CONNECTED RETAIL REPORT

Melissa Minkow
Director, Retail Strategy

CI&T

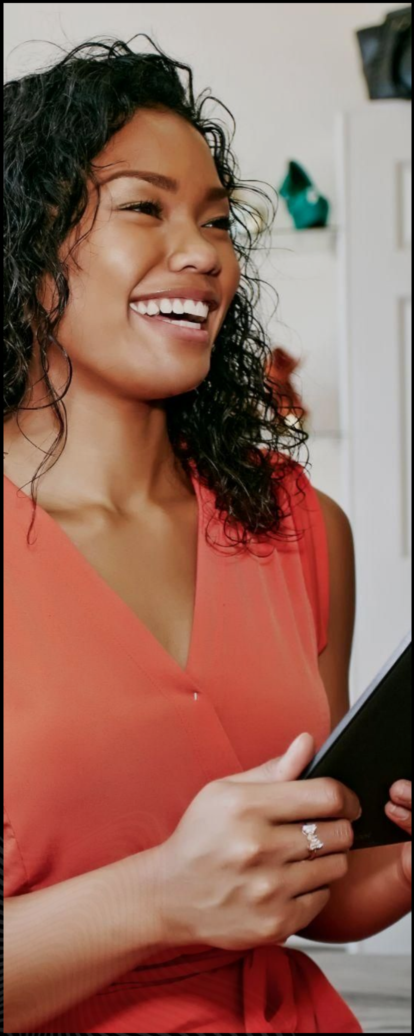
BACKGROUND

In October of 2021, we surveyed 415 US consumers of all generations, races, and genders to capture their purchase preferences and shifts in buying behaviors over the last year. The survey uncovered key motivations along the path to purchase, and it helped inform an extensive audit of 99 retailers' omnichannel strategies. Following are the results of the consumer insights survey and the rankings from the design team's retailer evaluations.

By Melissa Minkow and Dan Pieper
With contributions by Amelia Muenzberg, Julie Le, Rick Paulas, Sammy de Joya

EXECUTIVE **SUMMARY**

Omnichannel retail capabilities are table stakes, but making those capabilities connected, meaning actually having them work together, is still an area where retailers can improve. In the face of severe supply chain challenges, inflation, and labor shortages that cause friction along the path to purchase, consumers want to shop at the most accommodating retailers only. In October, we launched a consumer insights survey to inform our annual retail audit criteria and to ensure that we assessed just how connected top retailers' approaches are to omnichannel. After defining 'omnichannel retail' for survey participants, we asked whether or not it's something they seek in a retailer. An overwhelming 68% of survey respondents told us that they do, in fact, purposely seek out retailers who offer omnichannel experiences. In addition to confirming that omnichannel is the expectation, we asked participants a number of other questions to thoroughly test how well retailers are keeping up with current shopping behaviors. Read on for the rest of the findings from our Connected Retail Consumer Survey.

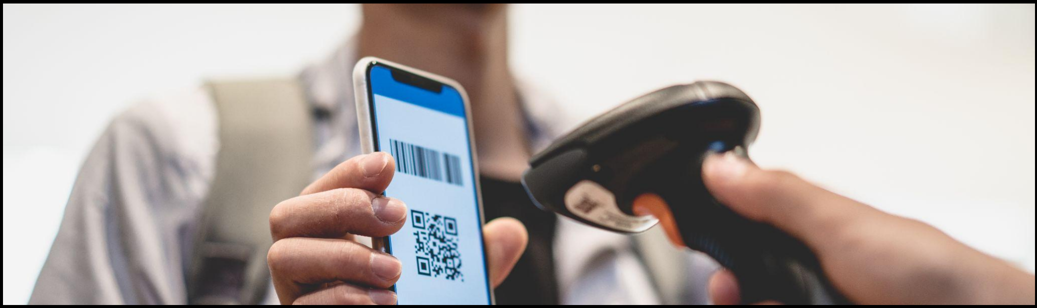


The channel consumers turn to first depends on the sense of urgency and the amount of research a purchase requires. When asked what the most likely reason is for shopping at a physical store, the highest response rate, unsurprisingly, went to, “it’s the fastest way to get what I need.” In sharp contrast, the top two reasons for shopping online were a near-tie, with “I can get the best prices” and “I know I can always find what I want.” These responses proved to be mutually exclusive winners for their respective best-performing channels. Meanwhile, neither channel was associated with good customer service nor the highest quality items — clear opportunities for both channels, or for one to outshine the other.

