

WalkerSands
COMMUNICATIONS



REINVENTING RETAIL: WHAT BUSINESSES NEED TO KNOW FOR 2014

Walker Sands' 2014 Future of Retail Study



Walker Sands' 2014 Future of Retail Study examines changing trends and consumer behaviors in retail. Based on an analysis of more than 1,000 U.S. consumers, Walker Sands' latest survey uncovers what consumers want in an omni-channel shopping experience and how retailers can use technology to increase sales in 2014 and beyond.



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EXECUTIVE SUMMARY

While it's no secret that the introduction of new technology is rapidly changing retail, businesses are still figuring out how to use these technologies to their advantage to better understand customers and get ahead of trends.

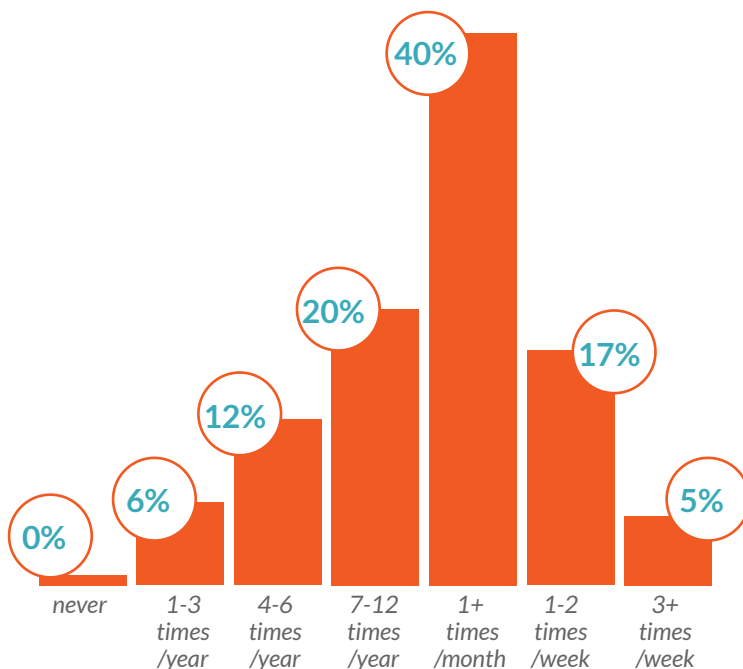
Walker Sands conducted its 2014 Future of Retail Study to gain a comprehensive understanding of consumer shopping behaviors, including their preferences for using new retail technologies when shopping online, in store, on mobile and social. A survey of more than 1,000 U.S. consumers, Walker Sands' 2014 Future of Retail Study aims to help retail

technology companies anticipate consumer behaviors in 2014 and beyond.

What follows is an analysis of consumer expectations for the future of online and in-store retail, as well as several key findings that demonstrate how retailers can adjust strategies to improve engagement and differentiate their brands from much larger competitors such as Amazon.



