



OMNICHANNEL
OVERDRIVE
THE FUTURE
SHOPPER IS HERE



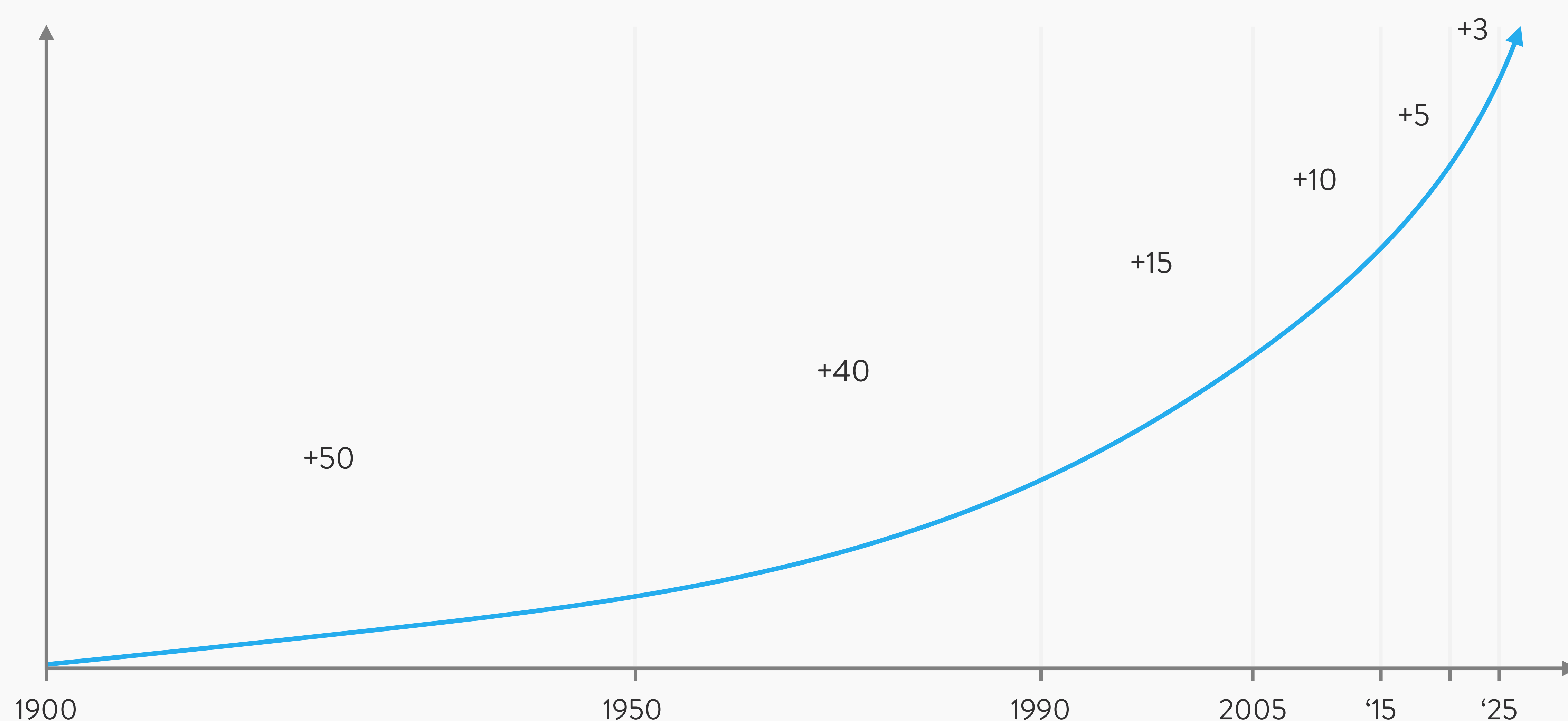
EXECUTIVE SUMMARY

“CHANGE IS INEVITABLE. GROWTH IS OPTIONAL.”

- JOHN C. MAXWELL, AUTHOR

It's not your imagination, our world is changing at a pace we've never experienced before. In fact, recent research from TrendHunter has mapped multiple overlapping trends, including reduction in global poverty, increases in literacy, and various technological shifts. It all adds up to a pattern of shortening change cycles, where the same amount of change is happening in just 3 years as what used to occur in 5 or 10 years, including how consumers make their journeys to purchase. For example, 5 years ago no one would have considered TikTok or Instagram as major players in consumer search, but recent Google research indicates 40% of Gen Z do. Meanwhile, ChatGPT has grown faster than those platforms to an astonishing 100 million users in month. Now, Microsoft and Google are in the early days of the AI search battle.

THE PACE OF CHANGE IS ACCELERATING (TRENDHUNTER 2022)



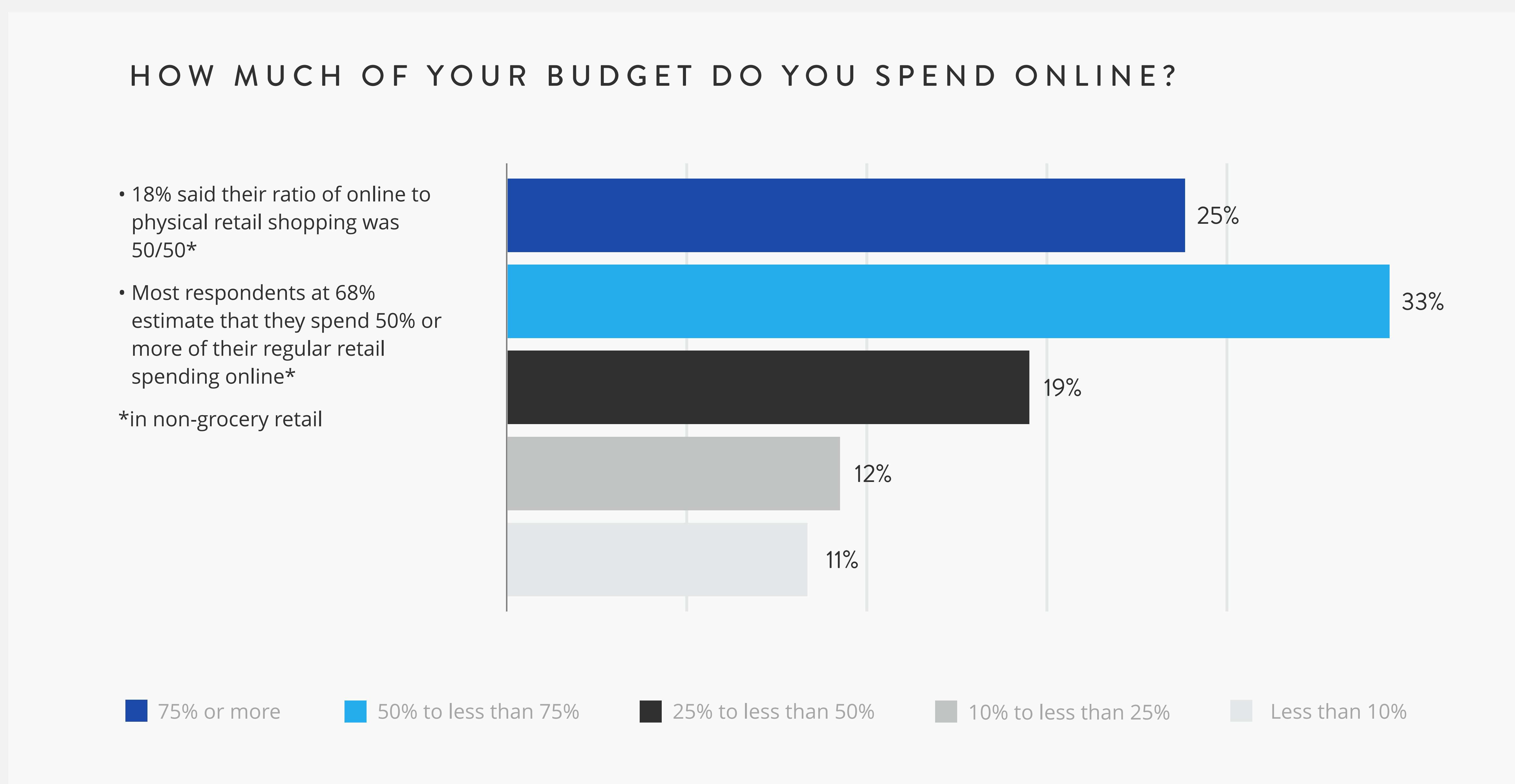
Source: Trend Hunter, Interval of Change Framework

The ongoing acceleration of digital transformation has been further fueled by the COVID-19 pandemic and retail lockdowns. The IBM Retail Index suggests that the pandemic hastened the shift to eCommerce by about 5 years. This shift has made competition intense, with Amazon capturing 39.5% of US eCommerce sales in 2022, according to eMarketer.

SCS conducted a study of 750 US consumers to understand their shopping habits across physical and digital channels and how they have changed. Many of the results were surprising:

- 55% would prefer to have an item delivered tomorrow over getting it at the store today if it was at the same price
- 68% of shoppers estimate they spend 50% or more of their regular retail spending online
- 73% are Prime Members, with another 8% using someone else's account

Most surprising is that consumers believe they are spending approximately the same amount online and in physical retail for non-grocery purchases. However, this is not an accurate reflection of reality. This perception may indicate that the considerable amount of time they are spending researching goods online that they ultimately purchase in-store is leading them to consider this shopping to be digital.



Source: SCS Omnichannel Study, November 2022

For retailers, the shifting trend of digital transformation presents both opportunities and challenges. On the one hand, offering a smooth and seamless experience across online and in-store channels can boost sales and foster customer loyalty. On the other hand, the use of mobile devices in-store can also lead to showrooming, where customers use the store to research products before buying from competitors online.

This report presents key insights from our research and other industry sources, as well as a plan for addressing these changing trends.



THE CHANGING ROLE OF BRICK-AND-MORTAR

Despite recent shifts in consumer spending habits, driven in part by the pandemic and leading to an eCommerce sales increase by \$244B (+43% in 2020), brick-and-mortar (B&M) retail still has a promising future. According to the Forbes Business Development Council, small business revenue has also grown by 53% between 2016 and 2022, and this trend may continue if retailers find ways to adapt to changing trends.

The history of B&M retail dates back to the earliest forms of commerce and trade. Even the term “go-to-market” has been relevant to physical storefronts throughout time. Over the centuries, the concept of retail has evolved, from general stores across rural communities in the late 1800s, to its evolution as department stores in urban areas. In the Mid 1960s, as the population expanded into the suburbs, malls catered to a variety of demographics with multiple brands, specialty stores, food courts and entertainment all in one shared destination. Today we have the Internet. The 1980s and 90s saw a revolution in the way people could and would shop in the future. Customers could now visit a website such as Amazon from their home with no physical presence. Using the Internet for transactions and home delivery for logistics, shoppers quickly gravitated to online shopping for fast moving consumer goods (FMCG), which has now grown to almost limitless potential of products and services. If you can buy it, you can likely buy it online, from cuddly pets to private jets.

With the advent of online shopping and the rapid growth of eCommerce, some people have questioned “Is this the death of B&M retail?” While several well-known brands did close their stores or file for bankruptcy in 2016 - 2019, the future still remains bright if retailers find ways to embrace the changes and offer customers a seamless shopping experience across both physical and digital channels.

While brick-and-mortar (B&M) retail was not killed by the advent of eCommerce, it did signal the need for change. B&M retailers responded by focusing on improving the in-store experience, creating a sense of community and building customer engagement, rather than competing on price and inventory. These efforts have helped B&M stores thrive in the new economy.

As the COVID-19 pandemic and lockdowns forced many retail locations to close to customers for upwards of two years, quite literally overnight, B&M retailers needed to rethink their business strategies and get creative with new initiatives such as “Buy online, pick up in-store (BOPIS)” options, digital displays, curbside and touchless delivery and virtual concierge services and events—all designed to keep engagement high, while expanding e-commerce offerings.

As the pandemic eases and with stores reopened, retailers have been adopting new innovations and technologies to enhance customer experiences, such as touchscreens and kiosks to facilitate checkout, mobile applications to help find products in the store, digital displays to keep customers up to date on promotions and product features, and augmented reality in-store to make physical shopping more experiential. Tests of checkout-free stores continue to explore a future where AI allows customers to simply walk out with their purchases and have their accounts debited automatically. As retail moves forward, consumers will come to expect these experiences, and retailers will have to make them standard operating procedures.

To continue engaging customers in the future, B&M retailers must continue to embrace new technology, provide a greater, customer-centric atmosphere, offer excellent customer service, personalize the shopping experience, and get customers connected to the right product or service while providing a frictionless experience overall.



THE OMNICHANNEL CONSUMER

With advancements in Internet technology and new innovations over the past decade, the retail landscape has undergone a transformation. Emerging channels are causing consumers to reconsider their online habits and shopping behaviors.

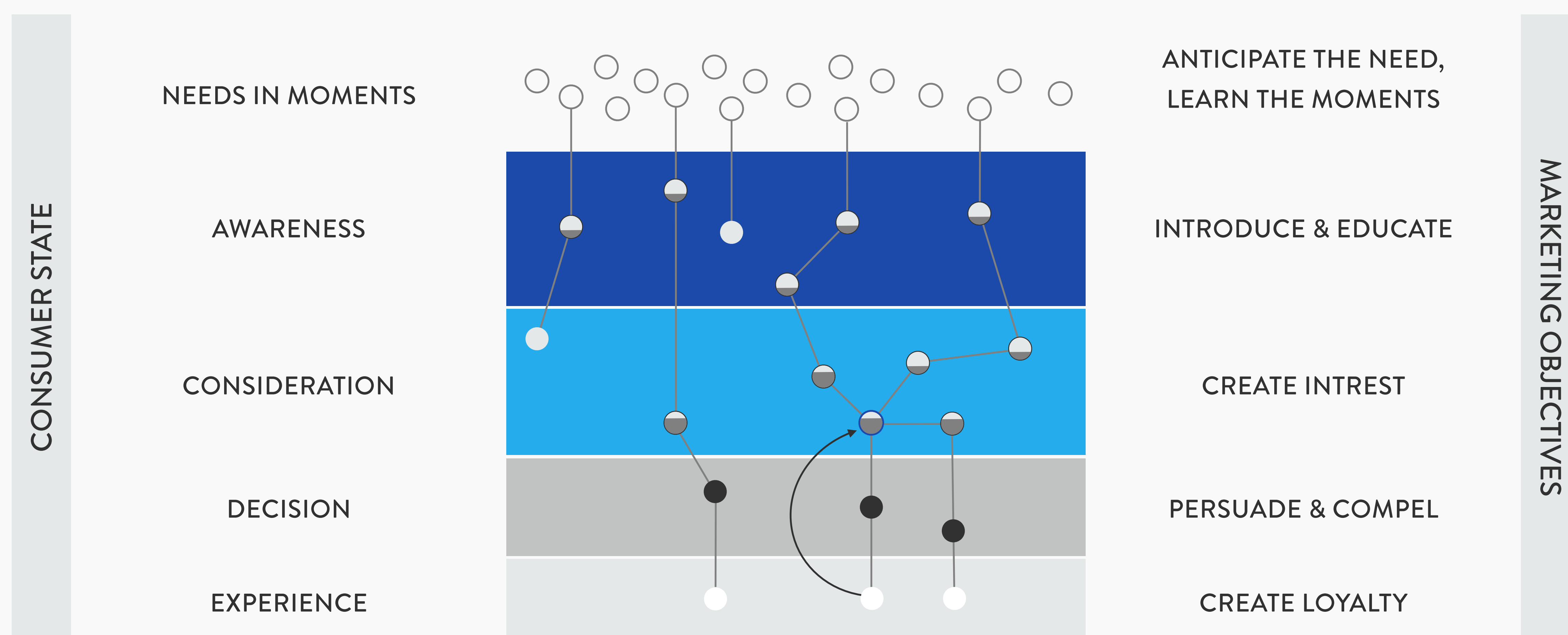
An omnichannel strategy aims to capitalize on these trends by enabling real-time interaction and allowing customers to shop across channels anywhere and anytime, creating a personalized, complete and seamless shopping experience that breaks down the barriers between channels. To understand the behavior of omnichannel consumers and their intention to use new technologies during the shopping process, it's important to examine the different segments and generations of the audience that engage with omnichannel eCommerce. This involves going beyond the macros of consumer behavior trends and analyzing specific audience segments.