The amount of research consumers are accustomed to performing when shopping online explains their confidence in finding what they want online and getting the best price when pursuing digital retailer. This also explains why 69% responded that they find physical stores are out of what they’re looking for more frequently than e-commerce shops. In addition, consumers have learned that virtual aisles are closer to being endless, while spontaneously popping into a store offers no guarantee that what they need will be in stock. The understanding that an online store offers more inventory than brick-and-mortar has also played into shoppers’ growing use of on-site pickup.

The category also influences channel preference. Electronics and office supplies, followed by apparel and accessories, were the most likely categories for online shopping. However, it’s important to note that apparel and accessories were essentially a 50/50 split between online versus offline channel preference. While post-online purchase returns are getting easier, features such as comparison tools, virtual fit tools, and size guides have not yet evolved to the point that shoppers feel confident enough in how an item will wear just by seeing it online.

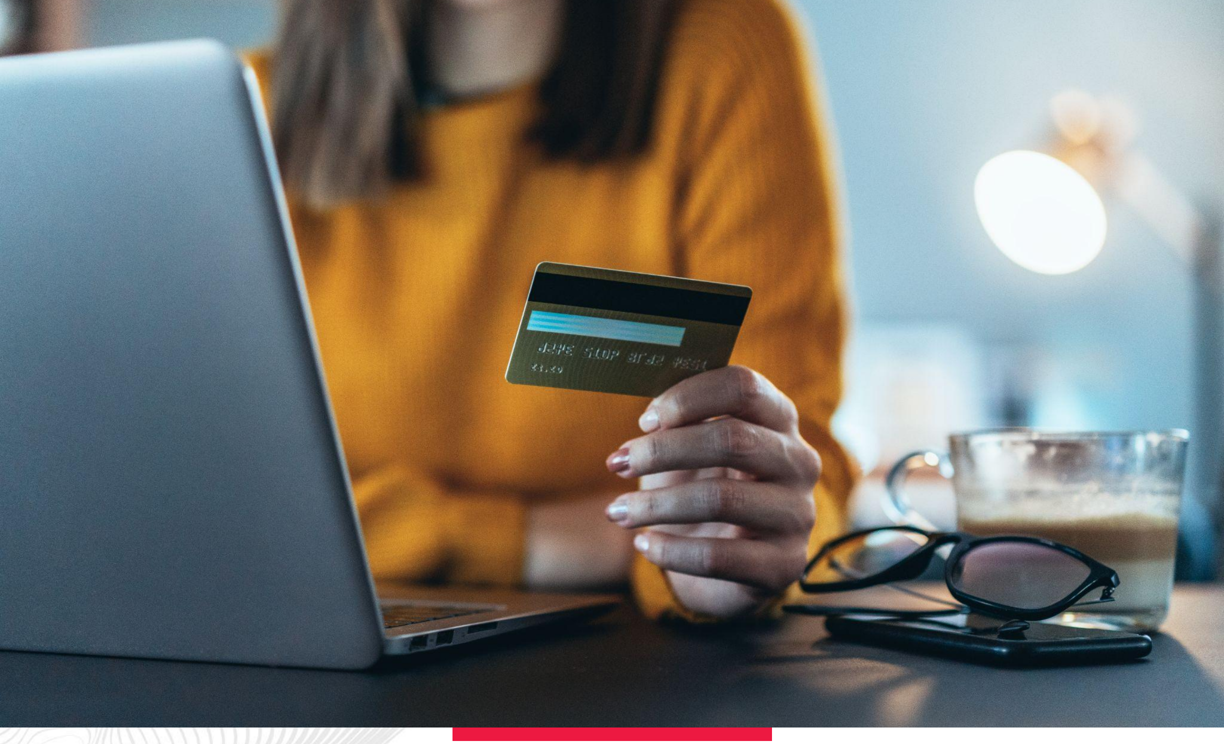
Most consumers prefer to shop in brick-and-mortar stores for grocery and furniture categories. While the pandemic significantly accelerated consumers' comfort levels with buying groceries online, only 29% of respondents preferred buying groceries online versus in physical stores — the lowest score measured across all categories. This ingrained preference demonstrates how shopping for groceries in-person is second-nature for US consumers and how hesitant they are to entrust others with their food decisions. It also makes sense that furniture is the second-lowest category for online shopping. With the big-ticket cost of items and the complex logistics of getting large items in and out of one's residence, shoppers feel more comfortable shopping in-person to make sure they're fully confident in the purchase before hauling it home.



