

PERSONAL ADAPTIVE VALUABLE



Three Principles

Driving the

Future of Retail

THE CUSTOMER IS ALWAYS RIGHT

Harry Gordon Selfridge

When Harry Gordon Selfridge, founder of London’s famous Selfridge’s department store, popularized this famous customer service mantra in the early 1900s, he was certainly not anticipating the digital age. Though communication mediums have changed, the heart of the principle stands. Serving customers in ways that add value and provide solutions in the day’s modern context (whatever that is) will always be the most critical ingredient for retail success.

In September 2014, iProspect released findings from its custom, proprietary consumer research study that identified the three non-negotiable principles of retail. These principles are the determining factors for retail success today and in the future.



In this executive summary, iProspect’s industry knowledge of digital strategy intersects with the trajectory of consumer preference to reveal the future of retail.

Success relies on listening to customers and taking action. Brands have to infuse their consumer insights into core strategies and tactics while consistently striving to be personal, adaptive and valuable. It’s a tall order. And since the customer is always right, brands must figure out how to give people what they want.

Proactive brands that boldly invest in the new retail realities will prevail.



THE FUTURE OF RETAIL BEGINS WITH AND DEPENDS ON UNDERSTANDING PEOPLE

Sam Huston
CHIEF STRATEGY OFFICER, IPROSPECT

LET CONSUMER PREFERENCES AND BEHAVIORS LEAD YOU

iProspect’s latest proprietary consumer research analyzed the shopping behavior and digital footprint of 6,220 consumers, male and female, ages 21-74, with mass affluent and upper class household incomes and a taste for quality.* A single universal truth emerged from the research: consumers want to shop on their terms and they all use digital connectivity to find information, enhance convenience and gain choice.

While some groups index slightly lower or higher in certain categories, all segments demonstrated a digital fluency in line with advanced users. As a result, the majority now require a personal, adaptive and valuable brand experience.

PRINCIPLE #1:

MAKE YOUR CONSUMER’S RETAIL EXPERIENCE PERSONAL

Sixty percent of retailers** believe that delivering a more personalized customer experience is the most vital marketing strategy today, but the majority have not invested in bringing this experience to life.



It’s standard for retailers to have a few categories in a CRM database that they use to segment email topics or offer complimentary products on the same ecommerce product page. Some companies, especially pharmacies, grocery stores and automotive brands, have preferred locations set by the consumer or website GPS functions. But, to succeed in the future, brands must leverage all their available data to build even more personalized retail experiences — where every shopper easily finds answers to their unique questions.

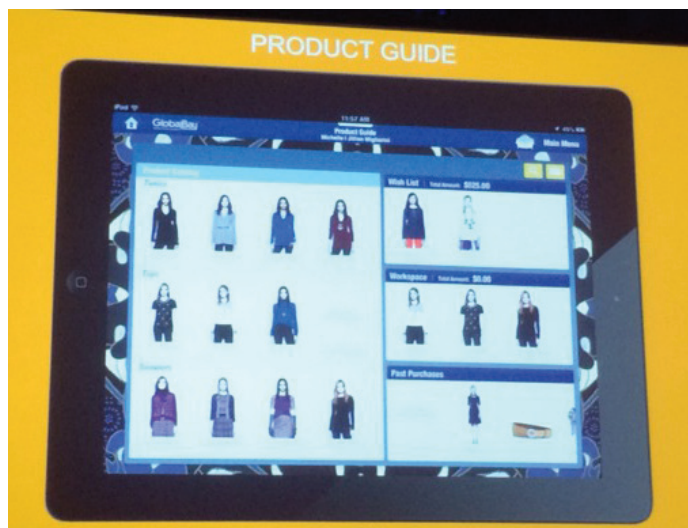
**Please see “About the Survey” section in the appendix for additional details on the survey, methodology and consumer findings.*

***TimeTrade Survey, September 24, 2013*

Spotlight on Tory Burch and the “ClientBook”

Tory Burch, like many other retailers with both ecommerce and brick and mortar locations, realizes the importance of tying consumers’ online and offline preferences into one seamless experience.