EVOLVING CUSTOMER JOURNEY

The consumer journey has become more complex, but mapping marketing objectives to each stage of the journey is still possible with proper tracking methods. The pace of the journey, however, has accelerated due to the influence of TikTok and social commerce trends, leading consumers to move quickly from awareness to purchase. The complexity of the journey has also increased with the multitude of buying options available to consumers.

The journey starts with a consumer need, which triggers interactions across multiple touchpoints at varying speeds. The need is eventually fulfilled as the touchpoints progress from awareness to consideration and finally to a purchase decision. However, the journey doesn't end there. The consumer experience with the product or service provides an opportunity to cultivate loyalty and advocacy. In various industries ranging from printers to entertainment, an entirely new ownership model is emerging where consumers are no longer owners, but subscribers—adding further complexity in maintaining customer retention and churn rates.

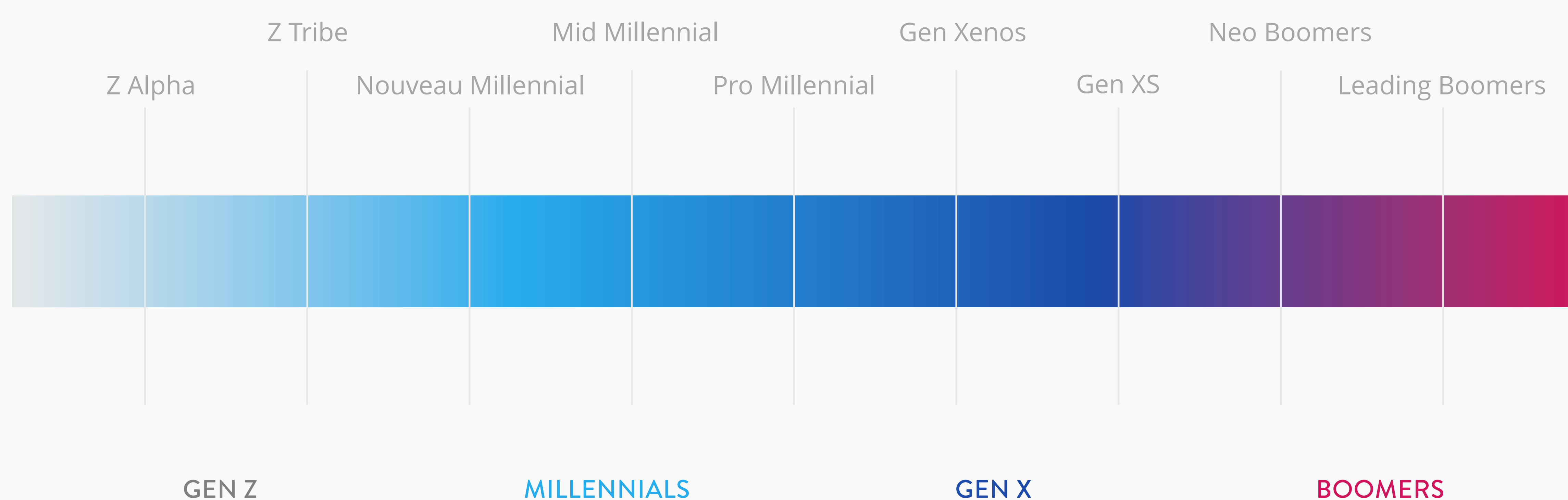
CONSUMER JOURNEYS ARE NON-LINEAR



GENERATIONAL SHIFTS

For the first time in history, the number of grandparents exceeds that of grandchildren. Demographics are undergoing a transformation. The coveted high-spend demographics could shift from young trendsetters to the greying but still fashionable Gen-Xers. Moreover, generations are becoming increasingly fragmented. TrendHunter's research on generational fragmentation reveals surprising changes in how each age group views the world, themselves, and their shopping habits. Rather than observing homogenous patterns within each of the traditional generations, Younger Gen Z and Older Boomers share preferences for the same technology devices for example, while Older Gen X and Mid-Millennial share the title of least happy.

GENERATIONS ARE FRAGMENTING



Source: Trend Hunter, 2022

While these shifts are occurring, our data does show an expected lower adoption of eCommerce across the board at higher ages, as well as less spending amongst the youngest, who in many cases are still lacking of credit card ownership and rely on a parent's e-commerce account.



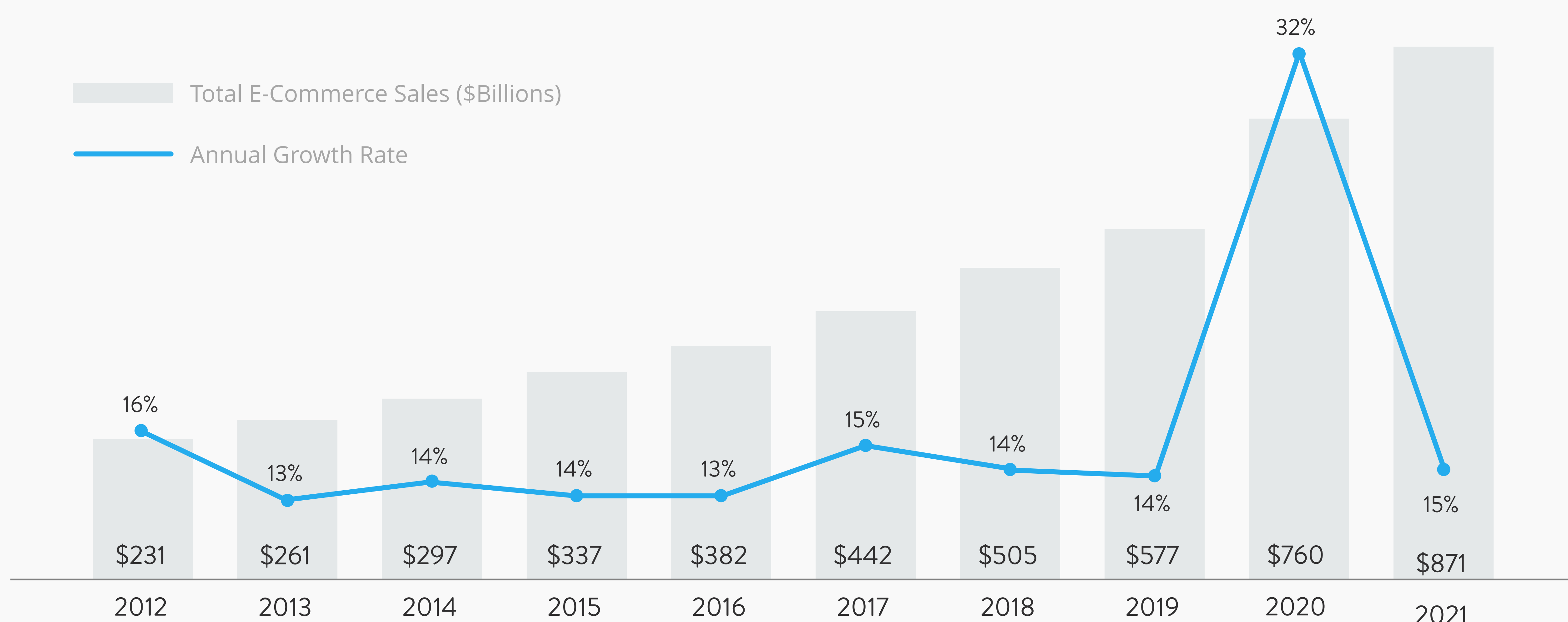
FROM OMNICHANNEL TO PHYGITAL

“WE CAN’T BE USING WORDS LIKE PHYSICAL AND DIGITAL. BECAUSE THAT’S NOT HOW THE CONSUMER THINKS... CONSUMERS ARE LOOKING FOR EXPERIENCES THAT GET THEM – WHAT THEY WANT, WHEN THEY WANT IT, AND HOW THEY WANT IT.”

- JOHN DONAHOE, CEO OF NIKE

It’s been over 25 years since the rise and fall of eCommerce companies like Webvan, eToys, and Pets.com marked the transition from brick-and-mortar retail to online shopping. While these companies didn’t quite make it, they did pave the way for online shopping, and their nearly 30 year old contemporary, Amazon, has now become a dominant player in the industry. In addition to the surge in online shopping caused by the COVID-19 pandemic, three long-term shifts are also taking place: growing acceptance of eCommerce, a deeper focus on eCommerce innovation by brands, and “Brick & Mobile” — a shift towards “commerce everywhere,” driven by a high rate of mobile shopping.

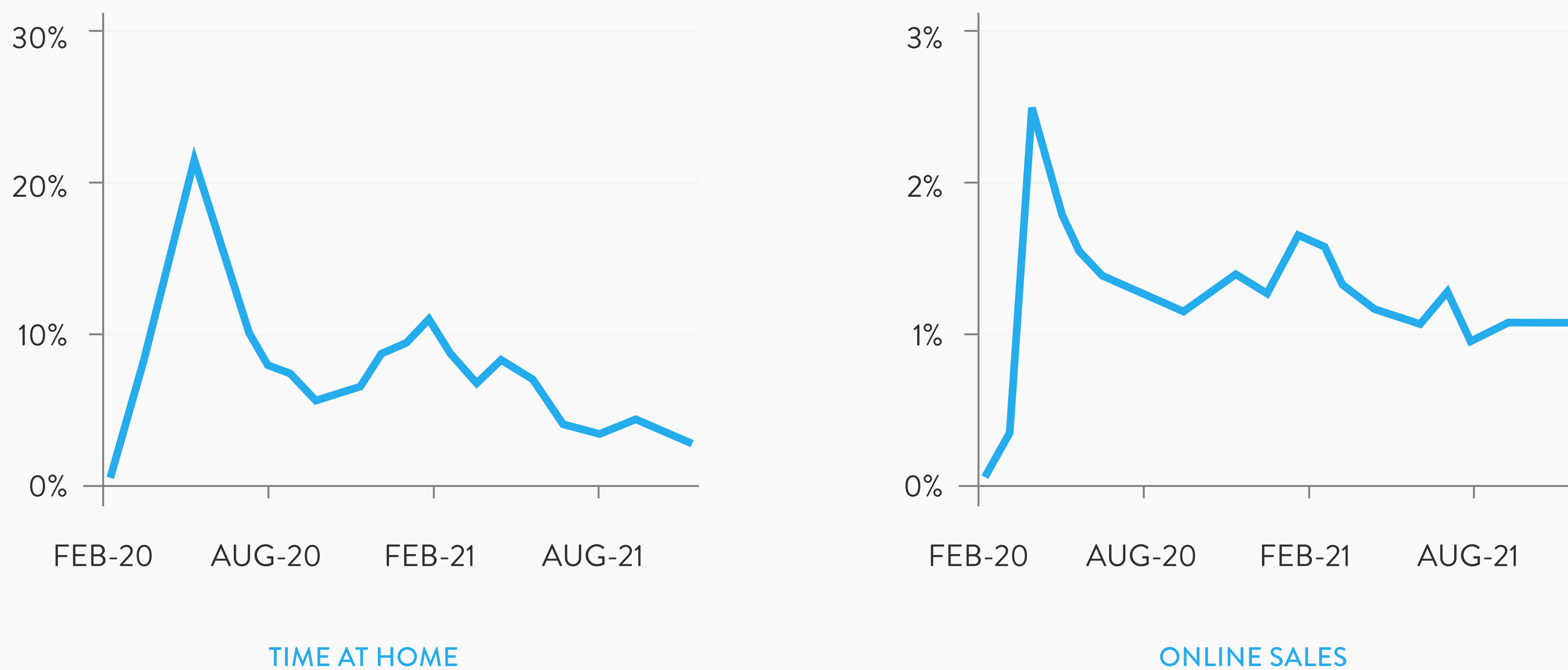
TOTAL E-COMMERCE SALES & GROWTH RATES



Source: U.S. Census Bureau, Quarterly E-commerce Report, CBRE Research, Q1 2022

eCommerce has seen a steady increase in volume, but not as drastic in share over the years. Department stores are losing to Amazon, and online DTC brands in spaces ranging from beds to razors have popped up like dandelions. Yet depending on the source and methodology, eCommerce transactions accounted for between 14-20% of sales of retail goods in the opening days of 2020, reflecting a strong, though declining, physical retail sector.¹

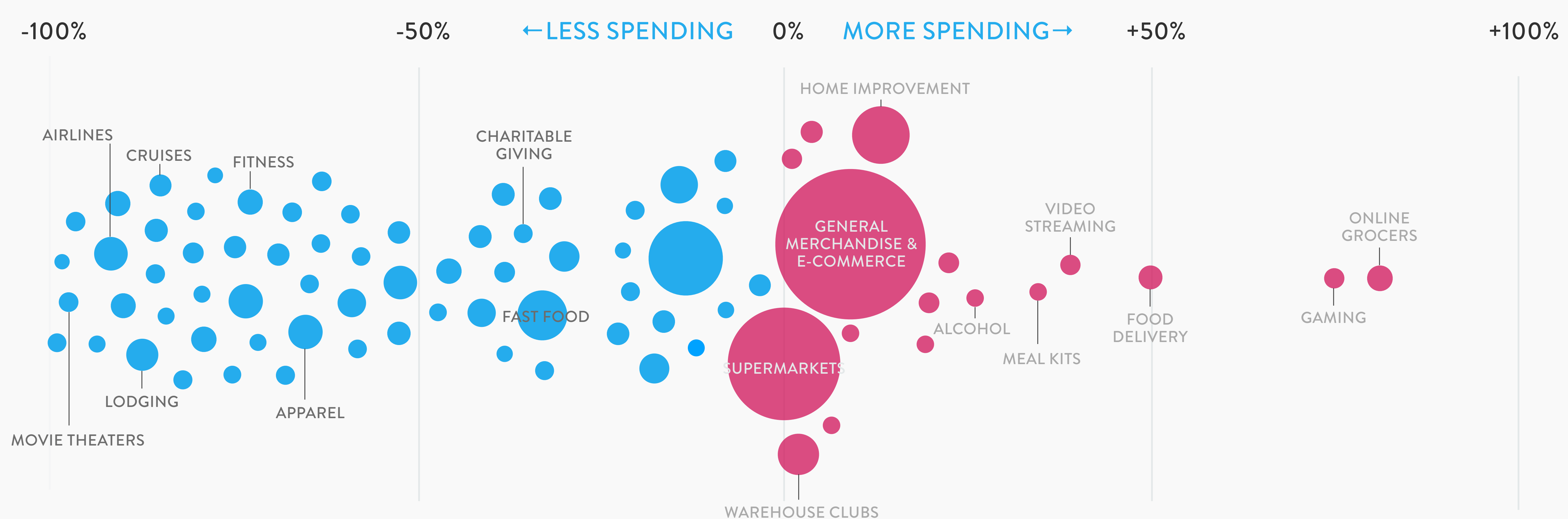
AS LOCKDOWNS LIFTED, ONLINE SALES REMAINED HIGH



Source: Google

This sudden shift towards eCommerce has had a profound impact on the retail industry. In just a few months, consumer behavior has adapted to shopping online and the need for quick and efficient delivery has become the norm. With physical stores closed, online sales saw a dramatic increase, and retailers who were previously slow to invest in eCommerce were forced to quickly adapt in order to stay afloat. Even dollar stores have gone online. The COVID-19 pandemic has accelerated the trend towards eCommerce.