When participants were asked to choose between online and offline preferences for each category, the online designation included apps, social media pages, websites, and mobile sites. To determine whether consumers preferred some online channels over others, we listed those four designations and asked respondents to select their preferred digital venue. An unexpected 41% of respondents reported a preference for using a retailer's app. The next most common response was the mobile site, at 35%. This surprising order of preferences is a clear testament to how much shoppers now rely on smartphones for their shopping journey. Rather than the computer, the phone is now the first-stop platform for today's digital path to purchase. The acknowledged preference for retailer apps signals a significant shift in consumer behavior. Retailers have been fighting to take up space on consumers' home screens. The fact that consumers are showing a readiness to meet them there marks a major retail moment. Our DTC vs. Third-Party survey also validated this data point.

Consumers that commit to downloading a retailer app also commit to using it. For participants who said they'd downloaded a retailer app in the last three months, 96% said they'd used that app in the past three months, and 85% said they use it frequently. Asked unaided why they download retailer apps, the most common reasons given were: easier to navigate, quicker to use, and convenient since they're already looking at a mobile screen. Several respondents said apps allow them to browse, hinting at how transitive the social media mindset is from networks to commerce. An overarching theme uniting a variety of one-off answers was the idea that an app provides a relationship between the retailer and the consumer. A few examples of how retailers build relationships through their apps are via offering unique-to-the-app deals, announcing brand news exclusively on the app, and having the shopper's information and browse history saved. Apps should and can make the purchase path easy and convenient. The preference for them exists, but the actual execution in downloading them proves to be the most significant barrier to connecting with retailers in this manner.

Pivoting from how people prefer to buy, to how they want to receive items after purchasing, consumers reported a 1.5 times higher likelihood of ordering an item for delivery than ordering an item for pickup, whether curbside or in-store. Furthermore, delivery was ranked number one for 68% of respondents as the most important online order option when listed against in-store and curbside pickup. Surprisingly, in-store pickup was slightly favored, repeatedly, over curbside pickup. While curbside pickup may seem more convenient, this data suggests that if shoppers go out of their way to travel to a physical store, they find it most sensible to go inside once they arrive. Lastly, given how important it is for retailers to offer delivery, we were compelled to ask respondents' their timelines for anticipating orders. The most common expectation was that deliveries would arrive between three and four days after being ordered, followed by two-day delivery. Only 9% of participants indicated a same-day delivery expectation, signaling a lack of urgency around a need for the buzzy 15-minute delivery some retailers are marketing as a new service.



All in all, consumers express steadfastness in their path to purchase preferences. The pandemic has undeniably shifted shopping behaviors by forcing consumers to embrace online and omnichannel purchase paths, but more significantly, this data highlights the prioritization of convenience in shoppers' retail decisions. Shoppers will favor whatever retail experience integrates naturally within their lifestyles and requires the least effort to get what they want in a timely fashion. When we combined online and offline offerings in a list of options for respondents to choose where to shop, the first most important factor was that the retailer had an easy-to-shop website.

Reliable and quick delivery was the second most selected answer. We've spent so much time as an industry focusing on making digital experiential that it's come at the cost of creating the most optimized, intuitive, virtual shopping experience. Give consumers a connected retail experience, where all platforms and channel data speak to each other to ensure the most frictionless purchase path and allow for the most convenient shopping process within any given route. With that, here are the top 10 retailers providing the best path to getting what you want, when you want it:

HEURISTICS
METHODOLOGY

We began with a list of 99 retailers across multiple categories including specialty, big box, grocery, convenience and department stores. We conducted an initial mini-heuristic evaluation of those 99 retailers, measuring them across 22 factors, including the Nielsen Norman Group's ten usability heuristics for UX design and the Baymard UX Benchmarks. The retailers that received a 95% score or above were then evaluated on every aspect of the end-to-end buying experience. The resulting 23 retailers were then audited across seven categories of criteria (relationship-building, search, shop, cart, buy, fulfillment, returns) for a total of 87 data points. The top ten are discussed in detail in this report.