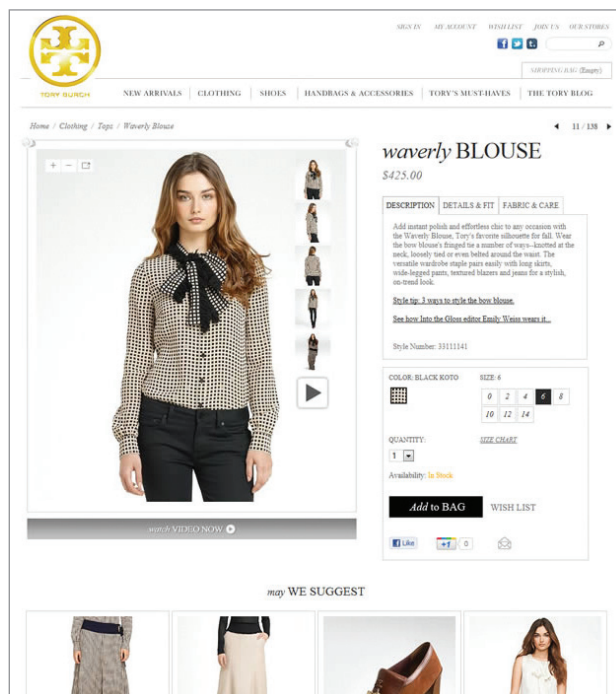
The retailer now uses iPad “ClientBooks” in-store, which makes customer information immediately accessible to sales associates so that they can cater to client’s desires, provide a custom shopping experience and build a beneficial relationship.



LEFT
Tory Burch’s ClientBook iPad salesperson interface

BOTTOM LEFT
Tory Burch retail location, Dallas, Texas

BOTTOM RIGHT
Tory Burch webpage



Tory Burch is using technology to offer customers what the competition is not. Customer profiles track wish lists, preferences and order history, so guests receive the same personalized service anywhere they shop with Tory. Sales associates are encouraged to communicate with their customers, send thank you notes, notify them about sales and schedule appointments via ClientBook.

“

ClientBook is the type of technology that we want to use to enable an authentic relationship between our brand and our customer, however she wants to shop.”

MATT MARCOTTE
Senior Vice President
for Global Retail,
Tory Burch

76%

RESEARCH PRODUCTS
ONLINE BEFORE
BUYING

LOOKING AHEAD

Consumers use both online and offline channels. Only a handful of brands have figured out how to answer the call for a consistent, personal experience across ecommerce and brick and mortar. Retailers need to nurture sustainable data relationships with shoppers across channels in order to create a truly personalized store experience.

Actionable advice: make it personal

- **Offer digital personal shopping.**
Curate shopping lists such as gift ideas tied to special dates like birthdays, anniversaries and holidays.
- **Make it possible for customers to pick-up purchased items in-store** or have them shipped to their home.
- **Make smarter product recommendations** by gathering insights from customer quizzes and Pinterest or Polyvore boards.
- **Share localized in-store offers and events on the website** to encourage the consumer to purchase in-store or online quickly.
- **Keep customers fully stocked** by using auto-replenishment service reminders for products like cosmetics, pharmacy goods, household maintenance items and groceries.



PRINCIPLE #2:

MAKE YOUR CONSUMER'S RETAIL EXPERIENCE ADAPTIVE

Today, brands must be able to shift digital tools, strategies and in-store experiences in real-time based on consumer input to provide the most adaptive experience.

Spotlight on Burberry's Digital Flagship Experience

It's no secret that Burberry is the current darling of the digital fashion world. The Burberry brand, transformed under the direction of Angela Ahrendts and Christopher Bailey, has redefined adaptivity. The premium, in-store, real-time digital experience in flagship locations has earned

applause from consumers, shareholders and the fashion industry. Burberry has revolutionized retail and continues to surprise and delight through the infusion of adaptive digital.