LOCKDOWNS DRAMATICALLY CHANGED SPENDING PATTERNS

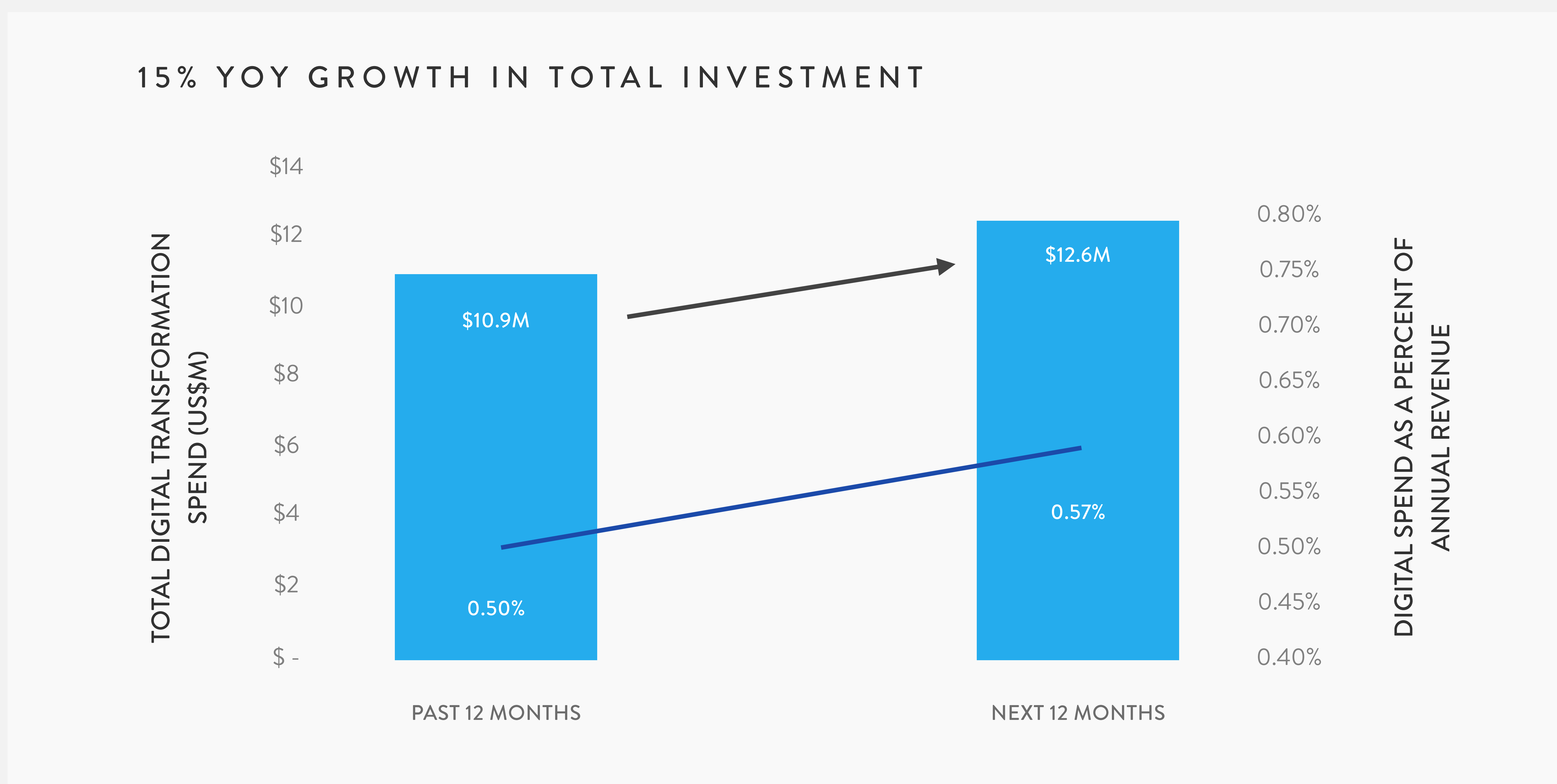


CHANGE IN SPENDING FROM 2019 FOR THE WEEK ENDING APRIL 1. BUBBLES ARE SIZED BY INDUSTRY SALES.

Source: Deloitte Insights

¹ <https://www.cbre.com/insights/articles/omnichannel-what-is-the-share-of-e-commerce-in-overall-retail-sales>

The spending habits of customers underwent a dramatic transformation during the COVID-19 pandemic, leading to a shift from expensive vacations to home improvements, meal kits replacing fast food, and an, with nowhere to go, an increase in alcohol sales while clothing sales declined.



Source: Deloitte Insights

The shift wasn't just about consumer behavior. In a **second shift**, brands suddenly had to adapt by upgrading their online selling game with new features like curbside pickup, social platforms innovated with shoppable ads, and influencer marketers experimented with shop streaming to replicate the human side of shopping — the Home Shopping Channel, but on Instagram.

“THE TREND HAS BEEN THAT MOBILE WAS WINNING. IT’S NOW WON.”

- ERIC SCHMIDT, FORMER CEO, GOOGLE

Meanwhile, a **third shift** is happening. Data from SimilarWeb shows that 61% of web traffic in the US came from mobile devices in November 2022, with a global average even higher at 66%. This is not surprising given that US adults spend about 5.5 hours a day on their mobile phones. However, online shopping habits are becoming fragmented across platforms, with the Adobe Digital Index indicating conversion rates for desktop between 3.7% to 4% and for mobile between 1.25% to 1.34%. Although this trend is changing with an increase in mobile conversion rates, it highlights the growing complexity of consumer journeys during the research and purchase process.

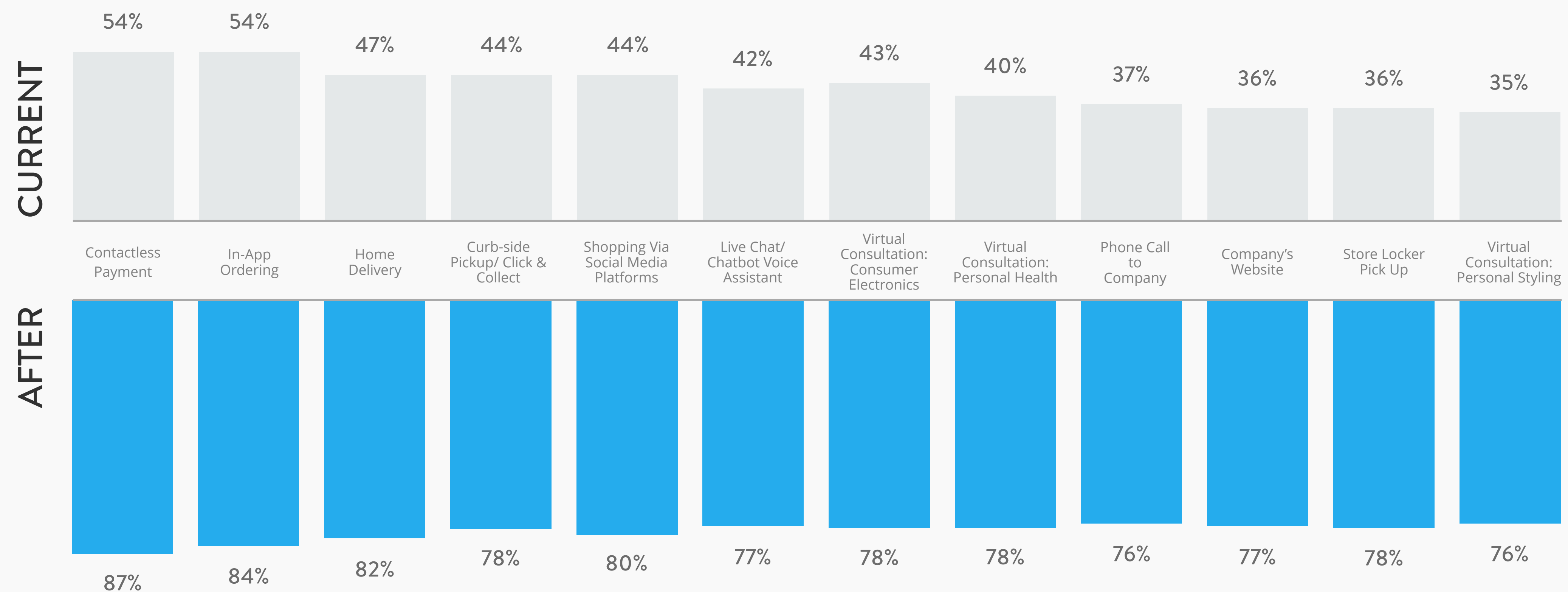
At the height of the COVID-19 pandemic, consumers had established new online shopping routines and many of them expected to continue with this trend, avoiding physical stores as much as possible.

NEW OMNICHANNEL HABITS FORMED

CONSUMERS USING OMNICHANNEL SERVICES ARE LIKELY TO CONTINUE DOING SO

PROPORTION OF CONSUMERS WHO HAVE INCREASED USAGE OF DIGITALLY-ENABLED SERVICE DURING THE COVID-19 OUTBREAK

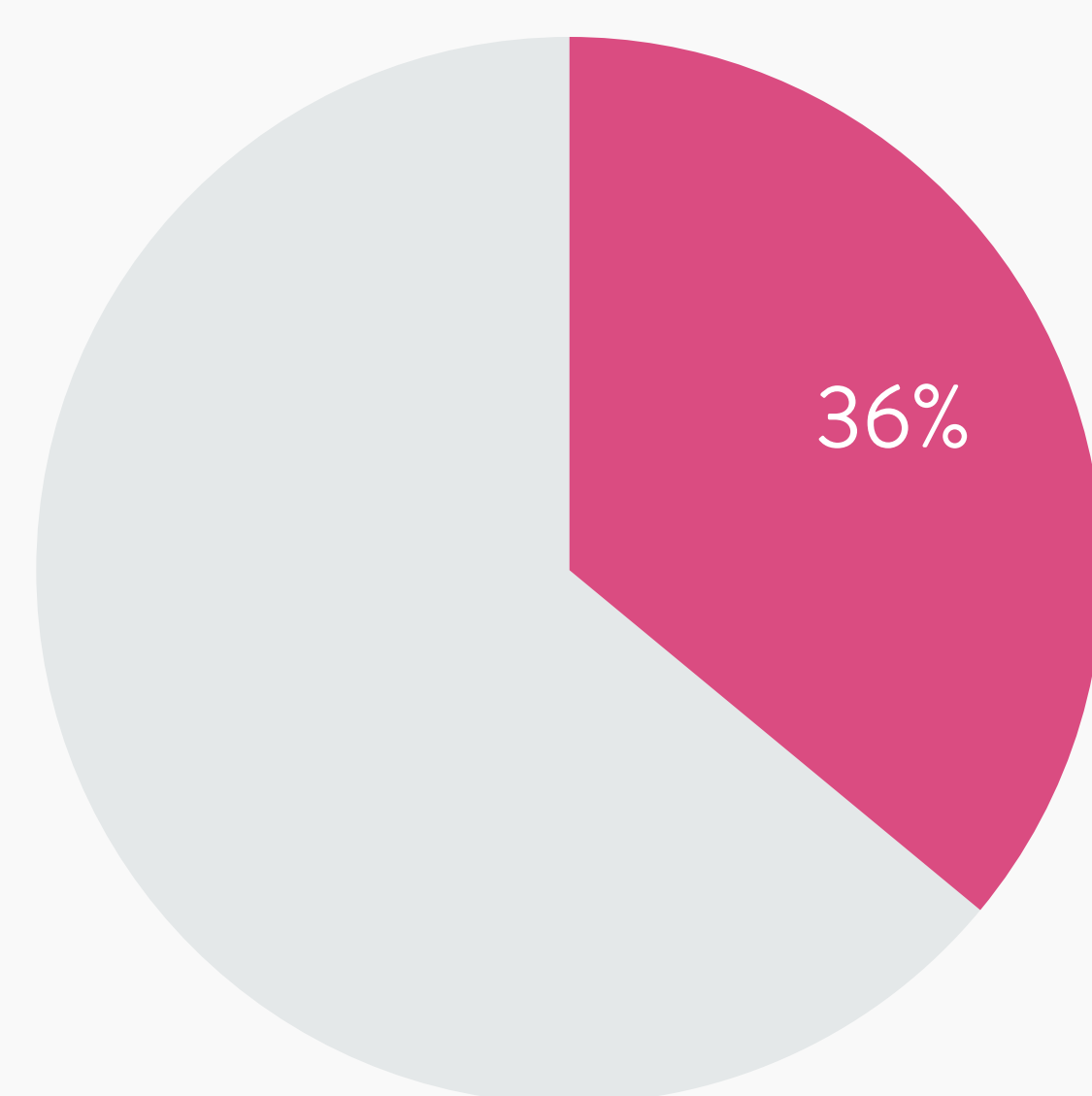
Consumers who have increased or significantly increased usage



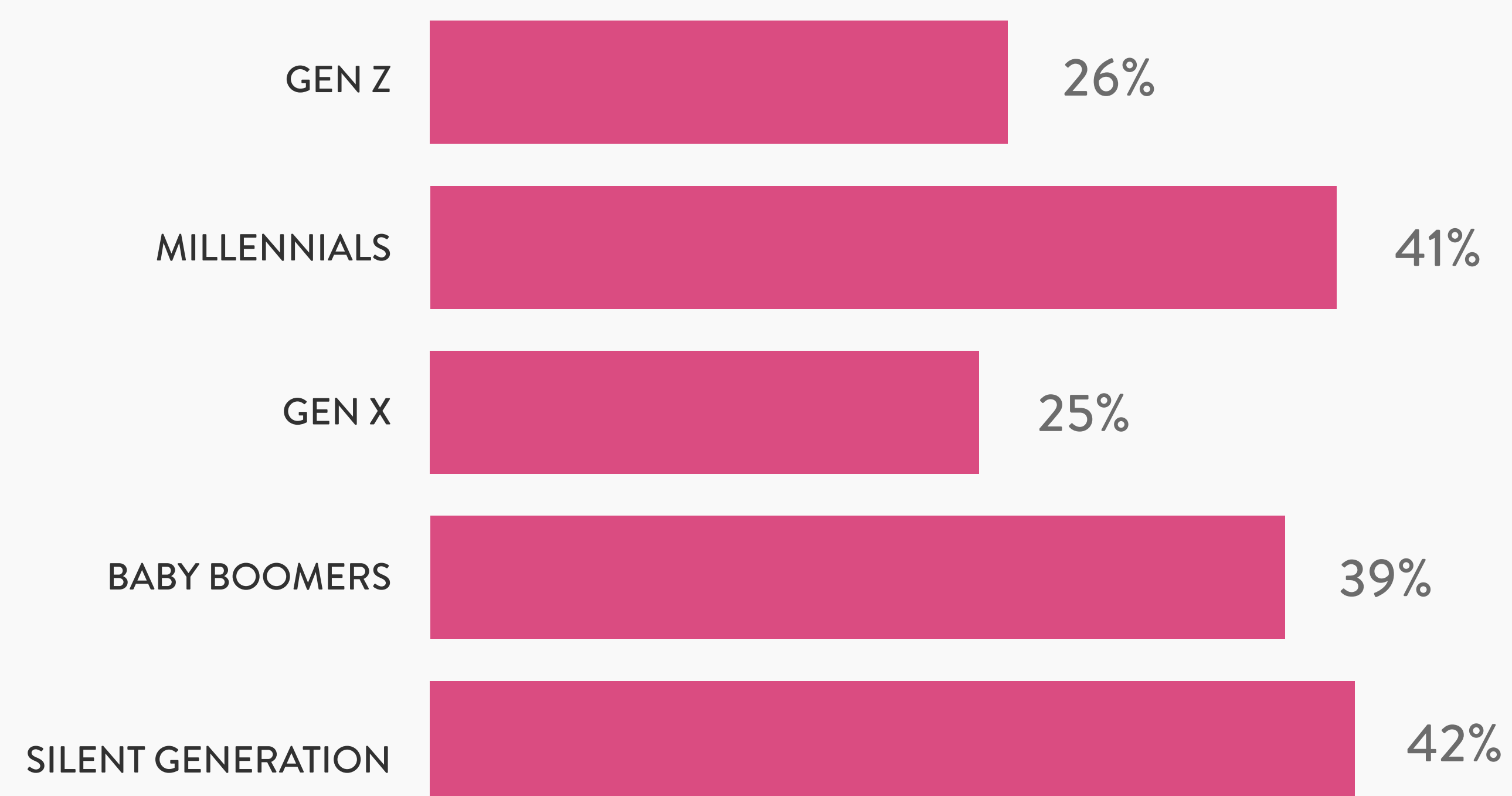
PROPORTION OF CONSUMERS WHO EXPECT TO SUSTAIN INCREASED LEVEL OF USAGE

This Forrester survey result clearly indicates a high expectation in consumers during COVID that they would simply keep shopping from the couch (or the bathroom). SCS' own research conducted more recently, with stores reopened, reflects similar numbers. Most were true to their prediction.