2021
CONNECTED RETAIL SCORECARD

1ST PLACE OVERALL WINNER
TARGET

TOP 10 CONNECTED RETAILERS

1. Target
2. Apple Store
3. Sephora
4. Home Depot
5. DSW
6. Levi Strauss
7. Nike
8. Walmart
9. American Eagle
10. Ulta

	1 Target	2 Apple Store	3 Sephora	4 Home Depot	5 DSW	6 Levi Strauss	7 Nike	8 Walmart	9 American Eagle	10 Ulta
RELATIONSHIP-BUILDING	96%	98%	97%	76%	74%	91%	87%	86%	84%	91%
SEARCH	100%	100%	100%	100%	100%	88%	100%	100%	94%	94%
SHOP	90%	97%	90%	97%	97%	97%	90%	94%	90%	90%
CART	97%	92%	97%	95%	92%	89%	84%	95%	95%	92%
BUY	100%	100%	100%	94%	94%	100%	100%	94%	100%	100%
FULFILL	100%	100%	89%	100%	100%	89%	100%	93%	89%	81%
RETURNS	100%	83%	96%	100%	100%	100%	92%	83%	92%	83%
TOTAL	98%	96%	96%	95%	94%	94%	93%	92%	92%	90%

The Target app and sites are designed to be holistic experiences in and of themselves, but they also allow for a very easy in-store experience. Target excels in the areas of relationship-building, search, fulfillment, and returns. Issues with the Target desktop site were what cost the retailer a perfect score. For example, the cart total is only visible above the fold, and the homepage is rather cluttered. Additionally, there's only one quick-add fulfillment option associated with each item when on the search results page. This is a bit confusing as it feels like you're automatically locked into that fulfillment option. Both curbside and in-store pickup experiences are efficient, though, and the app facilitates these experiences seamlessly. Returns in-person are also swift (as long as there isn't a long wait at customer service) because the app allows shoppers to complete the process without any paper trail. Target clearly understands how each platform and channel can work together and individually to create the most convenient and supportive shopping experience.

Apple scored the highest of any retailer in the relationship-building category, with only one point docked due to the effort required to find support content. The visual nature of all platforms combined with how products are merchandised makes for a fun yet informative shopping experience. Apple's total score only suffered because of the cart and returns categories. On both the mobile and desktop sites, you can't see how many items are in the cart once you've scrolled past a certain point. The fact that this vertical has return restrictions is understandable, but it still sets the retailer back given consumers are used to other verticals boasting minimal restrictions. It's also a hassle to ship items back if they're no longer needed. Knowing how delicate and costly the brand's returns are, the mail back process could stand to be easier and less worrisome. Aside from these minor disruptions to the purchase process, Apple's approach to enabling effortless buying is unmatched. In creating a brilliant sequence for customizing item preferences and providing a highly useful comparison tool, the retailer has made the purchase process fluid for consumers.

SEPHORA

Sephora has created a shopping space geared towards learning, which is unique and powerful in today's retail environment where consumers want to be highly informed before making a purchase. Site copy is extremely clear and written in a way that helps shoppers understand how the product would fit into their routine. The only issues that cost Sephora the number one spot were related to fulfillment and returns, and that the cart quantity isn't sticky (scrolling past the fold means no visibility to how many items are in the basket). It's challenging to determine whether in-store pickup or same-day delivery would be the quickest fulfillment option as the timelines for both aren't shown on the cart page, and a delivery timeline isn't given on the product page. Knowing that this is a space where shoppers can vary greatly as to when they need an item, the retailer would be wise to clearly express the optimal decision for shoppers. Overall, Sephora's scores were well-aligned with the brand's historically innovative and customer-centric reputation.

While Home Depot received significantly low scores on a few of the relationship-building criteria (extremely low accessibility scores for both mobile and desktop sites, some unclear copywriting, not the most helpful support pages), the retailer excelled in search, fulfillment, and returns. Home Depot came very close to cracking the top three spots overall with its near-perfect score in the cart category. One service that particularly stood out was the ability to text the retailer for customer support via an available number on the website. Other useful features included a comparison tool and the option to have the item shipped to the store rather than automatically shipping to the home if the store didn't have it in stock when buying online. Home Depot is a prime example of a retailer that has thought through all the vast and varying need states of its shoppers and offers services to accommodate those needs. Affording shoppers every possible convenience is what takes retailers to the highest tier in 2022 and beyond.