If you walk into the Burberry Regent Street store in London, you'll notice a screen live-streaming runway shows, frequent events and even an in-store 'rain shower'. But what really sets the experience apart is how the store adapts as individuals interact with the technology. For example, a customer who sets a handbag down on a coffee table will notice the transformation of nearby mirrors into digital screens, projecting videos of the piece being made. The prestigious Regent Street location has been open since 2012, yet there is still no competitive comparison to this immersive retail experience.



LEFT & BELOW
Burberry Flagship,
121 Regent Street,
London, UK



What we did was the exact opposite of the way people typically build physical spaces. We looked at Burberry.com and designed the Regent Street store for you to be able to engage with it in the same way that you might be able to engage online.”

CHRISTOPHER BAILEY
Chief Creative Officer,
Burberry

LOOKING AHEAD

Imagine having a conversation with a person who is not responding according to what you are saying, or is not reading your obvious non-verbal clues. Would you want to interact with this person again? Likely not. Consumers want an experience that adapts to their unique situation or interest.

36%

COMPARE PRICES/LOOK UP PRODUCT
INFORMATION WHILE IN A RETAIL STORE
AND WHILE USING THEIR MOBILE PHONE

Actionable advice: make it adaptive

Brands currently offer adaptive ecommerce sites, with relevant recommendations based on product page views or email communication feedback, but there are still many opportunities to up the ante. For example:

- **Answer consumer questions** by infusing product information, reviews, assortment options, availability and other FAQs via in-store displays or QR codes, UPC or RFID scanning from the consumer's smart phone.
- **Give consumers real-time directions** for locating hard-to-find products in an unfamiliar store, such as grocery stores, pharmacies, hardware and home improvement stores and department stores.

- **Enhance the ecommerce experience** by showcasing complementary products based on browsing or buying history. Other ecommerce ideas include:

- *Call out trends, recommendations, social tie-ins and competitor pricing based on stores in the consumer's current city.*
- *Use a consumer's saved preferences to offer the option to buy products online or their preferred store location.*
- *Save payment options, preference details and shipping addresses for quick checkout.*
- *Auto-fill frequent orders.*

- As mobile phone usage in-store continues to skyrocket, **iBeacons are a great option for connecting with your consumers.** Serve-up product information or unusual/interesting facts about the store; consider scavenger hunts or other games if it's right for your brand.
- **Pair technology with human interaction.** Perch Interactive's bespoke projector experience can showcase product information, reviews, social comments, pins, and even animation upon in-store human interaction. Isobar's Livestore technology changed Fiat's virtual car shopping experience by allowing adaptive conversations in the store showroom from the consumer's computer screen. Samsung's Centerthink enhances home appliance features and Lowe's Holoroom virtual reality helps consumers visualize home improvement projects. The key is to make sure the technology aligns with your customers needs.