"AFTER THE PANDEMIC IS OVER, I WILL NOT HAVE A NEED TO RETURN TO IN-STORE SHOPPING."



TOTAL US



Source: Forrester

Now, as stores have reopened, technologies accelerated, and new habits formed, what does the shopping experience look like? Our research identified two major styles of shopper, the Phygital Phantom and the Amazon Acolyte.

ARCHETYPE: THE PHYGITAL PHANTOM

Phygital Phantoms reflect the move to “Brick & Mobile” — consumers who move seamlessly between the brick walls of physical retail and mobile eCommerce. “Everywhere Shoppers” using their smartphones to enhance their shopping experience. They’ve returned to retail stores, but blur the lines between online and offline, simultaneously using their mobile devices to gather information, compare prices, and seek reviews and opinions while in-store.

Smartphones turn physical retail shopping experiences into hybrid eCommerce experiences:

- 45% use their phone while looking at physical products in-store for product details
- 40% look at competitor sites on mobile for better prices while browsing physical stores
- 30% of shoppers at retail use their phones to look for better alternatives nearby or online
- 39% use their phones at retail to look up unbiased product reviews
- 21% call, text or chat through social media with friends to get realtime opinions on the products they’re looking at in-store

Respondents listed a dozen more ways they make use of their smartphones while shopping at retail, including making lists, searching for coupons, looking up the aisle location of products, and budgeting with their calculator.

Beyond the impact of smartphones, they’re bouncing between site and store in other ways:

- 60.4% have used BOPIS – Buy Online Pickup In-Store
- 54.3% have made their purchase decision online, then purchased at retail
- 33.9% have returned items to the store they purchased online
- 10.2% have bought in-store and returned online

What makes a consumer head to a physical store in the first place? Here’s how consumers ranked their most important reasons for store visits:

1. **Price:** “It’s a high ticket item and I want to see it in person.”
2. **Experience:** “I sometimes prefer to shop in person, particularly if the store has a good experience.”
3. **Product Variability:** “The product type isn’t always consistent and I want to inspect or try on.”
4. **Immediacy:** “Tomorrow isn’t fast enough, I need/want it now.”
5. **Customer Service:** “It’s a complex purchase and I want to speak to someone about it in person.”

ARCHETYPE: THE AMAZON ACOLYTE

While Phygital Phantoms navigate between physical stores and the eCommerce realm, Amazon Acolytes prefer the convenience of pressing a button and having purchases delivered to their doorstep. One noteworthy finding from our research is that 55% of survey respondents would rather have a product delivered to their home via Amazon Prime the next day than go to a store and get it today, with 60% having actually done so.

While this isolated answer doesn't hold true when examined against the reality of all purchases they're making, it does reflect an increasing desire for the easiest possible transaction. Of those surveyed, 47% have utilized next-day delivery and 31% have used same-day delivery outside of Amazon.

According to the respondents, the top three factors that influence online purchases are price (77%), shipping cost (53%), and delivery speed (52%). It's surprising to note that factors such as brand name (32%), product variety (26%), and payment options (25%) hold less weight.

About 27% of shoppers have had a permanent shift in behavior as a result of the COVID pandemic, forming the core group of digital-first consumers who increased their online spending during the pandemic and continue to prioritize online shopping over physical store visits.

Amazon's dominion over eCommerce has only increased over the past few years. Of those surveyed:

- 73% are Prime Members
- 8% use the account of a family member or friend
- 11% plan to join in the near future
- 8% have no intention of joining

Amazon, thankfully, is far from the only player in the space. While 69% of respondents have recently made a purchase on the platform, 60% have made similar purchases on Walmart. Target (36%), Best Buy (20%) and Home Depot (17%) were also frequently cited. According to 2022 eMarketer data, the top 14 retailers collectively account for 31% of US eCommerce, while Amazon holds 39.5%. For brands selling online, having a strategy for Amazon is crucial, whether it's to beat them, join them, or both.

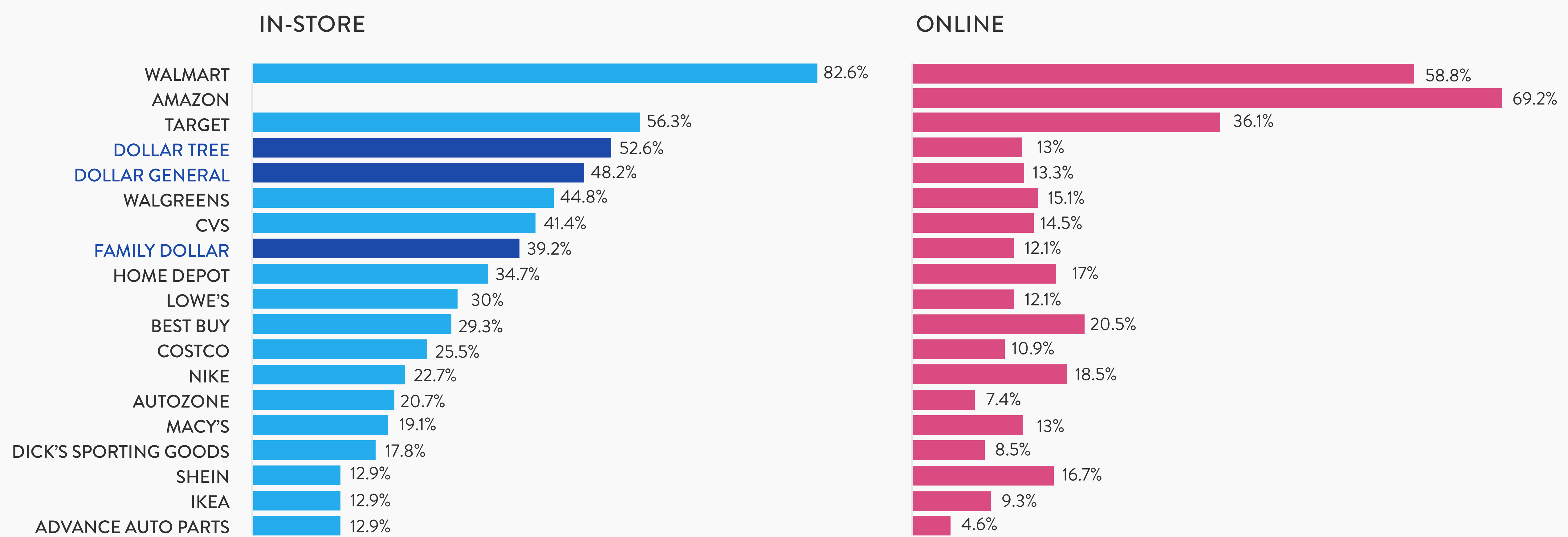
For those who aim to beat them, consumers provided some insight. When asked what would sway them away from Amazon to another digital store, respondents ranked a number of factors in order of importance:

1. **Price:** Lower cost
2. **Trust:** I like to buy from the manufacturer or store that sells its own inventory
3. **Selection:** Wider product availability on specialized online store
4. **Delivery:** Delivers as quickly as Amazon or faster
5. **Credit/Payment Terms:** I have a store credit card or they offer good payment options (ie. Affirm or Afterpay)
6. **Brand Names:** Better brand names
7. **Experience:** I like another online store's experience better than Amazon
8. **Warranty:** Better warranty
9. **Customer Service:** Offers live chat with store experts online

EVERYONE'S BARGAIN HUNTING

Even the dollar stores have gone digital, with the three leading brands, Dollar Tree, Dollar General, and Family Dollar, all offering eCommerce stores. Around 13% of respondents reported shopping online with one of these stores in the past 12 months.

DOLLAR STORES ARE ON THE RISE (SHOPPED IN PAST 12 MONTHS) WHILE E-COMMERCE & BRICK-AND-MORTAR RETAILERS GROW

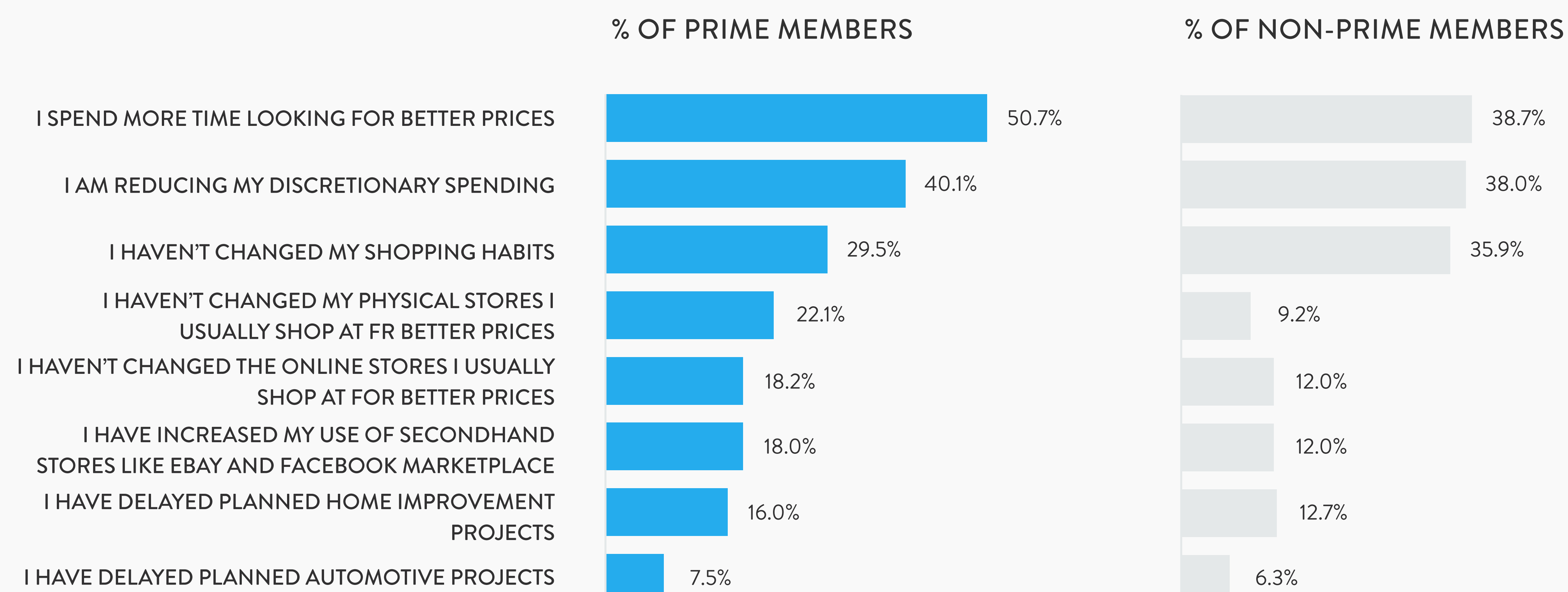


Source: SCS Omnichannel Study, November 2022

Dollar Stores are also seeing broader appeal demographically. According to our study, 45% of households with an annual income over \$100,000 shopped at Dollar Tree in the last 12 months, while 31% shopped at Dollar General and 30% at Family Dollar.

This bargain hunting theme is evident throughout the data, with price being a key factor in purchase decisions, likely fueled by the onset of recessionary spending habits, which are particularly pronounced among heavy Amazon users.

RECESSIONARY SPENDING HABITS



Source: SCS Omnichannel Study, November 2022



THE IMPACT OF SOCIAL MEDIA

The changing of the commerce guard, from traditional brick-and-mortar to digital shopping has introduced new digital commerce touchpoints. As opposed to stating a conventional commerce journey at the local mall or big box retailer, the omnichannel shopper often begins their shopping journey on digital platforms, such as their couch or during their kid's soccer practice.

Social media has also grown into a significant commerce channel, with 46% of people in the US making purchases or shopping through social media platforms. Brands have taken notice and are leveraging these platforms to drive sales.

The top 3 social platforms for driving purchase:

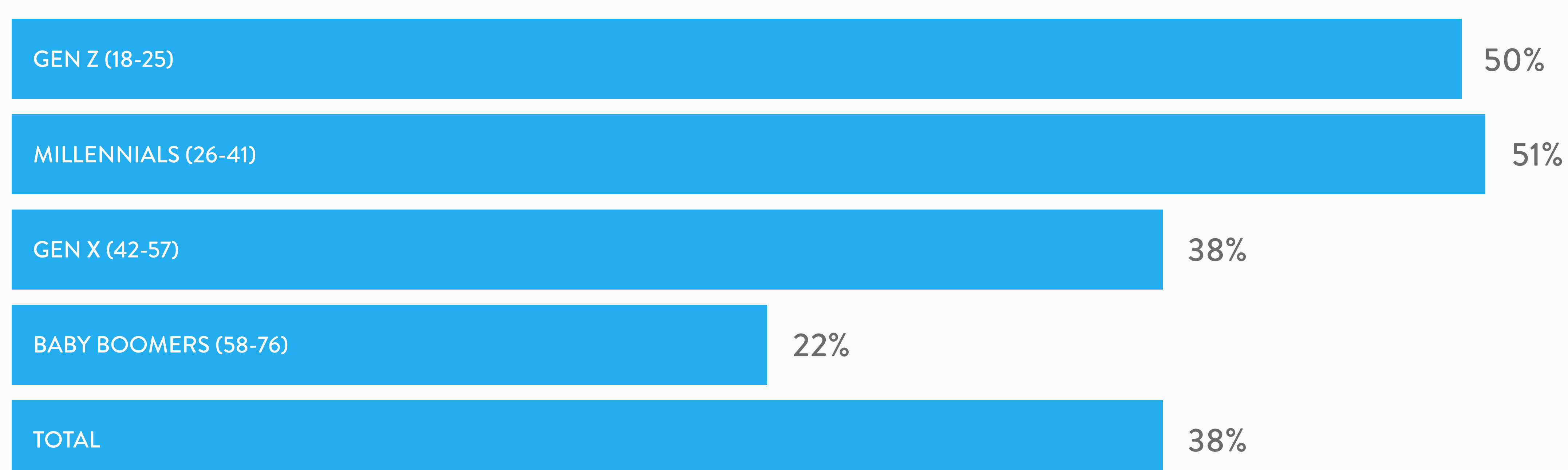
1. Facebook - 77%
2. Instagram - 34%
3. Youtube - 25%

Of these socially influenced purchases, 47% are made within the social apps themselves.