DSW

DSW's platforms are extremely shoppable and expertly merchandised. Aesthetics are on point, and highly visual, which is especially critical for a specialty fashion retailer. With flawless search, fulfillment, and returns ratings, DSW proved excellent among a handful of the criteria. Unfortunately, the relationship-building customer service scores were a primary reason it didn't earn our top spot. Considering shoppers are accustomed to convenient self-service tools to facilitate their experiences, the lack of help and support pages on their sites was a big miss. If shoppers have questions or concerns, they are funneled to either emailing or calling customer service. Further, live chat on the site only appears as an option once you're on the cart page. This was also a retailer example where the cart wasn't sticky, so shoppers can't always see the number of items in the basket. Aside from these challenges, DSW has created an easy-to-use, fun-to-engage-with destination with a variety of filtering options that keep things convenient for today's consumer who usually has an idea of what they want before they begin shopping.

Levi's

Levi's boasts an irrefutably strong and enjoyable connected retail experience. All platforms offer extremely detailed levels of information on each product, allowing shoppers to feel confident in their sizing decisions. Livechat within the sites and app balanced out the fact that there were no options anywhere for shoppers to connect with the retailer by phone. Also contributing to this balance were its robust sets of FAQs with thorough explanations. The fact that app users are required to join the loyalty program before using the app is smart but could be frustrating to some. Once in the app, though, there are plenty of details users can leverage to ensure a personalized interface (something few other apps can claim), along with early access to product launches and exclusive assortments. Onsite pickup orders can conveniently be assigned to a friend or family member if the shopper is unable to grab the item themselves. The only notable issues were that curbside pickup wasn't clearly specified as an option, site search errors aren't corrected optimally, users can't see an estimated shipping time up front, and the mobile app cart isn't sticky. Despite placing sixth, we recommend other retailers seek inspiration from Levi's design and user experience approach.

Nike has been synonymous with an innovative customer experience since the company was founded. Nike maintains that reputation with highly aesthetic and connected online-offline platforms, and opportunities for shoppers to extensively interact with the brand at every step of the purchase path. Nike's shortcomings were mostly in the cart and fulfillment categories, with low scores in accessibility and returns as well. Both the mobile and desktop sites had no cart stickiness, so after scrolling to a certain point, shoppers cannot see how many items they have in their basket. Furthermore, it is not clear how to change the way the item will be received — switching from delivery to store pickup is not an easy task. And curbside delivery requires some lifting on the part of the shopper to determine if it is an option or not. Lastly, even though it serves as a way of incentivizing more loyalty program members, it's a miss that non-loyalty members can't receive refunds (only store credit) on returns. A few tweaks to the overall brand experience, and Nike would be a top three in our rankings.

This year, Walmart maintained its top ten rankings, with high marks in search, shop, and cart. The lack of customer service details dropped Walmart's relationship-building category score, however, with no clear phone number or email address for shopping questions or concerns. The most detrimental dockings, though, were in the returns bucket. Items fulfilled by Walmart have a seamless returns process, but items sold through a third party are not nearly as easy to return. Additionally, even if the store is open, the returns desk may be closed. We would strongly advise allowing in-store returns to take place during all hours that the store is open. Though Walmart's digital aesthetics are a bit cluttered, the merchandising is strategic in that it reflects all of the various ways a shopper could approach the search process. Despite a few hiccups, Walmart remains a shining example of connected retail.

AMERICAN EAGLE

American Eagle received most of its point reductions in the relationship-building category. Customer support was lacking on their app. They didn't provide a live chat function, nor did their app include a phone number or FAQ page. In the shop category, when looking at an item, it was difficult to compare similar items. Scrolling to the very bottom of the page brought about comparable prospects, but that effort can be make-or-break for shoppers. Concerning fulfillment criteria, it was challenging to determine which method would make for the fastest product acquisition. Often, in-store pickup, curbside pickup, and ship-to-store were available simultaneously without the option of having the item shipped to your home. There should be less confusion between fulfillment options in terms of how quickly they make the product available. The final issue was the $5 fee for returning items by mail, which doesn't bode well for AE against competitors who have set the standard of free returns.