LOOK UP INFORMATION ON PRODUCTS AND SERVICES ONLINE AT LEAST MONTHLY

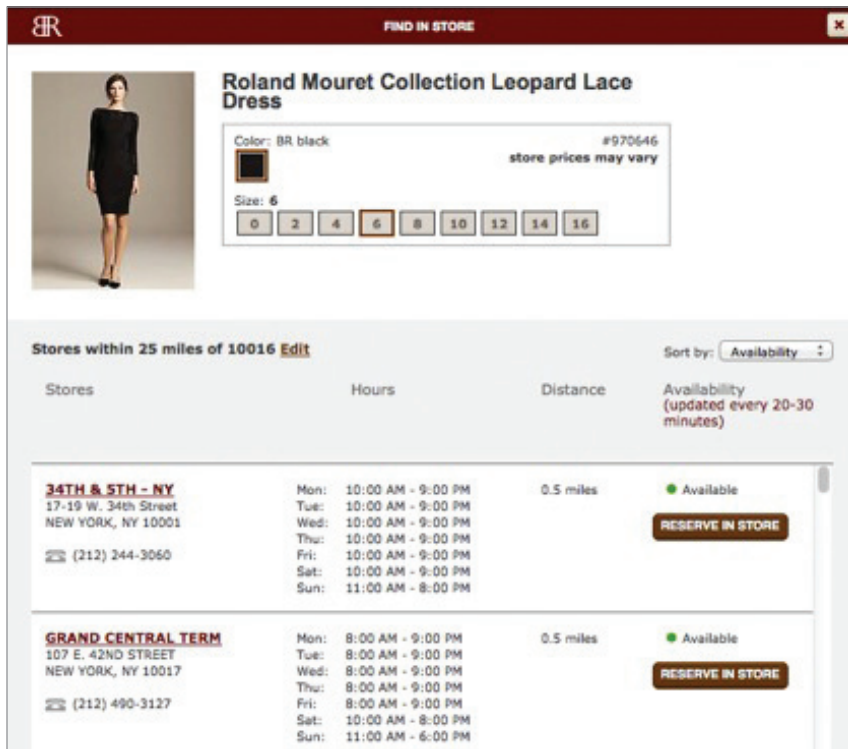


PRINCIPLE #3: MAKE YOUR CONSUMER'S RETAIL EXPERIENCE VALUABLE

Consumers will flock to brands that add value to their experience. A price break or discount offers value, but the majority of consumers evaluate more than cost when making decisions.

Spotlight on Banana Republic's "Reserve in Store"

While many brands offer the ability to view and reserve in-store inventory, Banana Republic went further by adding convenience and time-saving benefits. Just recently, they layered 'Reserve in Store' to their site, where browsers can select their size and store location to hold inventory. While some retailers are beginning to also offer this feature, not all are doing it well. Banana Republic, and soon their sister



ABOVE & RIGHT
Banana Republic's
"Reserve in Store"
home page banner
and product page
reservation interface
(note the frequent
inventory updates)



brand, The Gap, is ensuring answers to common questions are clear, and allowing real-time inventory to be showcased and then put on hold, without having to buy it first. The brand:

- Lists nearby store locations, phone numbers and hours.
- Updates online inventory every 30 minutes so the consumer will see the live status of a product. Connecting available inventory to consumer demand is valuable for busy locations, just released/limited products, or gifts during the holidays.
- Offers a 'Reserve in Store' option available for in-store and in-stock product. When a consumer puts items on hold remotely, they are not required to complete the purchase to secure the inventory, and will receive a confirmation text on their mobile phone when it's set aside.

“

We know that our customers today have more access to brands than ever before, and so they shop in many different ways. 'Reserve in Store' is just one way that we can help integrate the shopping experience, and make it easy for our customers.”

ROY HUNT
Senior Vice President
of Stores and Operations,
Banana Republic



LOOKING AHEAD

Consumers are redefining the measuring stick used to determine the true value of a product. The successful retailer will act on serious topics like safe personal data, valuable experiences, and authentic two-way communication in order to save the shopper time and energy.

Actionable advice: make it valuable

- **Help the consumer save time.**
Include savable wish lists, live chat/customer service call backs, and click-to-call search engine listings. Also, make the return/exchange process as easy as possible.
- **Provide convenient information.**
Give specific in-store inventory availability in addition to the option to reserve product and make in-store appointments from any digital device.
- **Consider Google Product Listing Ads.** Consumers love comparing prices to ensure they are getting a good deal. All retailers, including premium and luxury brands, can benefit from pricing details embedded within search engine listings. This helps consumers see that brand products from the official website cost the same or minimally more than websites selling unofficial goods.
- **Leverage the consumer data you have, and make it safe.**
Today, data security is a mandatory brand value. Once a consumer checks that terms and conditions box, employ thoughtful use of their data to enhance the buying process. Brands must ensure that emails, advertisements and website experiences received are relevant, and therefore valuable.
- **Connect loyalty rewards to online and offline experiences.**
There is a lot to be said about the value of exclusives, especially for consumers who are part of a brand's loyalty program. Rewards like special event invitations, preferred pricing and secured inventory for loyal shoppers are ways to provide substantial value. The biggest disconnect for brands today is inaccurate loyalty and rewards tracking between a consumer's online and offline purchases.