Unsurprisingly, with social media use strong across age groups, social shopping is multigenerational.

US SOCIAL MEDIA BUYERS, BY GENERATION, JUNE 2022

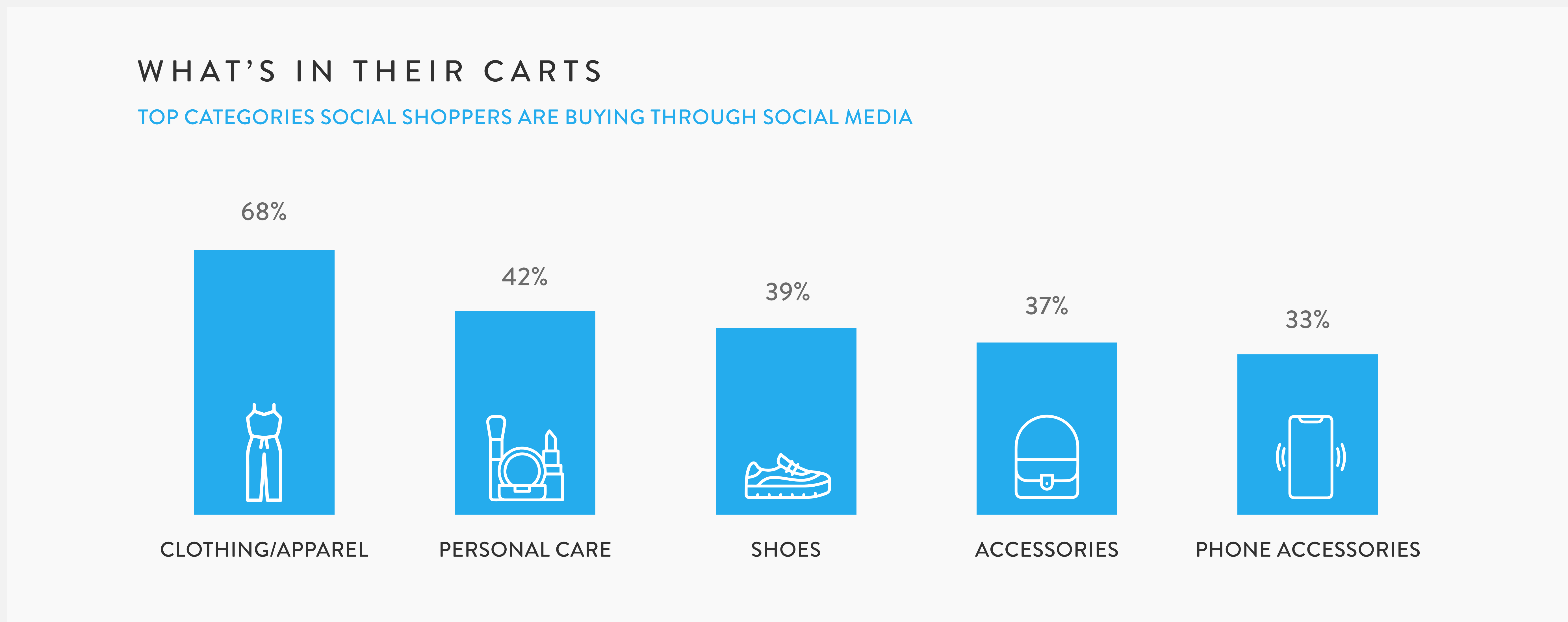
% OF RESPONDENTS IN EACH GROUP



Note: n=2,225

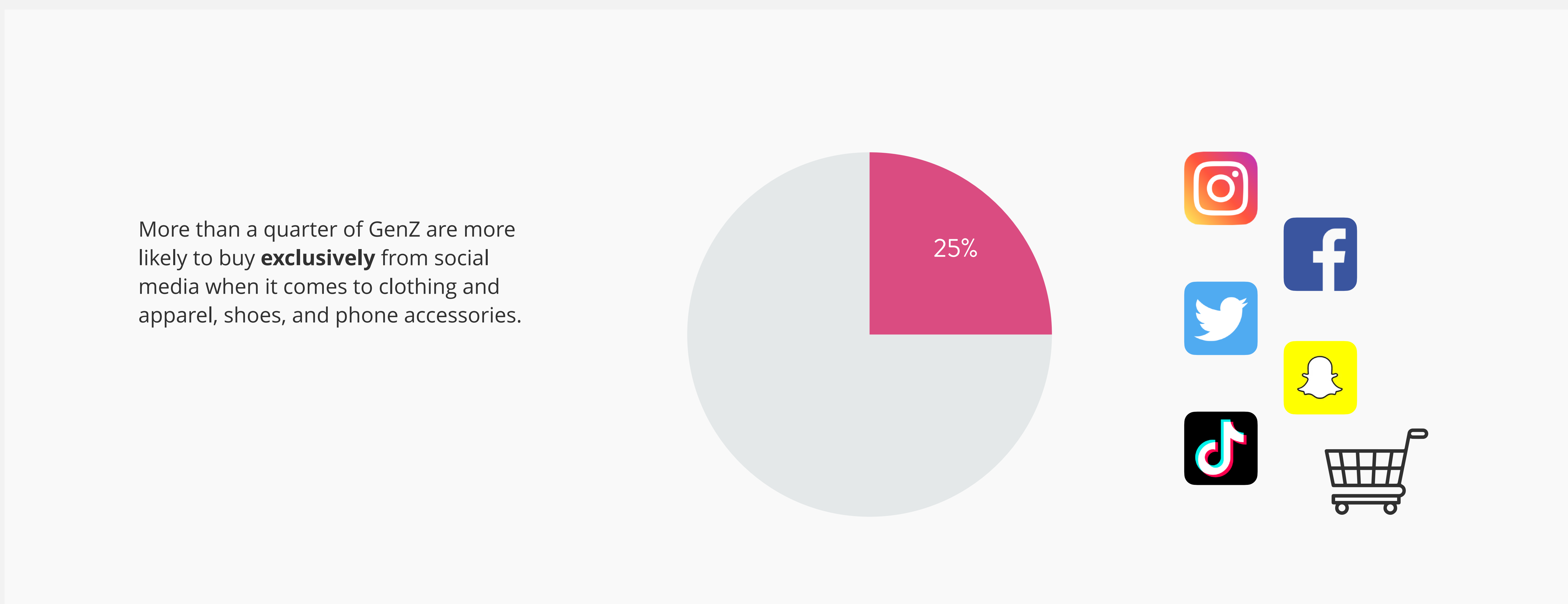
Source: Lab42, "Shopping while scrolling: Social Media Spending", November 2022

But what's in the omnishopper's social media cart? Here are the top categories where omnichannel social media shoppers are converting:



Source: Lab42, "Shopping while scrolling: Social Media Spending", November 2022

While our own research reflected the try-on factor as being a strong reason to head to physical stores, the combo of fashion TikTok and low-cost eCommerce retailer Shein is shifting that pattern for Gen Z.



Source: Lab42, "Shopping while scrolling: Social Media Spending", November 2022

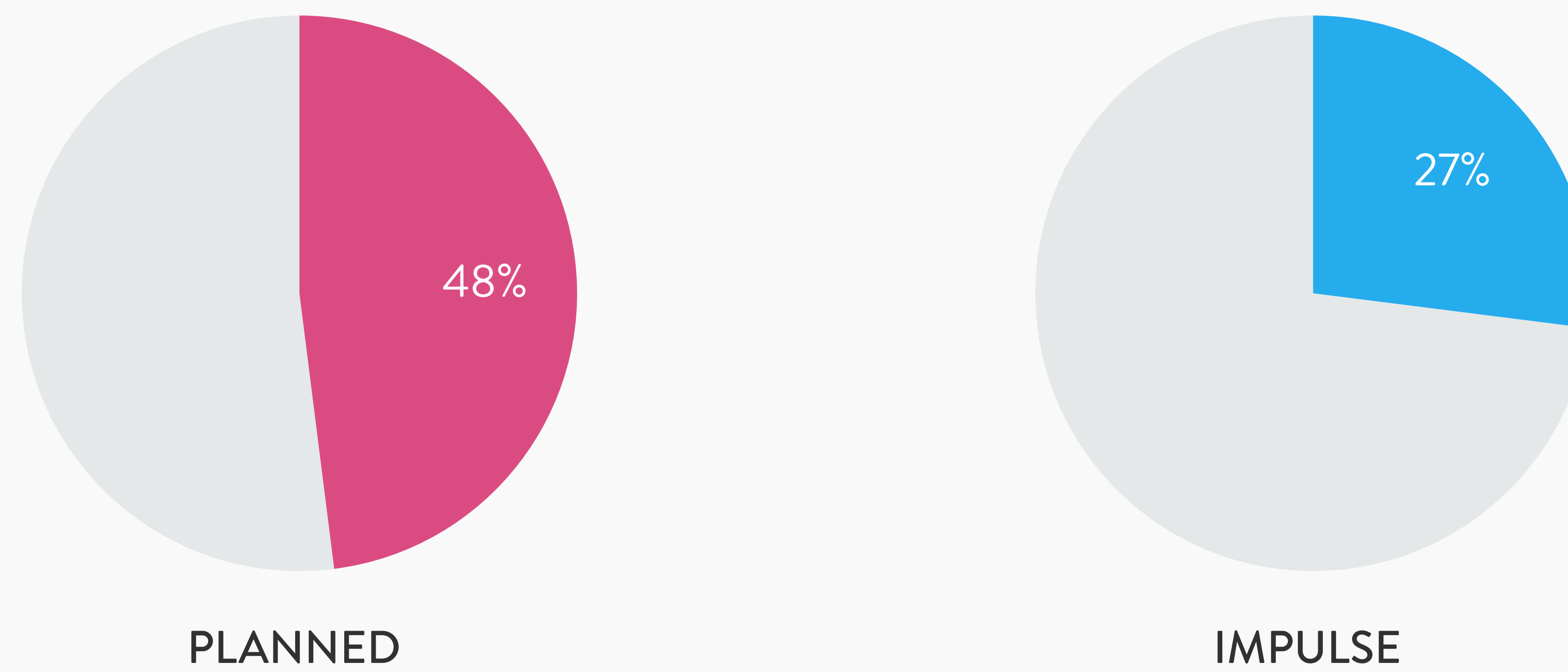
Although the GenZ omnichannel shopper accounts for the highest segment of social shopping at 25%, these purchases were surveyed as planned instead of impulsive. GenZ respondents reported having seen an ad 2-3 times before purchasing.

GenZ social purchasing habits:

- 48% planned
- 27% impulse (compared to Boomers at 64%)
- 67% saved a post for later while planning their purchase

BOOMERS ARE THE MOST IMPULSIVE BUYERS

WITH 64% BUYING THEM RIGHT AWAY



Source: Lab42, "Shopping while scrolling: Social Media Spending", November 2022

The adoption of omnichannel and social shopping is growing, with 46% of Americans stating that they have made purchases through social media, 66% are still concerned about the quality of items purchased through social media.²

There is still a lot of room for improvement in gaining the trust of the omnichannel social shopper when asking them to adopt this new means of commerce.

² Source: lab42.com

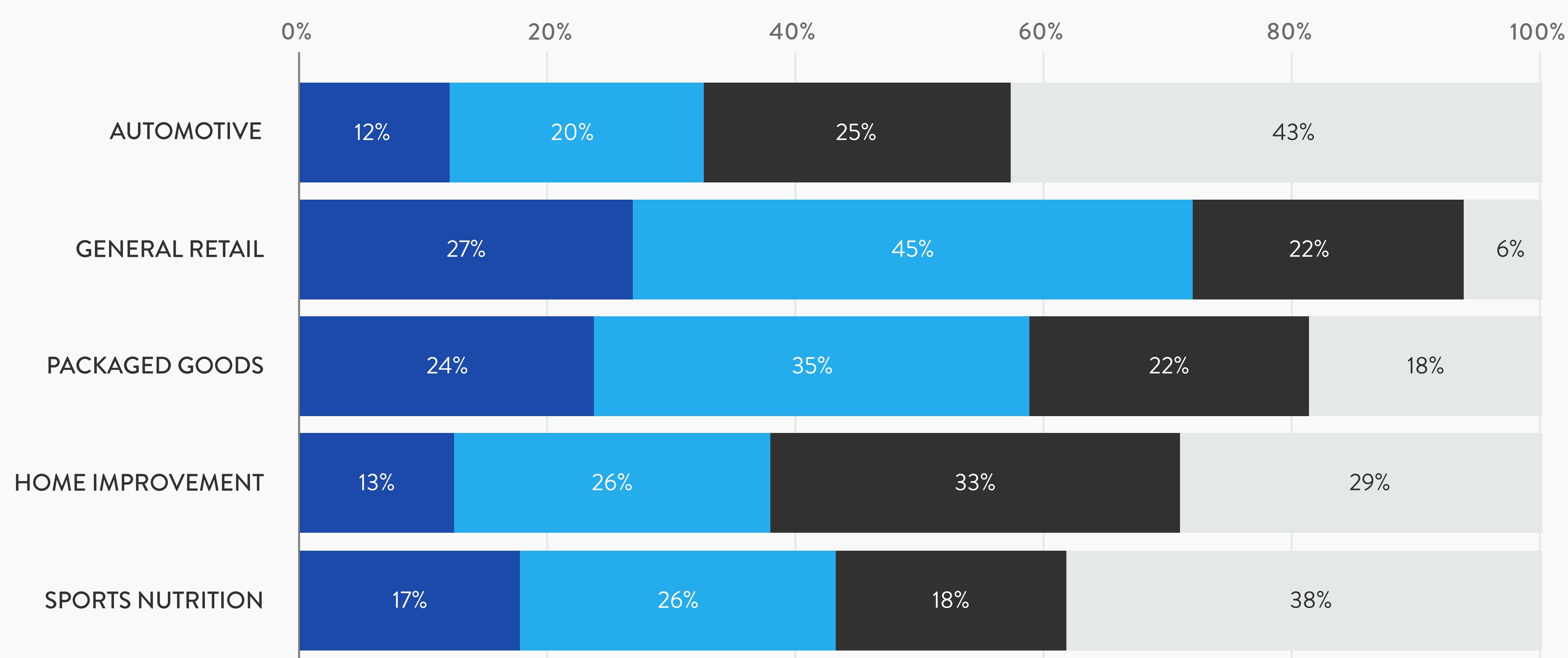


CATEGORY IMPACTS

Diving deeper into product categories, we see variance by vertical. The broadest category “General Retail”, covering everything from towels and televisions to vacuums and videogames, sees the greatest dominance of eCommerce. Similarly, consumers are heavy eCommerce users in FMCG. Automotive Aftermarket, Home Improvement and Sports Nutrition Categories see a bit more presence of the Phygital Phantom, heading to retail for mobile comparison shopping.