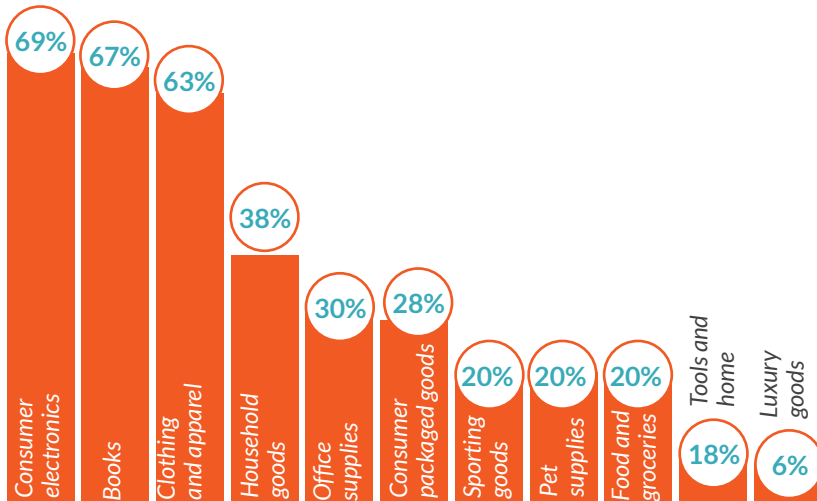
TODAY'S CONSUMERS ARE SHOPPING ONLINE FREQUENTLY – ON AMAZON



Online shopping has reached a pivotal tipping point with less than 1 percent of consumers surveyed in the Future of Retail Study stating they never shop online. The majority of consumers (62 percent) shop online at least once a month demonstrating a major opportunity for retailers who have strategies in place to generate revenue across channels.

Source: Walker Sands' 2014 Future of Retail Study

THE MOST COMMON TYPES OF PRODUCTS PURCHASED ONLINE IN THE LAST YEAR INCLUDE:

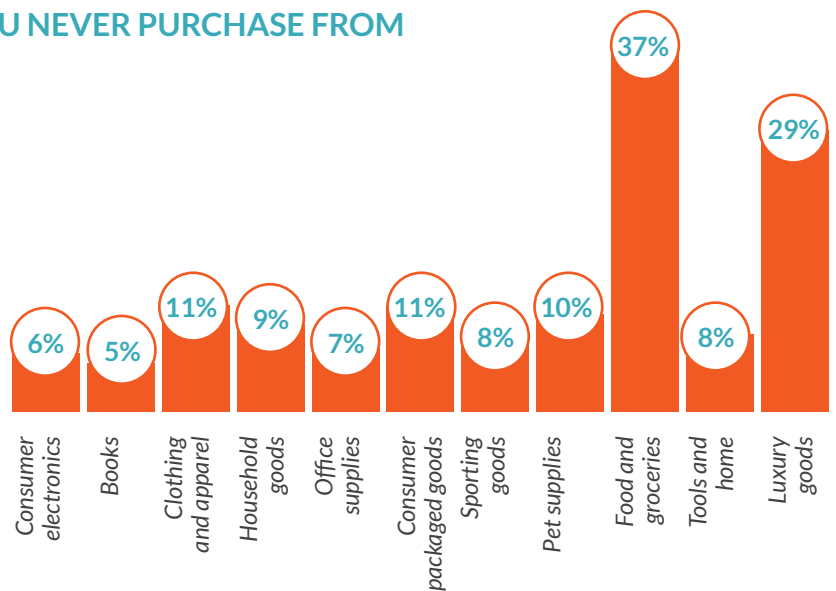


Although the rate at which consumers are shopping online still has room to grow, certain industries, such as consumer electronics, books and clothing are seeing more than half of their shoppers going online to make a purchase. Some of these retailers are already reaping the benefits of solid online strategies, while some continue to fall behind. Retailers in other industries should take lessons from those already facing the majority of customers making online purchases as their customers continue to become more virtual.

Source: Walker Sands' 2014 Future of Retail Study

WHICH OF THE FOLLOWING WOULD YOU NEVER PURCHASE FROM AMAZON.COM?

Walker Sands' 2014 Future of Retail Study found that 95 percent of consumers have purchased from Amazon in the past year. Most surprisingly, 40 percent of shoppers are willing to purchase any type of product from Amazon. In fact, there are few product categories that consumers would not feel comfortable purchasing from Amazon.



Source: Walker Sands' 2014 Future of Retail Study

While it's not surprising that more consumers are shopping online, the rate at which they're purchasing on Amazon causes concerns for retailers, especially as the frequency and range of product types they are willing to purchase from Amazon continues to expand.

Retailers who offer added value to customers through some of tactics listed below, such as free or fast shipping, will see high returns from their investments.