THE PROLIFERATION OF DIGITAL CONNECTIVITY IS THE CATALYST QUICKLY ELEVATING CUSTOMER EXPECTATIONS

Jeremy Cornfeldt

PRESIDENT US, iPROSPECT

**CONNECTING THE DOTS:
MAKING THE CONSUMER RETAIL EXPERIENCE
PERSONAL, ADAPTIVE AND VALUABLE**

At every turn, whether on mobile, via social media, in-store, on a laptop, at the front door opening a delivery, and at every touch point in-between, consumers are meticulously building personal ecosystems that conform to their exact needs. This statement is true of all consumers, regardless of demographic, gender or age.

Consumers guide brands by revealing their personal data and preferences. This information is the cornerstone for building brand strategies. The trends exposed by today's early adopters foreshadow the expectations of tomorrow's mainstream. As slower-to-adopt segments mature, visionary brands that take advantage of today will have had time to refine their offering and will be set-up to deliver excellence to the masses.

Secure your brand's future by remembering what you've always known to be true –customers deserve authentic experiences that add value to their daily lives. Shape your customer's personal, adaptive and valuable experience by putting data parameters in place to understand their current needs, and then invest in the digital platforms required to meet those needs.

Antsy yet? Consider the challenge raised.

51%

**PREFER TO TALK
TO PEOPLE
FACE-TO-FACE,
OR ON THE PHONE,
INSTEAD OF ONLINE**

APPENDIX

ABOUT THE SURVEY

iProspect, through our parent company, Dentsu Aegis, conducts an annual proprietary single-source communications and lifestyle survey known as the Consumer Connection System (CCS). CCS is nationally representative and has over 34,500 respondents in the United States, more than any other single-source study. The consumer study in this whitepaper was conducted via CCS.

The featured 6,220 US respondents agreed with the statement “I often pay more for good quality.” We segmented the group to ensure as much applicability as possible:

- **Household income**, focusing on the Mass Affluent (\$75K-\$149K) and the Upper Class (\$150K+), as those two groups have greater than average buying power
- **By Gender** (Male, Female)
- **By Generation*** (Millennial 21-34, Gen X 35-49, Boomer+ 50-74)

* We used the Millennial age span definitions as set by Pew Research but only included responses from 21+ Millennials to maintain a tighter focus on those who are of legal drinking age and already out of college and in the work force.

Detailed Consumer Insights and Research Findings

FIND INFORMATION

Research findings revealed that all consumer segments use digital to find information, whether to learn more about products, look-up pricing or read reviews. As expected, Millennials are the group with the highest digital adoption, especially mobile and tablet usage.

ENHANCE CONVENIENCE

Digital use contributes to consumer convenience, especially via mobile phones—people use phones before heading to a store (checking availability or prices), while in a store (other retailer’s availability/pricing, QR code or UPC scanning to learn more in-the-moment, buying same retailer’s or competitor’s online inventory while in store), or even upon leaving a store (using GPS to find another store location). Again, it’s quite obvious Millennials lead the use of smartphones to gain conveniences.

GAIN CHOICE

Finally, consumer preferences are clear. They enjoy shopping around and want both in-store and online options. While the majority prefers talking to people face-to-face versus online, there is still a large portion that prefers online over face-to-face. This is one of the many examples that shows the variety of shopping preferences and styles, leading retailers to realize providing all the options well is the best way to cater to their customer.