ULTA BEAUTY

Ulta's merchandising approach and whole purchasing path are based on convenience, so it's no surprise that the company made our top 10. However, what placed the brand at the end of our high-performing list were mostly clunky elements of the fulfillment and return-by-mail experiences. Of the fulfillment options, it was hard to tell which one would be the fastest. Shoppers are required to click on the “store & pickup availability” button to check which of the nearby stores has the product in stock for this fulfillment method. It would have been nice to see the different fulfillment options on the cart page for comparison on the site; the app does possess this feature. As for returns by mail: the instructions on the site are on the complicated side, and shipping is not paid for by the brand. Despite losing points for the aforementioned misses, Ulta was one of the first retailers to nail an omnichannel strategy during the pandemic, and it’s easy to see why they’ve kept their lead.

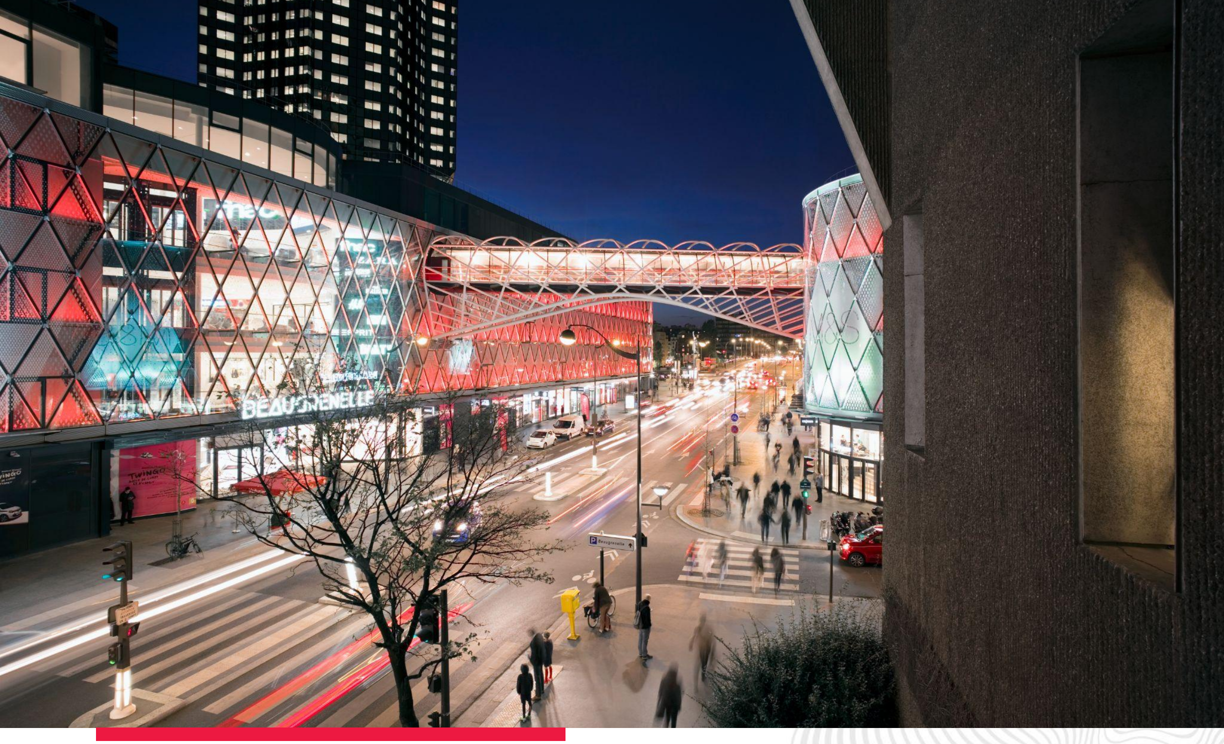
LOYALTY

In addition to the 87 criteria, we looked at nine "loyalty" criteria that did not count towards retailers' overall scores. For a brand to score perfectly on loyalty, they had to have a loyalty program, offer some sort of exclusive product or service to loyalty program members, and allow shoppers to both share the payment responsibility with someone else, and share individual items via both text and at least one social media network from their desktop and mobile sites, along with from the app. Only two retailers out of the 23 we audited ticked almost all of those boxes — Sam's Club and Home Depot.

