some retailers, the fear of change and potential failure inhibit them from deploying the technology needed to meet their customers' expectations. Some organizations build a great strategy for customer engagement in their stores but implementation of this strategy grinds to a halt when they start to envision what it will look like operationally in a store. "What if it negatively impacts the customer experience?" and "What if the associates don't like the change?" are typical concerns we hear on a daily basis. The retail leaders that are excelling with exceptional customer experience know that without a solid

infrastructure and critical customer engagement technology, customer expectations will not be met and retailers will fail.

The right technology foundation is a critical building block to delivering a seamless and frictionless shopping experience. A major challenge to retailers today is that when a customer visits a store – which is still generally the desired purchasing location – most of a customer's pre-purchase research and behavior is unavailable to a store associate. This makes personalizing the customer experience nearly impossible. Unified commerce transcends channels and enables store associates to personalize the experience to a customer based on her cross-channel digital footprint.

Integral to unified commerce is a single commerce platform, meaning a centralized platform and single, shared shopping cart for all channels. A unified commerce platform is a single consolidation point for all transactions, inventory, pricing, order management, CRM, call center, etc. providing a single version of the truth across all channels to enable real-time visibility to inventory, product and customer information. This is the nirvana, or end-state, that many retailers are trying to achieve with their customer experience and unified commerce goals.

Unified commerce platforms are becoming a retail imperative as 42% of the respondents currently have a unified commerce platform (up from 24% last year) and within three years, 87% of retailers plan to have a unified commerce platform implemented (**Exhibit 13**).

Exhibit 13  
Organization's platform plans

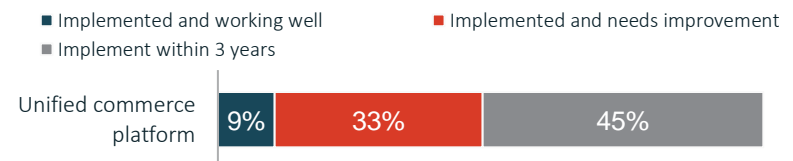
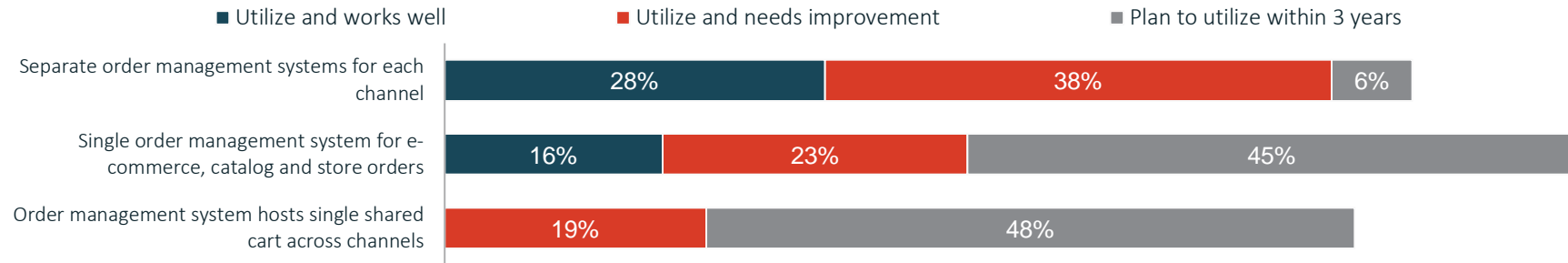


Exhibit 14  
Order management status



As retailers look to a single commerce platform to meet customer expectations for a seamless holistic shopping experience across channels, many are considering their order management system (OMS) as the heart of their unified commerce platform to fulfill the persistent order, or “single, shared cart,” requirements.

Order management systems are designed to manage e-commerce orders, complex fulfillment options, and inventory in real-time, and can be adapted to handle transactions across all channels, including the store. Using their OMS as an enterprise-wide order capture hub enables retailers to view and access their customers’ order history, wish lists and purchase behavior across all channels. As retailers look to upgrade or replace their current OMS, this is an opportune time to consider enhancing its capabilities to become the heart of their unified commerce platform strategy.