FREE AND EXPEDITED SHIPPING AMONG TOP DRIVERS FOR INCREASING ONLINE SPENDING

Retailers must act quickly to provide an experience on par with, or better than Amazon to capture a greater share of the online market and profits. The Future of Retail Study uncovered a number of offerings, including free shipping and returns, enhanced site security and augmented

reality capabilities that retailers can provide to drive more consumers to purchase on their website.

Consumers would be more likely to purchase products online if they were offered:

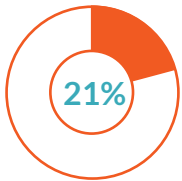


Source: Walker Sands' 2014 Future of Retail Study

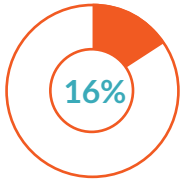
While it's a common misconception that the only way retailers can compete with Amazon.com is through price-matching tactics, it can be difficult for retailers, especially smaller businesses, to keep up with the low prices and cut overhead enough to match or beat Amazon.com, while still earning a profit. By paying closer attention to the above tactics, or offering additional benefits to customers retailers have several opportunities to create experiences that exceed Amazon.com.

Consumers are comfortable purchasing large ticket items costing hundreds of dollars online without seeing the product in person first. Forty-five percent of consumers are willing to spend as much as \$500 on a product online without seeing it in-person first, and nearly one-in-10 consumers are willing to spend more than \$1,000 online without seeing a product in person.

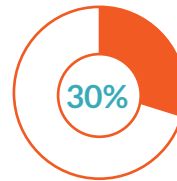
Free shipping and faster delivery also facilitate higher price point purchases by consumers. When free shipping and returns are offered, consumers spend even more online:



» 21 percent of consumers will spend between \$501 to \$1,000 on an online product with free shipping and returns,



» compared with 16 percent of consumers who are willing to spend the same amount without free shipping and returns.



» Nearly 30 percent of consumers will spend more than \$1,000 on a product online with free shipping and returns, versus 10 percent who would do so without free shipping and returns.

Source: Walker Sands' 2014 Future of Retail Study

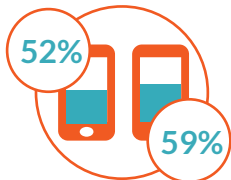
While free and fast delivery can be costly for retailers the study demonstrates they could be well worth the investment if customers purchase as much more as they say they would.

CONSUMERS WANT IN STORE AND ONLINE EXPERIENCES TO COLLIDE

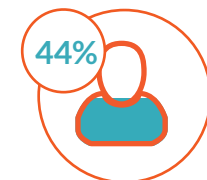
Another way retailers can differentiate themselves from Amazon and capture a greater portion of online sales is by providing a truly omni-channel experience and greater personalization.



Consumers are shopping on a range of devices simultaneously – 64 percent of consumers have used their mobile device to research products while in a brick-and-mortar location. It's critical for retailers to provide a seamless experience as they move from a mobile device to in-store to their laptops.



Fifty-two percent of consumers would be more likely to shop at a retailer offering in-store navigation on a mobile device, and 59 percent would be more likely to shop at a store offering self-checkout via a mobile device.

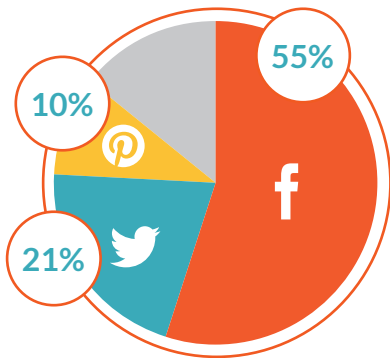


Personalization is also a significant differentiator driving customers to purchase from Amazon. Forty-four percent of consumers “strongly agree” or “agree” that they want product recommendations based on past purchases like Amazon offers. Shoppers who use mobile devices while at a brick-and-mortar location are also 21 percent more likely to want Amazon-like personalization when shopping in store.