ECOMMERCE DOMINATING MOST VERTICALS

- Purchase online regularly: once a week or whenever I need
- Purchase online once in a while: once or twice a month
- Have purchased online at least once in the last 12 months
- Have never purchased online



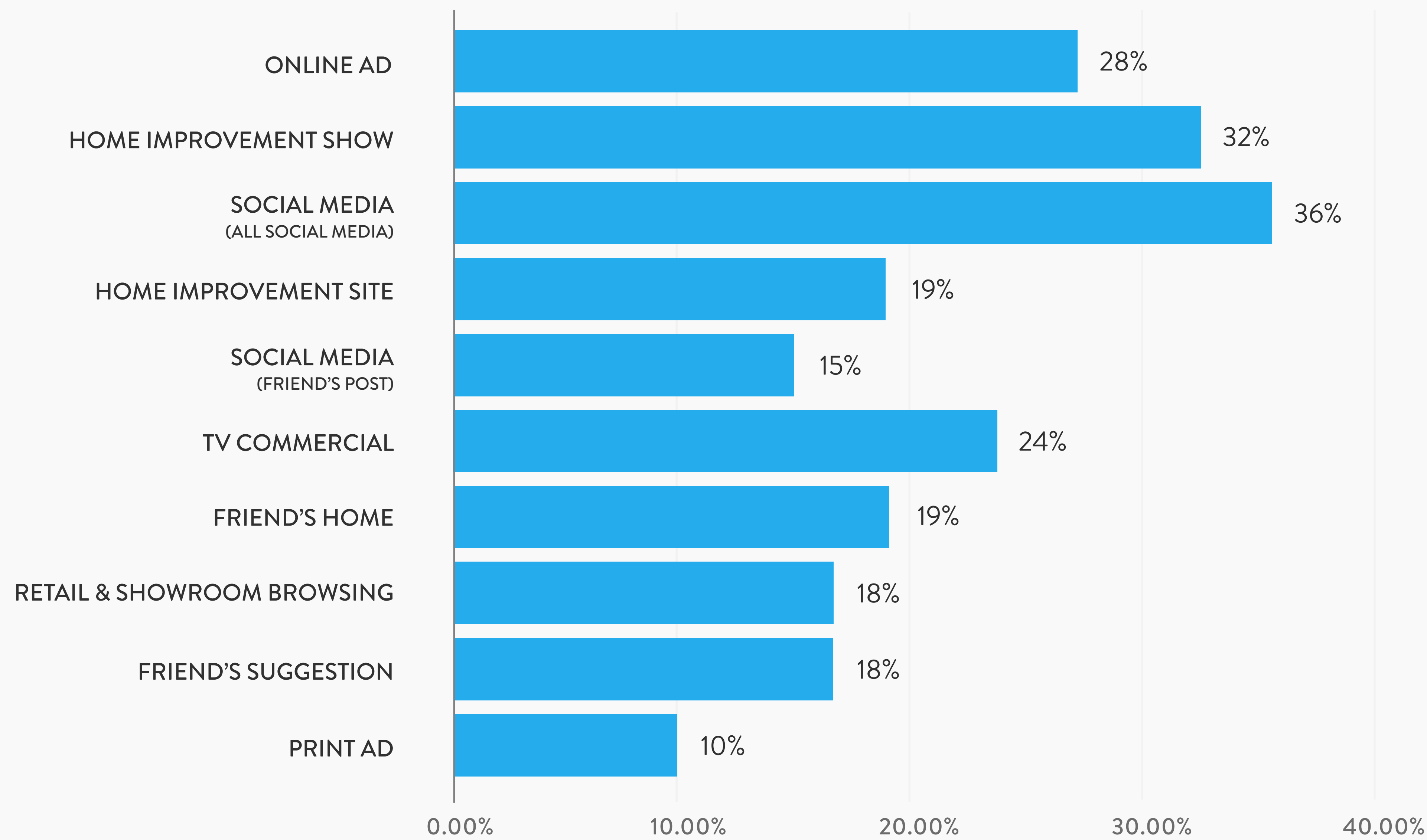
Source: SCS Omnichannel Study, November 2022

HOME IMPROVEMENT

With nowhere to go, many home owners decided it would be a great time to make improvements around the home during the past few years. During lockdowns, these purchases would naturally have happened through eCommerce. But with life coming back to almost-normal, what do things look like now?

In the absence of boredom and being at home, we examined key inspiration points that start the journey for home improvement.

WHERE CONSUMERS FIND HOME IMPROVEMENT INSPIRATION



Source: SCS Omnichannel Study, November 2022

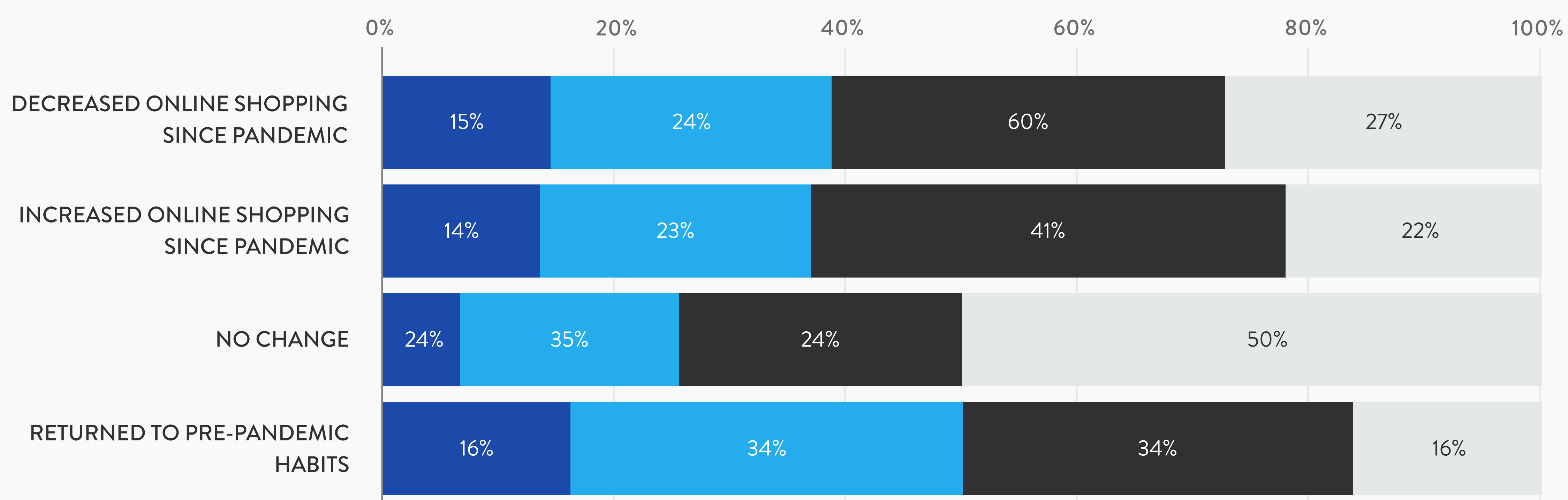
Interestingly, online ads and TV are highly effective. In a category with famous coffee table magazines like Better Homes & Gardens and Architectural Digest, it's notable that print ads are listed as least effective in sparking a new project.

Taking a look at how spending has changed since returning to "normal", the below chart illustrates frequency of online shopping for home goods vs overall propensity to shop online since the pandemic regulations loosened.

HOME IMPROVEMENT

(E.G. LOCKS, PAINT, TOOLS, WINDOW BLINDS)

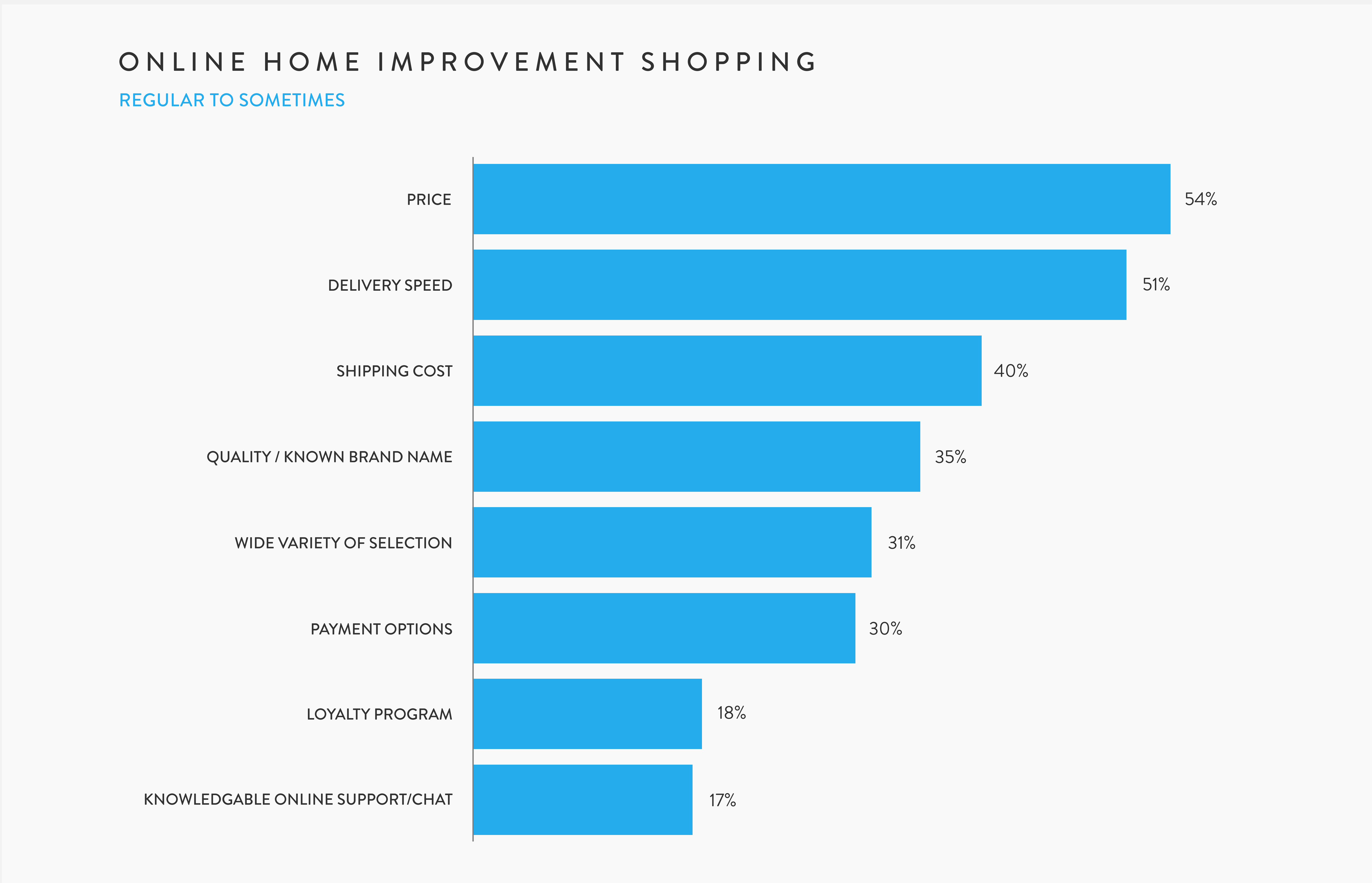
- Purchase online regularly: once a week or whenever I need
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- Have never purchased online



Source: SCS Omnichannel Study, November 2022

Interestingly, those who shop online most for home improvement goods have, overall, returned to their pre-pandemic habits, though a fair number of those who have maintained their increased online shopping habits (27% of sample) are also doing a lot more home improvement shopping online.

When it comes to the most important factors for shopping for home improvement items online, price is again the common refrain. With logistics out of the way, brand name and variety are most important.



Source: SCS Omnichannel Study, November 2022

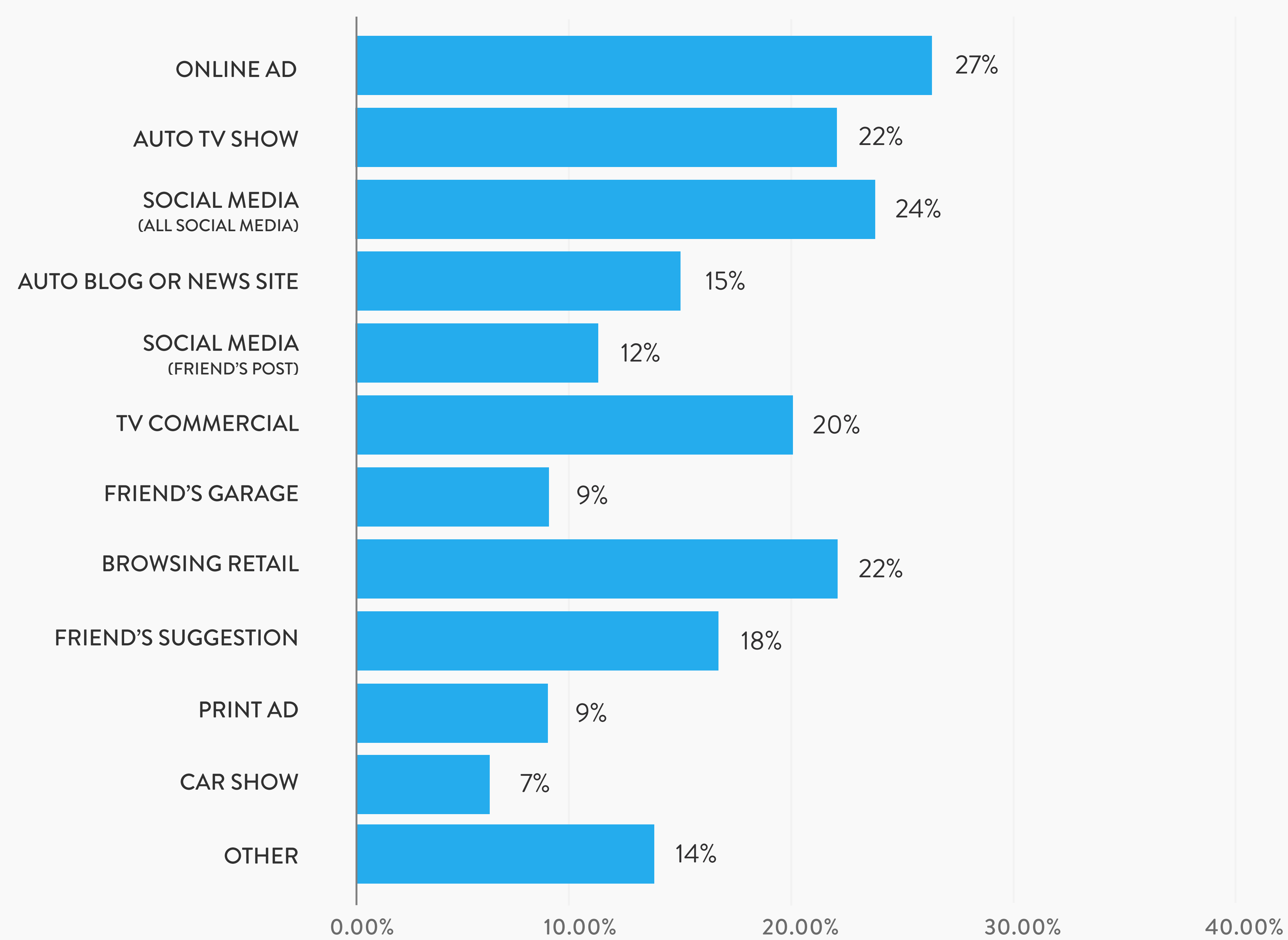
Economic news, at least as a reflection in our sample, hasn't dampened interest in home improvement much, with only 13% declaring that they were considering delaying upgrades. Improvements to the home increase its value, which may be a factor in less sensitivity in this category.

AUTOMOTIVE AFTERMARKET

Similar to home improvement, lockdowns gave car lovers some time to tinker in the garage, driving an increase in some product categories in the automotive aftermarket.

So what's inspiring them to start a project?

WHAT CHANNELS INFLUENCED YOUR LAST AUTOMOTIVE PURCHASE?