OMS usage has increased dramatically over the last year with 66% penetration this year compared to 38% last year (**Exhibit 14**). In most cases, the OMS is still a separate instance for each channel. However, there is also an increase in the number of retailers who utilize an order management system to host a single shared cart across channels with 12% last year and 19% this year. One aspect that may be impacting retailers’ progress is that software vendors are working to keep up with new marketplace requirements for advanced OMS capabilities.

### The future unified organization

Over the last few years, retailers have focused on updating their outdated infrastructure to implement unified commerce platforms and offer cross-channel services. While this is still a work in progress, we are seeing more momentum within organizations, as they are becoming more comfortable operating applications in the cloud and are beginning to shift their attention to the organization with more focus on getting the right people closer to the customer.

## Conclusion

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### **Mobile technology and the resulting shift in consumer behavior are dramatically changing the traditional retail model.**

Consumers use their mobile phones for everything – from researching before they enter a store to price checking in the store to using AR to visualize an item in their home. And when they aren't using their phones, they are using Amazon Echo or Google Home for conversational commerce, as it is becoming more pervasive. Today's model is all about consumer-centric commerce that personalizes the customer experience to ensure their loyalty.

Amazon remains a major retail disruptor as it continues its dive into brick-and-mortar with the acquisition of Whole Foods and sets its sights on curated shopping with Prime Wardrobe. The lines between retail channels is blurring along with the lines between manufacturers, stores, wholesalers, marketplaces, etc. and there can't be barriers between different methods of shopping. Retail is just retail. Consumers' perceptions have already blurred the lines, now it's just up to retailers to meet customer expectations for a ubiquitous brand experience.

The new retail model requires retailers to transform their business and reinvent themselves to create a successful blend of the physical and digital worlds and maintain their customers' loyalty. It requires organizational agility to quickly and easily react to increasing customer expectations and changing consumer behavior. New and innovative methods of shopping – driven by mobile technology, artificial intelligence and rapidly changing fulfillment methods – are elevating customer expectations. Just look at how quickly retail has changed over the last few years as mobile technology has improved, giving us the ability to see what a couch will "look" like in our living room or how a dress "fits," all while holding a phone in our hand without physical moving anywhere or actually trying anything on.

All of these developments dictate the need for retailers to adapt to the new customer journey and accommodate the blurred lines of retail. For retailers, the time is now to transform the organization to offer customers a unified shopping experience.

**It is time to prepare for the future of retail – it is here – ready or not.**



## Survey Methodology

**The goal of the survey was to take the pulse of top North American retailers to gain an understanding of their planned initiatives, priorities and future trends across digital commerce channels.**

BRP utilized an online survey system to contact leading retailers in July and August of 2018 to conduct the 2018 Digital Commerce Survey. This report summarizes the results and key findings of the survey, offers insight based on BRP's client engagements and overall retail experience, and identifies current and future digital trends in the industry. These insights are intended to help retailers compare their digital commerce operations and technology and identify opportunities to enhance their customers' experience.

The primary retail segments of the survey respondents were specialty soft goods (16%) and specialty hard goods (30%) with nearly half of the respondents (Exhibit 16). The remainder fell into various other categories such as general merchandise and grocery, food and beverage. This focus on the specialty retail segment remains consistent. Last year's survey also focused on the specialty retail segment with 32% falling into the specialty soft goods category and 24% in the specialty hard goods category.

Of the retailers surveyed, the breakdown in size based on gross annual revenue included a broad selection of Tier 1, 2 and 3 retailers with 46% of the respondents having \$500M to \$5B in sales (Exhibit 17). This is similar to last year's 43% with sales of \$500M to \$5B.

The specific respondents for each company were primarily vice presidents and directors of store systems or IT, and C-level executives.