Source: Walker Sands' 2014 Future of Retail Study



SOCIAL IS AN INTEGRAL OMNI-CHANNEL COMPONENT



Consumers are engaging with brands more on social and it's becoming a critical piece of the omni-channel strategy. Three in five consumers interact with brands on social media. The most popular channel is Facebook, which 55 percent of consumers report engaging with brands on, followed by Twitter (21 percent) and Pinterest (10 percent). Additionally, YouTube videos have influenced a purchase at least once for 53 percent of consumers. Seventeen percent of consumers have discovered a product through Pinterest.

The most popular reason consumers interact with brands on social media is for coupons and promotions (78 percent of consumers). Consumers also use social media to discover the latest news and products from brands (65 percent of consumers), receive customer support (24 percent), and to see what others are buying (19 percent).

Source: Walker Sands' 2014 Future of Retail Study

While consumers are flocking to social sites to discover and even purchase products, many retailers still aren't yet taking full advantage of strategies to drive social sales. As consumers continue to become more comfortable with shopping via social, there will be opportunities for retailers who include social as a part of the commerce strategy to see big returns.



MOVE TO A CASHLESS SOCIETY



Plastic has established a stronghold among today's consumers. Sixty-two percent of consumers surveyed in the 2014 Future of Retail Study reported having less than \$20 cash on hand.

Only one in four consumers have used cash to pay for something in the last 24 hours.

Forty-three percent of consumers haven't used cash in the last three days, and 23 percent haven't in the last week. Five percent of consumers say they never use cash and will not go anywhere that only accepts cash.

It's clear that consumers are shifting away from carrying cash in favor of more convenient alternatives, such as credit and debit cards. This presents an opportunity for retailers to capture a larger share of the purchase cycle and drive consumers back to their mobile apps by

offering mobile payment capabilities. However, a mere 8 percent of consumers are currently using mobile passbook-like apps to check out, suggesting that many of these apps are not well developed.

There's a wealth of opportunities for retailers – and technology companies – who are able to take advantage of this gap in the market and provide a convenient way for consumers to go cashless.

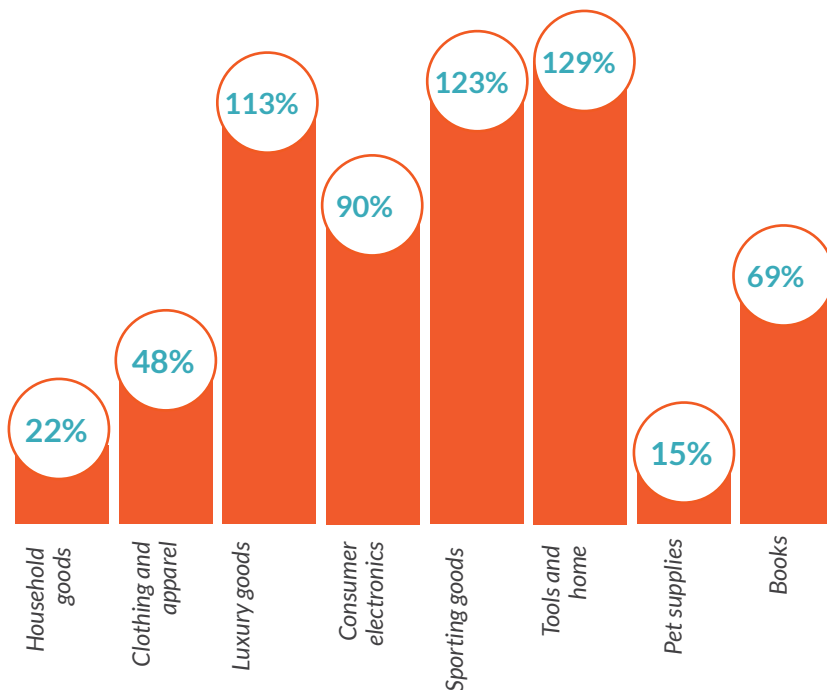


CONSUMERS ARE OPEN TO NEW RETAIL EXPERIENCES

There are several new trends on the horizon that may play a big role in the consumer retail experience in the future, including 3D printing and a move toward a sharing economy.