Source: SCS Omnichannel Study, November 2022

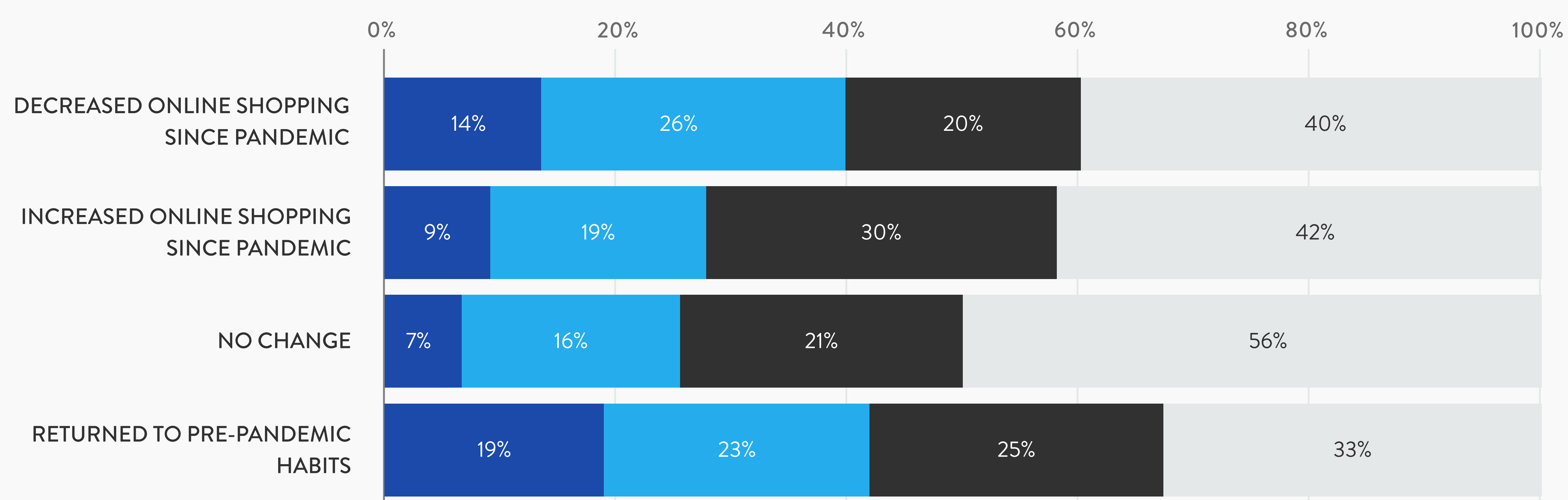
Online ads are surprisingly (and encouragingly) the winners in starting points for new journeys. Browsing through auto stores is a good example of the Phygital Phantom effect, as we can imagine their user journeys beginning in an AutoZone shelf. As inspiration hits, they're likely visiting NAPA and O'Reilly on their phone, looking for a review, or perhaps searching YouTube for instructions on installing the part to see how complex a project it will become.

Generally, auto aftermarket shoppers are spending less of their budget online vs other categories, again reflecting the complexity of user journeys, as they are more likely to have been inspired by an online ad.

AFTERMARKET AUTO

(E.G. CAR WAX, WIPER BLADES, TIRES)

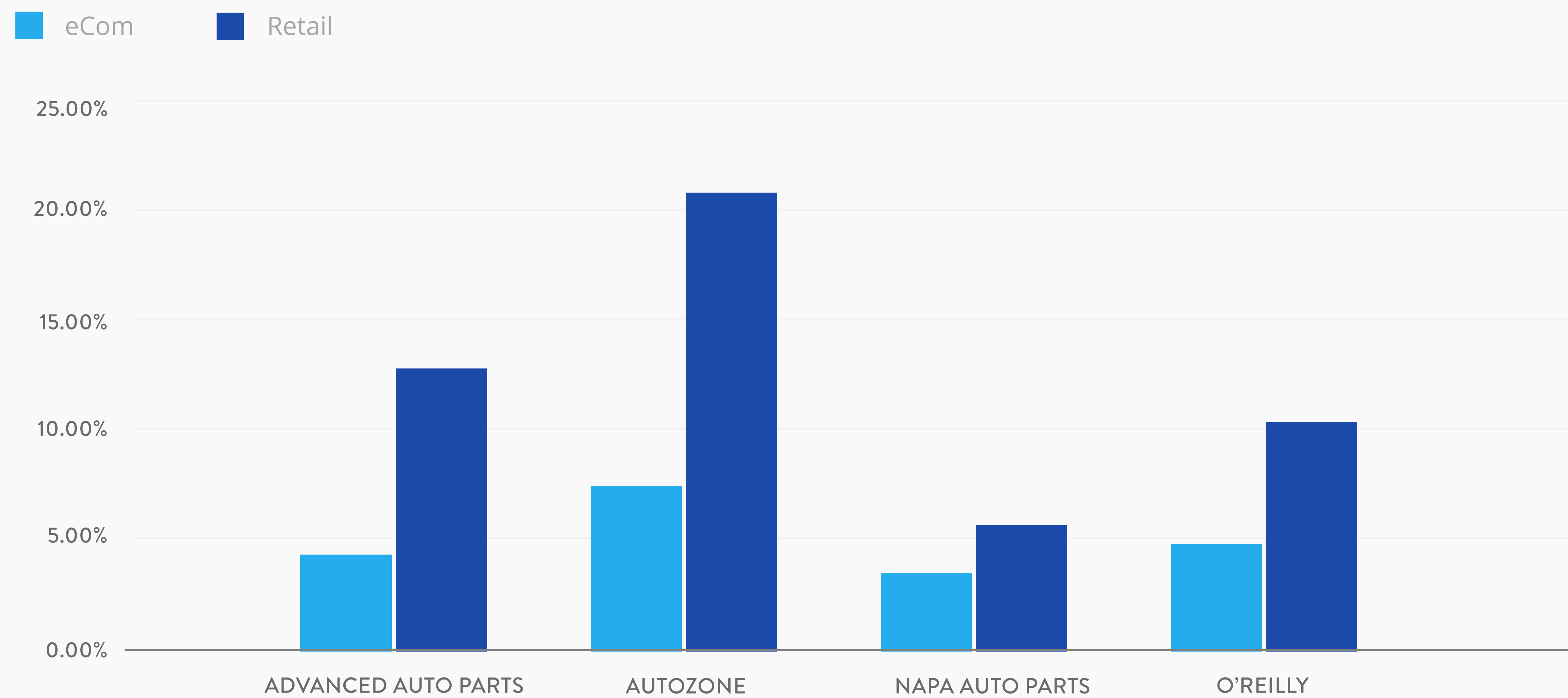
- Purchase online regularly: once a week or whenever I need
- Purchase online once in a while: once or twice a month
- Have purchased online at least once in the last 12 months
- Have never purchased online



Source: SCS Omnichannel Study, November 2022

eCommerce is still prevalent and growing in the automotive aftermarket category which we expect will continue to grow and reflect closer to eCommerce shoppers in home improvement over time.

AUTOMOTIVE SHOPPED IN THE PAST 12 MONTHS

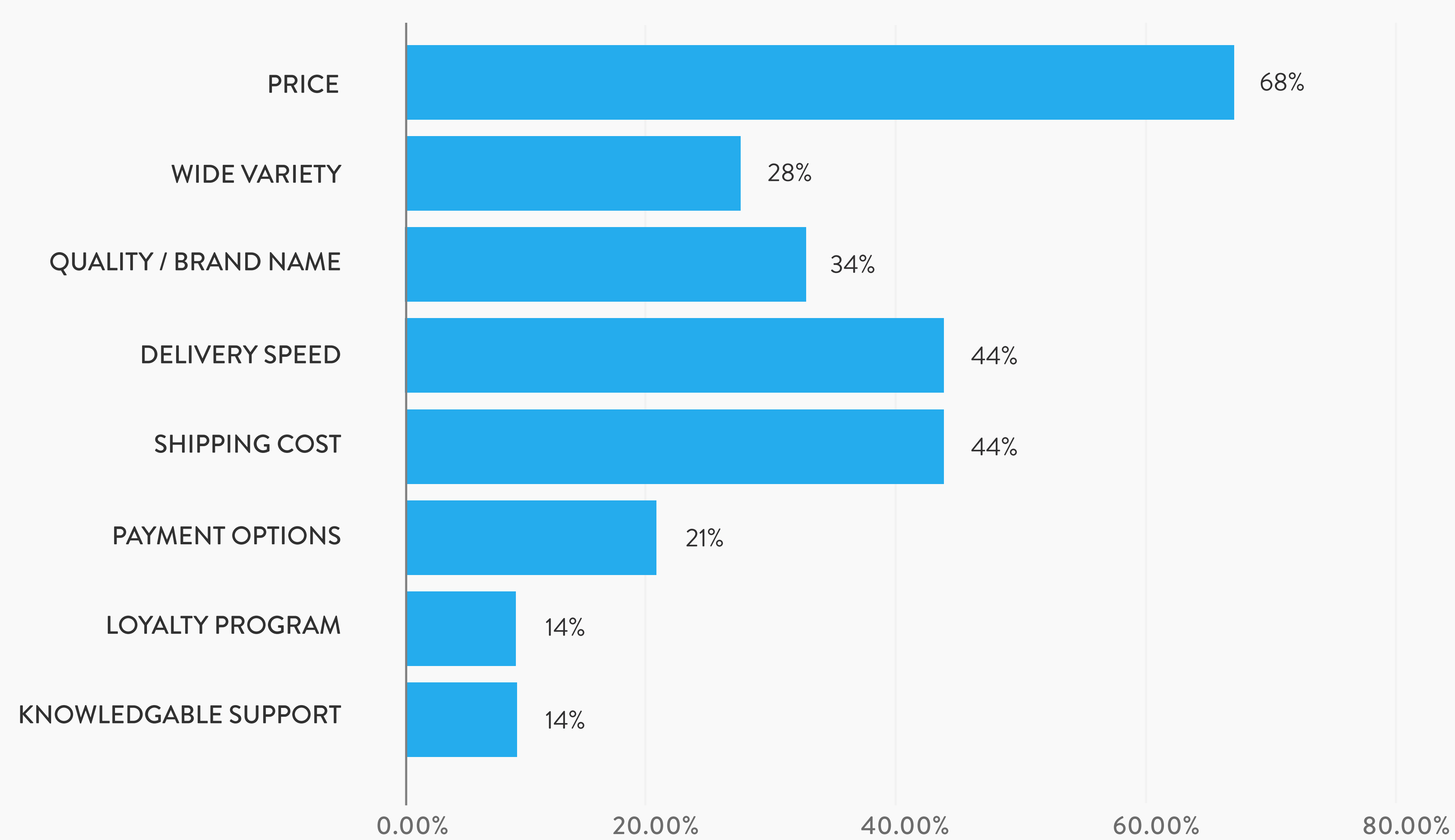


Source: SCS Omnichannel Study, November 2022

We can see the clear preference across all dedicated aftermarket retailers for customers to buy at physical retail, though NAPA is an interesting outlier with near parity between channels.

Like other categories, Price, Speed and Shipping are the most important factors in online shopping in the aftermarket, with brand name quality and variety dominating decisions when those factors are equal.

MOST IMPORTANT FACTORS IN AUTO COMMERCE EXPERIENCE



Source: SCS Omnichannel Study, November 2022

CPG

2023 will be a challenging year for CPG brands. Nearly three years into the pandemic, the grocery industry is still facing new difficulties. In 2020, shopping habits changed dramatically as going to the grocery store became less convenient, supply chain disruptions impacted shelves in 2022, and food price inflation is currently at its highest levels in decades, directly impacting consumer shopping habits.

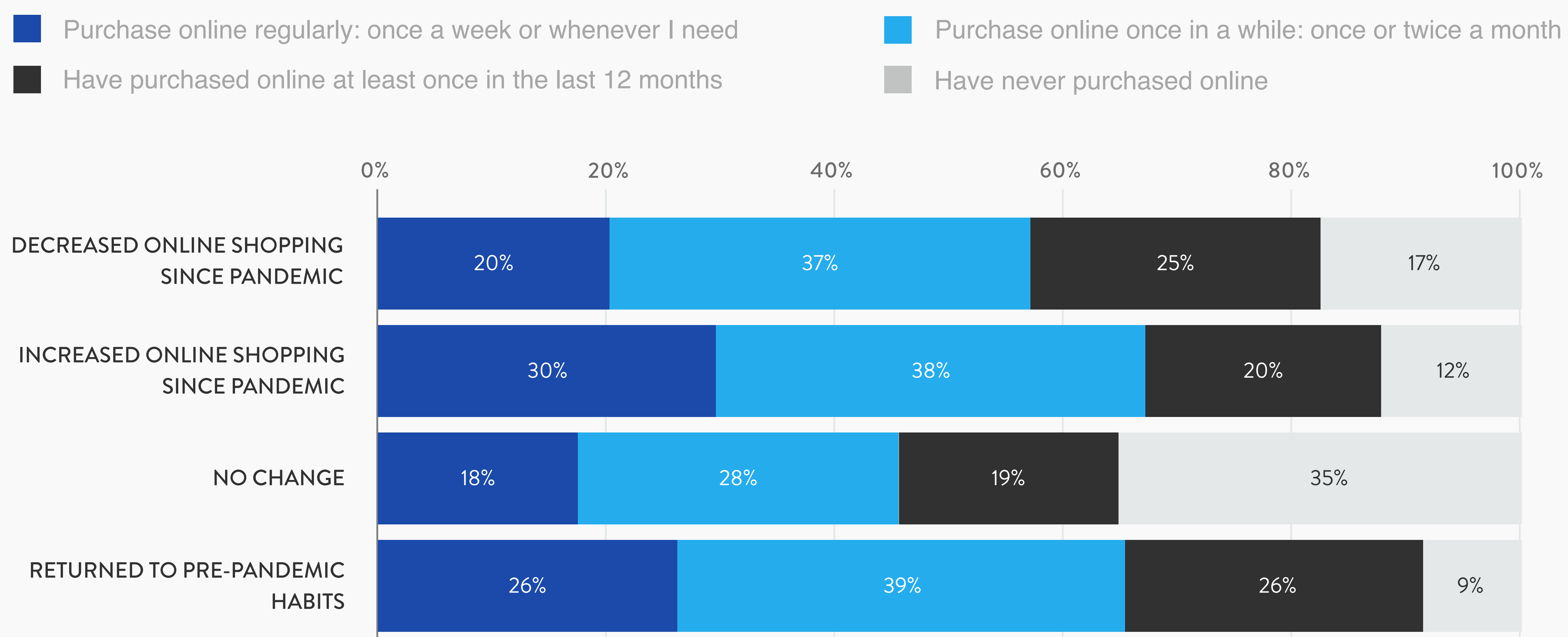
CPG as a whole made a quick transition to digital, but some categories are adapting faster than others. While the post-pandemic eCommerce boom has slowed down, categories such as pet products and health and personal care have seen a double-digit increase in online sales since 2020, and these new shopping habits are likely to persist.

There is an opportunity for CPG brands in online market penetration. With rising prices, consumers are less loyal to brands than they were before. This is leading to more online shoppers who are comparing prices. Brands that can offer lower prices or coupons will have a chance to win more business and drive sales.

Overall, inflation will continue to drive online grocery sales in the short term, but long-term growth will only happen when consumers' needs are met both in-store and online.