HOW CONSUMER SEGMENTS ARE USING DIGITAL TO FIND INFORMATION

	Group AVG	MILLENNIAL: 21-34 YEARS				GEN X: 35-49 YEARS				BOOMER+: 50-74 YEARS				Comments
		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		
		W	M	W	M	W	M	W	M	W	M	W	M	
To find out information/learn things: on a laptop/desktop	78%	75%	68%	77%	62%	80%	77%	73%	72%	86%	86%	89%	85%	Millennial upper class males have lowest usage (as they actually own least of all groups); all 50+ uses most, especially upper class female
To find out information/learn things: on mobile phone	52%	58%	54%	60%	54%	50%	54%	52%	60%	39%	40%	50%	52%	Millennial upper class females & Gen X upper class males are using their phone in this way the most
Researches products online before buying	76%	73%	67%	77%	56%	82%	78%	77%	68%	84%	85%	86%	82%	All generations 50+ do the most research prior, Millennial upper class males claim they do not, but other responses prove differently
Looks up info on products/services: at least monthly	93%	94%	96%	90%	96%	91%	95%	92%	96%	88%	89%	91%	94%	All segments do this
Looks up info on products/services: on mobile or tablet	52%	59%	65%	56%	67%	47%	54%	60%	65%	29%	33%	43%	40%	Millennial upper class males do this most, 50+ upper class female least (as she's on her desktop)
Reads customer ratings/reviews: at least monthly	80%	85%	89%	84%	92%	79%	82%	77%	85%	69%	68%	77%	68%	All segments do this, especially Millennial upper class males
Regularly reads online reviews: on mobile or tablet	58%	66%	78%	78%	72%	54%	65%	61%	69%	31%	29%	45%	42%	Millennials do this most frequently, mass affluents 50+ the least (likely due to device ownership, as less own smartphones)
Checks out prices: on a laptop/desktop	56%	55%	55%	58%	50%	57%	56%	58%	53%	58%	54%	58%	59%	All segments do this, with Millennial upper class males least (again due to lack of ownership)
Checks out prices: on mobile phone	27%	36%	35%	30%	36%	25%	29%	29%	30%	18%	15%	25%	19%	Millennials do this most frequently, 50+ segment least, although 50+ upper class females stand out

HOW CONSUMER SEGMENTS ARE USING DIGITAL BECAUSE OF ITS CONVENIENCE

	Group AVG	MILLENNIAL: 21-34 YEARS				GEN X: 35-49 YEARS				BOOMER+: 50-74 YEARS				Comments
		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		
		W	M	W	M	W	M	W	M	W	M	W	M	
Compare prices/look up product while in a retail store: regularly use mobile phone	36%	45%	53%	43%	47%	36%	38%	38%	43%	19%	18%	32%	23%	Millennial mass affluent males have the highest propensity, while 50+ mass affluents have the lowest (due to lower smartphone ownership)
Look up/compare prices or availability online: regularly use mobile phone	36%	47%	51%	43%	49%	33%	40%	43%	41%	16%	18%	23%	22%	Millennial mass affluent males have the highest propensity, while 50+ mass affluents have the lowest (due to lower smartphone ownership)
Look up/compare prices or availability of store locations: regularly use mobile phone	29%	38%	42%	30%	39%	25%	34%	29%	34%	15%	17%	20%	19%	Millennial mass affluent males have the highest propensity, while 50+ mass affluents have the lowest (due to lower smartphone ownership)
Use GPS to locate another store: regularly use mobile phone	38%	52%	51%	43%	52%	36%	40%	43%	42%	22%	23%	27%	30%	Millennials do this most often, especially mass affluent females and upper class males; 50+ least often
Scan a product's bar code: regularly use mobile phone	29%	35%	38%	30%	41%	29%	34%	29%	33%	18%	20%	25%	20%	Millennials do this most often, especially upper class males; 50+ least often
Scan QR code: regularly use mobile phone	29%	33%	41%	28%	39%	26%	34%	28%	35%	16%	18%	21%	25%	Millennials do this most often, especially mass affluent males; 50+ least often
Make a purchase via mobile device while in a store: regularly use mobile phone or tablet	21%	29%	38%	31%	35%	17%	22%	29%	23%	6%	8%	9%	10%	Millennials do this most often, especially mass affluent males; 50+ least often