Walker Sands' 2014 Future of Retail Study found that many consumers will embrace this shift.

EXPECTED PERCENTAGE OF RENTAL GROWTH IN 2014

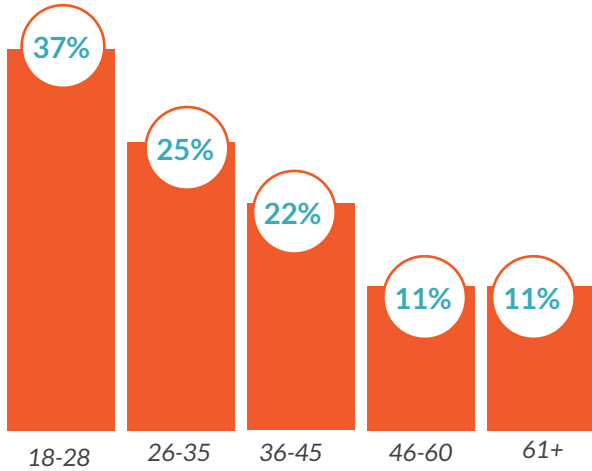


Nearly 70 percent of consumers are likely to consider trying clothing made from a 3D printer. Renting products instead of buying is also on the rise and is expected to grow 46 percent across categories in the next year.

Currently, the most popular items that consumers prefer to rent instead of buying include books (16 percent), consumer electronics (8 percent) and tools (7 percent). These same categories are expected to increase exponentially in the next year, with 32 percent of consumers expecting to rent books, 24 percent expecting to rent tools, and 21 percent planning to rent consumer electronics.

Source: Walker Sands' 2014 Future of Retail Study

I HAVE PARTICIPATED IN RENTING INSTEAD OF BUYING IN THE PAST YEAR



Source: Walker Sands' 2014 Future of Retail Study

This shift is the result of changing consumer behaviors. The majority of consumers (51 percent) prefer to avoid purchasing items they will not use in the long term in favor of more flexible renting options to save money or to give them the option to try a new service.

PREPARING FOR TOMORROW'S RETAIL CHALLENGES, TODAY

It's clear that retailers have a ripe opportunity to capture new customers online and increase sales through a compelling omni-channel strategy. Incorporating free shipping and returns can alleviate some of the uncertainties associated with purchasing online and motivate consumers to spend more online.

The reality is that shoppers are willing to spend more online as long as it's easy and free for them to exchange or return when needed. Brands that offer this service may also be

viewed as more trustworthy and transparent, which can improve brand equity and loyalty – a valuable asset in today's hyper-competitive market.

As shoppers become more comfortable experimenting with purchasing products online, retailers must ensure the path to purchase is easy and enjoyable for consumers on every channel – in store, online and mobile. Otherwise, consumers will shop elsewhere.





THE WALKER SANDS' 2014 FUTURE OF RETAIL STUDY METHODOLOGY

The Walker Sands' 2014 Future of Retail Study surveyed 1,046 consumers across the U.S. on their spending behaviors in the past year, and preferences for future spending. The survey analyzed consumer behavior and preferences for making purchases online and in-store. Responses were further broken down by demographics, including income and gender, among others.

Walker Sands works with a large variety of retail technology companies, and similar research is often assembled for clients through the Walker Sands analytics team.

**RETAIL TECHNOLOGY IS EVOLVING AT AN INCREDIBLY FAST PACE.
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STAND OUT IN CROWDED MARKET PLACE.**

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CONTACT US

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Mike Santoro is President at Walker Sands. As President, Mike has applied his expertise to assist a wide variety of Chicago-area, national and international companies. With an unyielding passion for results, he leads Walker Sands team members in ensuring that we always go above and beyond client expectations.

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