PACKAGED GOODS

(E.G. SOAP, BATTERIES, SODA)



Source: SCS Omnichannel Study, November 2022

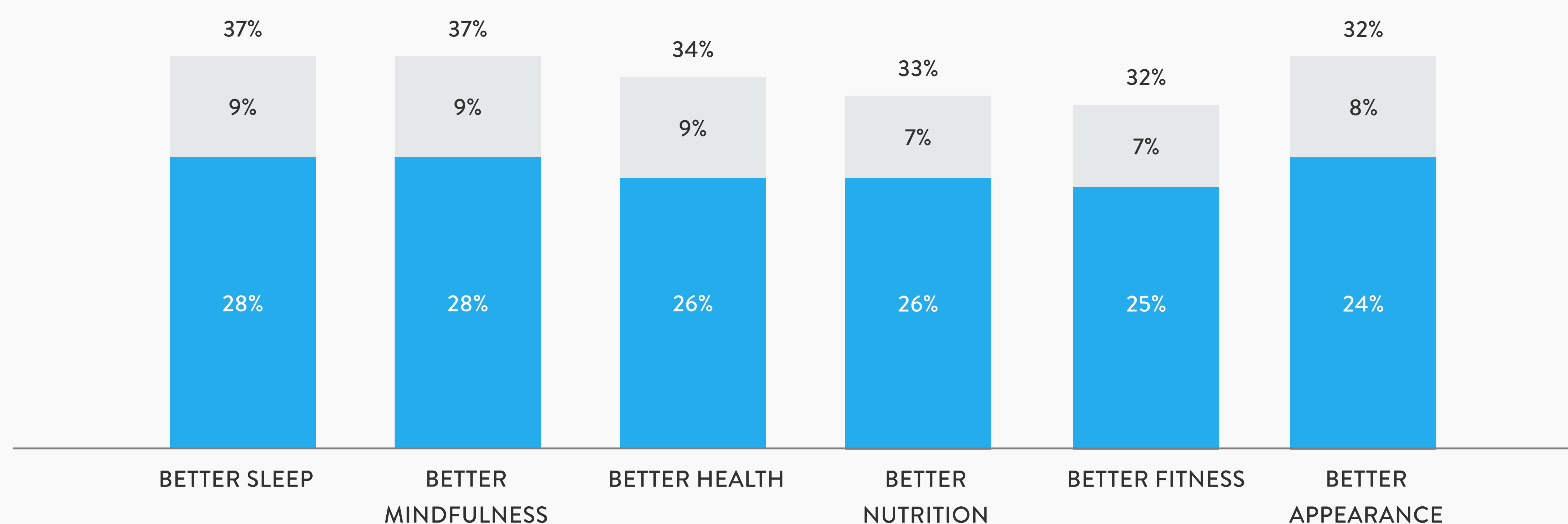
SPORTS & NUTRITION

The pandemic shuffled American's relationship and priorities when it comes to health, and also reshaped the sports and nutrition market from being a destination location to an experience that can exist solely online. Brands with a long-history of owning the sports and nutrition market were suddenly unable to move with the speed and demand as the world shifted to more health product offerings and more digital.

On the flip side, pandemic darlings such as Peloton and Mirror have begun seeing dramatic declines in demand as consumers are beginning to move away from prioritizing paying for services and more towards purchasing products that support their overall health.

DESIRE FOR ADDITIONAL PRODUCTS & SERVICES

QUESTION: WHICH OF THE FOLLOWING DESCRIBES HOW YOU FEEL ABOUT EACH OF THE FOLLOWING ATTRIBUTES?



Note: Figures may not sum, because of rounding

Source: McKinsey Future of Wellness Study, November 2022

What has remained coming out of the pandemic is the awareness and focus on health. In a McKinsey survey conducted with almost 7,500 people across six countries, 79% believe wellness is important and 42% consider it their top priority.

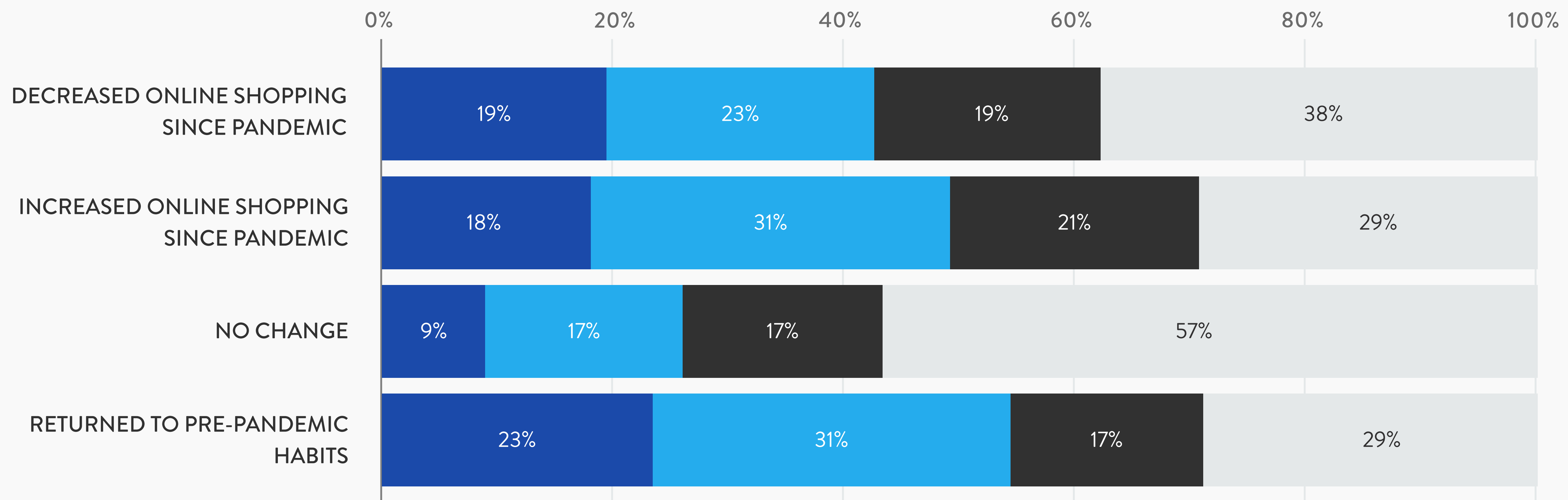
For brands to continue to thrive post-pandemic, it is important to be where they are when they are ready to purchase. With 62% of shoppers now purchasing their sports and nutrition needs online, brands must have a fully-functioning eCommerce system including their own ecosystem and retailers such as Amazon.

Wellness is here to stay as consumers continue to increase their spending on personal health, sleep products, health tracking devices, fitness, and more. If we learned anything from the pandemic, it is that the priority of mental and physical wealth will remain a priority for years to come.

SPORTS NUTRITION

(E.G. PROTEIN POWDER, VITAMIN SUPPLEMENTS)

- Purchase online regularly: once a week or whenever I need
- Purchase online once in a while: once or twice a month
- Have purchased online at least once in the last 12 months
- Have never purchased online

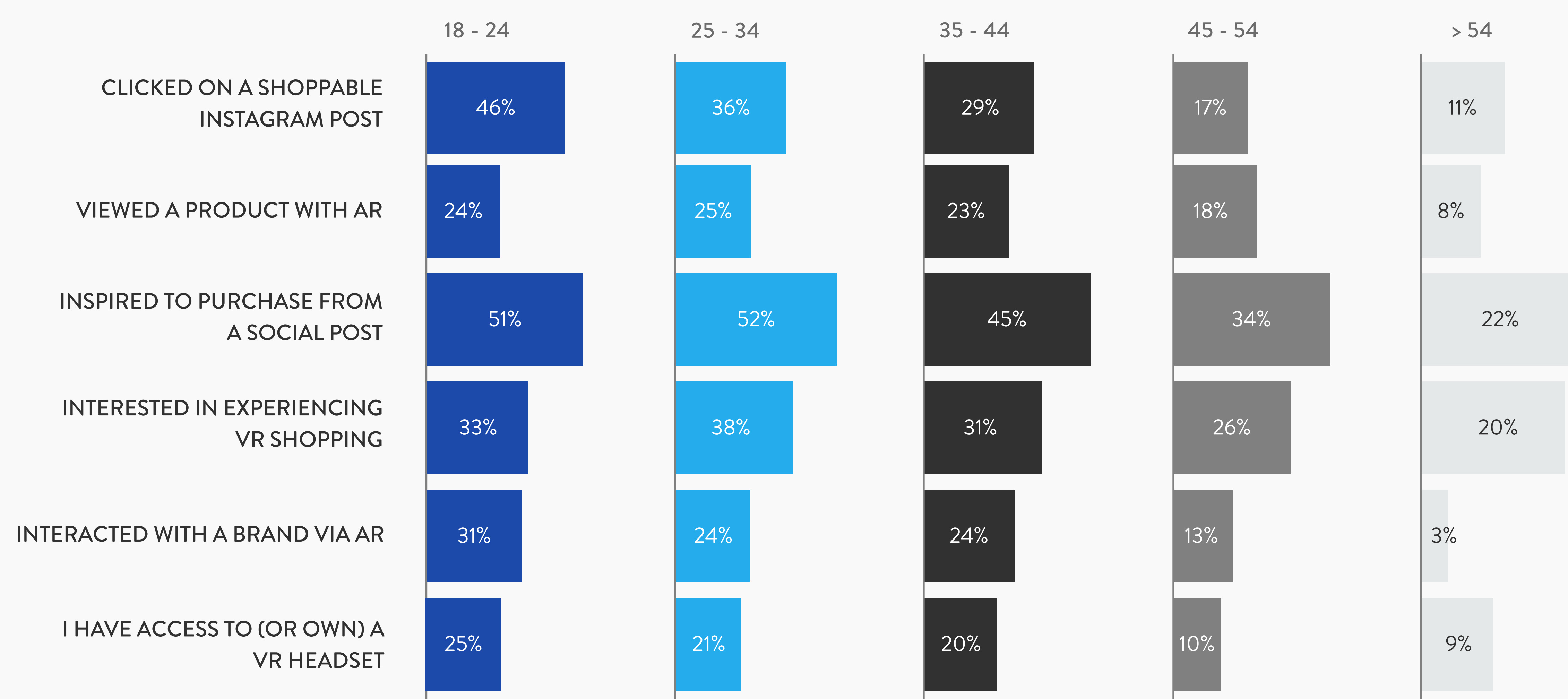


Source: SCS Omnichannel Study, November 2022

FUTURE TRENDS

We asked consumers about some of their more innovative habits and there is, unsurprisingly, a gradual increase in uptake of new shopping tools at younger demographics.

WHERE IS IT GOING? INNOVATION



Source: SCS Omnichannel Study, November 2022

Current trends like mobile commerce, social media commerce, subscription models, personalization, augmented reality shopping – even ecological and sustainable shopping – are all safe bets for innovations that are here to stay.

Emergent innovation trends are more difficult to call, however as Microsoft spends billions investing in OpenAI with plans to turn Bing search into an AI powered intelligent search agent, it's a safe bet that 2023 and beyond will deliver some surprises in how we shop with the help of AI for discovery, recommendations, and product comparison.

AI in commerce is common for personalization and media recommendation engines, but newer in the realm of direct, conversational shopping advice that goes beyond decision-tree based chat systems, or more novel use cases like AI-powered virtual stylists that make recommendations based on personal style and preferences.

As the hundreds of AI use cases in commerce slowly gain widespread deployment, we might even see emotion-sensing integrated into eCommerce, giving us online shopping experiences that are personalized not just on our search behavior, but our emotional reaction to each ad and product we're viewing.

With large language models (LMMs) becoming more powerful, we'll likely also see an explosion of more useful brand chatbots on retailer sites which don't immediately elicit a desire to speak to a human, providing a sense of personalized service at scale without the need for additional online CSRs. These LMMs may also usher in a new era of improved voice assistants and more engaging conversational ad units.

More and more physical retailers, like Nike and LEGO, are integrating AR and holographic technology into their stores for interactive, experiential shopping. Others, like the toy store CAMP, provide immersive adventures, reminiscent of the escapist experience of visiting a Cabela's store, but for kids.

Lastly, AR and VR make it easier to both try-before-you-buy and gain a richer brand experience than a two-dimensional website visit. Augmented Reality shoe and apparel try-on and makeup tools are gaining steam, while home decor projects can be enhanced with VR experiences. While Apple's rumoured mixed reality headset will likely be announced sometime in 2023 and our research has shown about 1/5th of consumers have access to a VR device, mobile AR remains the stronger of the technologies, as it's available with every modern smartphone and already built into major social platforms.



DRIVING BRAND SUCCESS

“NOW, MORE THAN EVER, DOUBLE DOWN ON MAKING SURE YOU HAVE SUPERIORITY FROM A PRODUCT STANDPOINT. DOUBLE DOWN ON MEDIA. DOUBLE DOWN ON BEING MORE PRODUCTIVE: FIND THE DATA AND ANALYTICS AND WAYS OF BEING MORE PRODUCTIVE WITH PRECISION OPERATIONS. IF WE INNOVATE AND REACH CONSUMERS, THEN THE MARKET WILL GROW.”

- MARK PRITCHARD, CHIEF BRAND OFFICER, P&G

Everything is changing. Culture, media and shopping have shifted dramatically. Commerce has been entirely transformed as people consume entertainment, shop and connect in new ways.

From the creator-led social economy becoming the cultural zeitgeist for consumers to new brand attention platforms like Netflix, discovery+, and Disney+ giving advertisers new reach with connected TV, change continues to be a constant.

The current explosion in new AI tools seen in generative platforms and large language models like GPT-3, soon to be integrated in our daily searches, is just the beginning of a new AI revolution. Rapid innovation is key to success.

So, what's to be done?

SCS recommends retail channel marketers re-think how they organize their teams and budgets and to focus on consumer segments and the consumer journey over siloing eCommerce from brick-and-mortar marketing. As a product page online now drive the purchase decision at shelf for a consumer who is shopping in-aisle, marketers need to ensure that their teams across eCommerce and retail channel marketing are integrated together and developing consistent digital and retail content that supports the consumer in any and all retail channels at once.

Marketers should consider three key areas when evaluating their marketing operations to drive a performance omnichannel operation: 1. Re-define the Customer Journey; 2. Develop a Go-to-Market Framework; 3. Integrate Media & Targeting Technology.

1. RE-DEFINE THE CUSTOMER JOURNEY

Audit Brand Discovery: Evaluate how your products appear in search across all platforms and in-store, from TikTok and Reddit to Amazon and eBay.

Map the Customer Touchpoints: Understand where customers start their journey and how channels intersect.

Amp Up Search Everywhere: Cover paid search in more channels and track hashtag and search listings. Explore everywhere you can dial up discovery on platforms like Amazon, Target, Bing, Walmart, Alexa, TikTok and more.

2. DEVELOP A GO-TO-MARKET FRAMEWORK

Implement Top-Down & Bottom-Up: Create a consistent brand platform across all channels – then implement individually on a channel-by-channel level.

Connect Digital-to-Physical: Plan agnostic brand moments that create omni-experiences across physical and digital.

Create a Channel / Messaging Matrix: Plan by channel, product and audience segments and map out in a messaging matrix ensuring consistency and storytelling across the brand offering.

3. INTEGRATE MEDIA & TARGETING TECHNOLOGY

Merge Analytics & Measure Total Lift: Merge analytics across eCommerce and brick-and-mortar channels, and work to understand omnichannel lift across all selling channels.

Drive First Party Data + New Targeting: Understand the importance of first party data and leverage partner targeting with tools and partners such as LiveRamp, Disqo, Kantar, VideoAmp, Neustar, and more.

Implement Omnichannel Martech: Leverage omnichannel martech tools that drive cross-channel performance with tools such as PriceSpider, Niantic's 8th Wall, Cylindo, BazaarVoice, and more.

WHERE TO START

THE OMNICHANNEL CHECKLIST

- Audit marketing technology, enable omnichannel tools for Where to Buy, Reviews, CRM, and more
- Audit product messaging and brand creative for consistency across website, PDPs, Amazon, retail POS, pricing, and packaging
- Audit organic and Paid Search and evaluate brand discoverability across all search channels – include TikTok, Instagram, Amazon, and retailer websites as brand and product searches expand beyond Google
- Re-evaluate the customer journey and outline the content and media strategy for each channel and consumer moment along the purchase path
- Innovate: Try new channels, technology, and creative approaches – Test & Learn



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