HOW CONSUMER SEGMENTS PREFER TO SHOP

	Group AVG	MILLENNIAL: 21-34 YEARS				GEN X: 35-49 YEARS				BOOMER+: 50-74 YEARS				Comments
		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		\$75-\$150K		\$150K+		
		W	M	W	M	W	M	W	M	W	M	W	M	
I prefer to talk to people face-to-face or on the phone instead of online	51%	42%	39%	42%	33%	49%	48%	49%	43%	63%	69%	68%	67%	50+ prefer face-to-face, while Millennial upper class males prefer the least out of every segment
I prefer to talk to people online instead of face-to-face or on the phone	28%	34%	38%	35%	47%	30%	30%	28%	32%	16%	13%	13%	19%	50+ prefer online least, while Millennial upper class males prefer the most out of every segment
I'd rather go to a retail store/shopping mall than order goods online	n/a	46% agree	47% agree	44% agree	56% agree	40% agree	37% disagree	36% disagree	43% agree	40% agree	41% agree	39% disagree	39% agree	Mass affluent Gen X males and upper class Gen X and 50+ females would rather order goods online than go to a store
I enjoy browsing in stores	67%	82%	73%	79%	75%	73%	60%	74%	59%	68%	47%	64%	49%	However, most segments like going to stores, especially Millennial mass affluent females
I shop around to make sure I get the best deal	83%	85%	85%	79%	87%	86%	86%	85%	84%	82%	82%	77%	82%	All segments agree with this
I need to be sure I've considered all the options before I make a purchase decision	72%	75%	77%	66%	79%	76%	77%	70%	72%	74%	71%	69%	62%	All segments do this, least of all 50+ upper class males
I am willing to spend money to save time	67%	56%	75%	73%	77%	60%	62%	72%	77%	54%	60%	62%	75%	All segments agree with this, although Millennial and 50+ mass affluent females agreed least
I prefer to buy/use brands that reward me for being loyal	77%	85%	80%	77%	82%	79%	74%	83%	79%	71%	66%	76%	67%	All segments agree with this, though 50+ agreed least



ABOUT THE AUTHOR

As VP, Strategy Director & Luxury Practice Lead, Andrea Wilson applies her wealth of strategic and tactical knowledge to weave business and consumer insights into cutting-edge digital strategies that drive performance for clients including Burberry and Estée Lauder Companies.

Leveraging 14 years of industry experience, Andrea plays an instrumental role in ensuring that iProspect is the leading digital agency for luxury and premium retailers. She also launched The Luxe Group, iProspect's specialty practice focused on uncovering topical trends and information.

A passionate advocate for consumer research, Andrea has spearheaded many industry-first studies about affluent consumers, and was influential in illuminating the power of the affluent male. Her industry recognitions include Luxury Daily's "Luxury Women to Watch 2013" and Direct Marketing News' "2013 Top 40 Under 40."

Follow her musings on Twitter [@AndreaWilsoniP](https://twitter.com/AndreaWilsoniP).

ABOUT IPROSPECT

iProspect is a global, award-winning marketing agency that drives digital performance for many of the world's largest brands. A trusted partner with an in-depth understanding of consumer behavior, iProspect reshapes brand strategies to meet the fast-paced demands of the convergent world with a focus on exceeding the client's business objectives. iProspect delivers personal, adaptive and valuable digital experiences utilizing proprietary solutions including: paid and natural search, content generation, data and insights, social media management, structured data and feeds, performance display, conversion optimization and affiliates.

Partnering with clients such as General Motors, adidas, Neiman Marcus, Container Store, Hilton Worldwide, The Gap, and many others, iProspect has been named the "Best Agency for Performance Marketing" by iMedia, and represents more retailers on Internet Retailer's Top 500 List than any other agency.

iProspect is the first truly global digital performance marketing agency, with 2,000 employees in 65 offices across 48 countries. For more information, visit us online at www.iprospect.com or follow us on Twitter [@iProspect](https://twitter.com/iProspect).

Interested in putting these principles to work for your brand? Contact us today:

moreinfo@iprospect.com

For questions about this research, please email Andrea.Wilson@iprospect.com.

For media inquiries, please email marketing@iprospect.com.