Exhibit 15  
Company Category

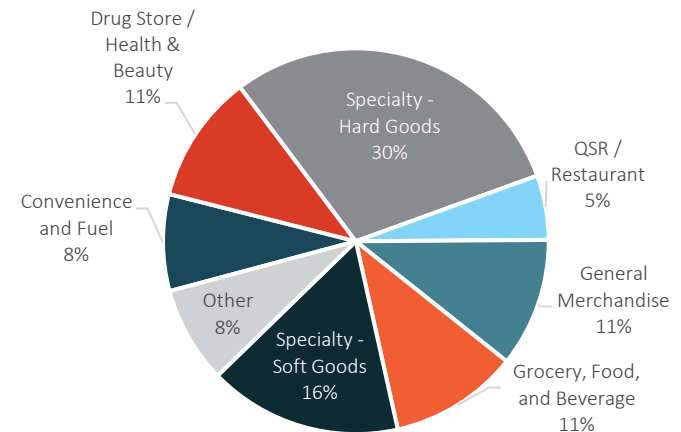
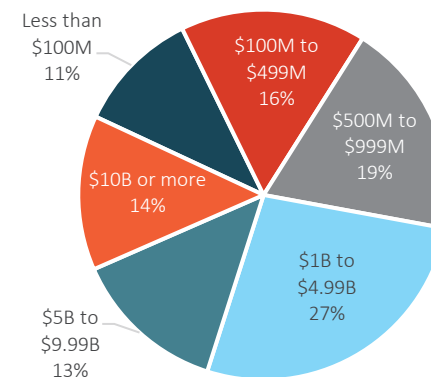


Exhibit 16  
Annual Revenue





## About BRP

BRP is an innovative retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

**Strategy**  
**Point of Sale (POS)**  
**CRM**  
**Order Management**  
**Supply Chain**

**Business Intelligence**  
**Mobile POS**  
**Unified Commerce**  
**E-Commerce**  
**Networks**

**Business Process Optimization**  
**Payment Security**  
**Customer Experience & Engagement**  
**Merchandise Management**  
**Private Equity**

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## Gold Sponsor – ECRS

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### About ECRS

ECRS is an industry-leading solutions provider that harnesses technology to future-proof today's retailers and prepare them for tomorrow's opportunities. ECRS' revolutionary CATAPULT® system is the market's only truly unified point of sale platform. With CATAPULT POS, inventory, customer loyalty, back office, e-commerce, and enterprise management are housed under a single system that shares data. This data synchronization, Unified Transaction Logic™, empowers retailers to prosper by providing actionable business intelligence. Unifying hardware, software, and services, ECRS offers a friction-free, cost-saving solution that will increase customer engagement.

ECRS is committed to perpetual development, expanding value through constant innovation. To that end, CATAPULT is fully-customizable. Optional plug-and-play modules work seamlessly with core applications, offering retailers freedom and flexibility in designing their point of sale platform. Retailers can easily expand platform functionality as their business grows. Exhaustive research, intelligent design, and rigorous pre-market testing ensure that ECRS products integrate smoothly into existing retail environments.

ECRS' technology solutions are backed by a knowledgeable, accessible, and award-winning US-based support team that is dedicated to retail success. On the 2017 RIS Leaderboard, ECRS was ranked #1 for grocery vendors for the fifth year in a row, #1 for midsize retailers, and ranked in the top 5 for quality of support for the ninth year in a row.

ECRS is proud to be building a community of retailers and share in their success.

### Systems that ECRS Innovates

Traditional Point of Sale  
Self-Checkout Systems  
Click & Collect 2.0  
Mobile POS  
Accelerated Checkout®  
Back Office Management

Reporting & Analytics  
Customer Loyalty & Marketing  
Enterprise Headquarters Management  
Inventory & Warehouse Management  
Supplier and EDI Integration

Gift Card Systems  
Membership Management  
Fuel Pump Integration  
Pharmacy System Integration  
Onboarding & Support Services

For more information or assistance, please contact: Caroline Catoe, VP of Marketing and Customer Care, at 800.211.1172 x5096 or [ccatoe@ecrs.com](mailto:ccatoe@ecrs.com)

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### About enVista

Rapidly enable agile, personalized, unified commerce! We can help. enVista's leading Unified Commerce Cloud Platform, coupled with our 15+ years of retail and supply chain consulting experience, is helping the world's leading brands enable enterprise commerce and enhance the customer experience to drive brand loyalty and sales. enVista's unified commerce cloud platform is comprised of next generation: e-Commerce, order management (OMS), point of sale/mobile point of sale (POS/mPOS), product information management (PIM) and omni-channel fulfillment execution (store fulfillment and vendor drop ship) solutions, delivered as an integrated Platform as a Service (iPaaS) to unify commerce and optimize customer engagement in month or weeks, versus years. Let's have a conversation.

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