While a loyalty program certainly encourages repeat purchases, loyalty isn't solely about retaining customers - it's also very much about reaching new ones. When brands put effort into attracting and rewarding referrals, consumers can connect with their peers over a shared love for those brands. Shopping culture today is highly collaborative. Very few purchases are made without any input from a family member or friend. Retailers who make collaborative shopping decisions easier to participate in through link and payment sharing capabilities will be rewarded with brand trust. Some retailers we assessed offered the ability to share only by text, only by social media, or only through one of the three channels (desktop, mobile, or app), but a robust approach of offering the capability across all channels, by SMS, by app, and by social media would be ideal. Additionally, none of the retailers offered the option to split payment with another person. Though a copy and paste of a link doesn't require much effort, nor does having a peer pay you back for part of the cost of an item, allowing these actions to be performed within the retailer's app or site will make it easier for others to join in the retailer's system.

In the retail space, personalization has been the term most commonly associated with loyalty, but when breaking down a strong loyalty strategy, personalization is just one component. Convenience and exclusivity are two additional, crucial pillars of loyalty, and both should be achieved in personalized ways. Levi's and Nike's loyalty programs allow consumers exclusive access to early product launches and limited assortments. Both retailers' apps ask users a series of questions upon initiation that ensure a customized interface. In terms of convenience, Target's loyalty program, Target Circle, links with Ulta's Ultimate Rewards program. This means that shoppers earn both Ulta points and 1% back on Target purchases when they buy at Ulta's Target locations. Given how many established brands sell DTC and third-party, these connected loyalty programs are the future of loyalty, making loyalty a low-maintenance, high-reward experience for shoppers.

Retail loyalty is an evergreen concept, but there is plenty of room for brands to innovate in ways that keep consumers coming back, and bringing others with them, for a long time. It would have been great to see more interaction between retailers and their brand-loving consumers by encouraging co-creation and by deploying engaging quizzes and surveys to refine assortment and experience in more meaningful ways. Loyalty should be a two-way dialogue, where retailers learn more about their most frequent customers so that they can provide exactly what they continue to seek. Brands could and should also encourage more engagement among loyal customers within their ecosystem. Sephora has always fostered a strong sense of community among its shoppers with a highly informative discussion board, but baking this type of a concept into a loyalty program would take it one step further. The digital aspect of omnichannel means shoppers have more of a chance to get their products and services tailored to their dreams, and building a connected network forms a sturdy foundation for that personalization.



IMPLICATIONS

This year saw dramatic improvement from last year, with the highest scoring retailers demonstrating the need for just slight adjustments, versus large overhauls. For a couple of the bar-setting retailers in 2020 (Target, Home Depot), 2021 proved to be a time to nearly perfect the experience. However, there were still a few almost-universal shortcomings. For example, very few retailers have filters for shopping by fulfillment method. Target letting shoppers search the "same-day delivery" options within grocery for a particularly needed item is a similarly intended feature other retailers should implement. Likewise, once you've drilled down to jeans on Levi's site, you can turn on your nearest shop to only display which items are available for local pickup. This is another clever way to give shoppers the ability to browse by preferred receiving mode.

Once on the cart page for all of our top 10 retailers, not a single brand granted the ability to change the configuration (e.g., size, color, etc.) of an item already in the basket. The item could be removed, or the quantity increased, but changing the actual style of the item isn't possible. A few retailers, such as DSW and American Eagle, allow shoppers to change the configuration by clicking the "edit" button. However, requiring changes on a popup screen versus doing it within the cart page isn't completely frictionless.

These common barriers are not the end of the world, but they could very well be the end of the shopping experience for frustrated or distracted consumers. 2022 will require retailers to continue to fine-tune the connection between their omnichannel offerings even further so that each shopper feels the whole path to purchase was designed for their specific needs. In the future, we expect that, along with innovation in the loyalty space to drive both an emotional and logical connection with consumers. From last year to this year, the top ten connected retailers dramatically changed. Next year holds the exact same potential.

CONNECT WITH US

MELISSA MINKOW
Director, Retail Strategy
melissaminkow@ciandt.com

YOUNG PHAM
Chief Strategy Officer
young@ciandt.com

Be ready for the ever-changing world.
Subscribe to our **newsletter**

click here

CI&T
ciandt.com