CONNECTED RETAIL | 2024

As inflationary pressures loom, consumers' expectations of retailers have never been higher, emphasizing the need for competitive pricing without compromising quality, services, or channel options.

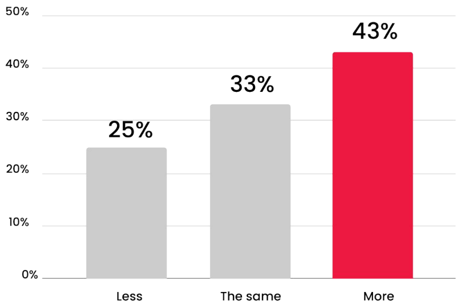
CONSUMER METHODOLOGY

We surveyed 1,012 US consumers of all ages, races, and genders in October 2023 to capture their purchase preferences and shifts in buying behaviors over the last year. By uncovering key motivations along the path to purchase, the survey helped inform our criteria for determining the most exciting digital retail strategies. Following are the key findings from the consumer insights survey and the retailers we're inspired by as we head into 2024.

ECONOMIC CLIMATE

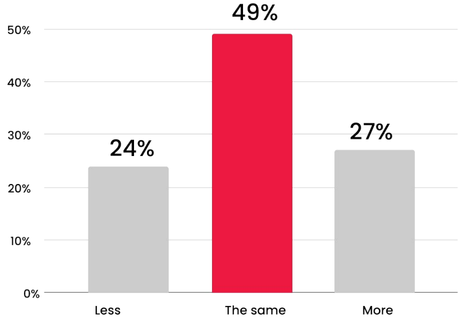
It's no secret that the combination of low unemployment and high inflation has left consumers in a cloud of confusion and caution. Considering holiday spend was predicted to be on the conservative side, we were curious how survey participants felt about their current shopping and spending compared to the same time last year. When asked if respondents had spent less, the same, or more money than they did this time last year, 43% said they had spent more. Meanwhile, most respondents reported shopping the same amount as last year.

Would you say you've spent _____ money than you did during this time last year?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

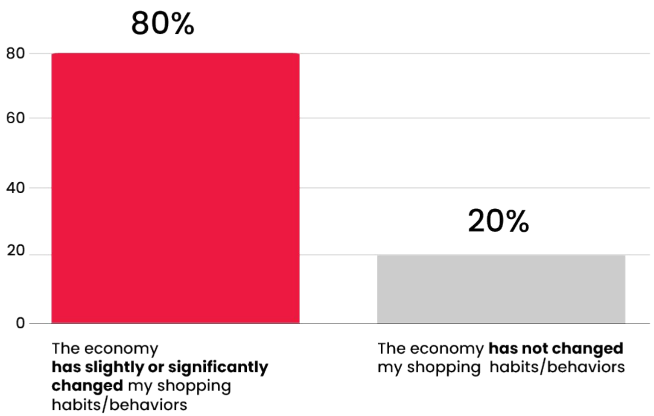
Would you say you've been shopping _____ than you did during this same time last year?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

Further, 80% of consumers acknowledged that the economy has either slightly or significantly changed their shopping habits/behaviors. Seventy percent of those respondents said they are trying to spend less overall because of inflation, underscoring the profound impact of inflation on behaviors and perspective.

Which of the following best describes the impact of the economy on your shopping habits/ behaviors?



For those who selected that the economy has changed their shopping behaviors/habits.

Which would you say best describes your spending habits:

70%

I am trying to **spend less** overall because of inflation, focusing primarily on the lowest cost items

18%

I'm focusing on value, **buying higher quality products** hoping they'll last longer, although they cost more

13%

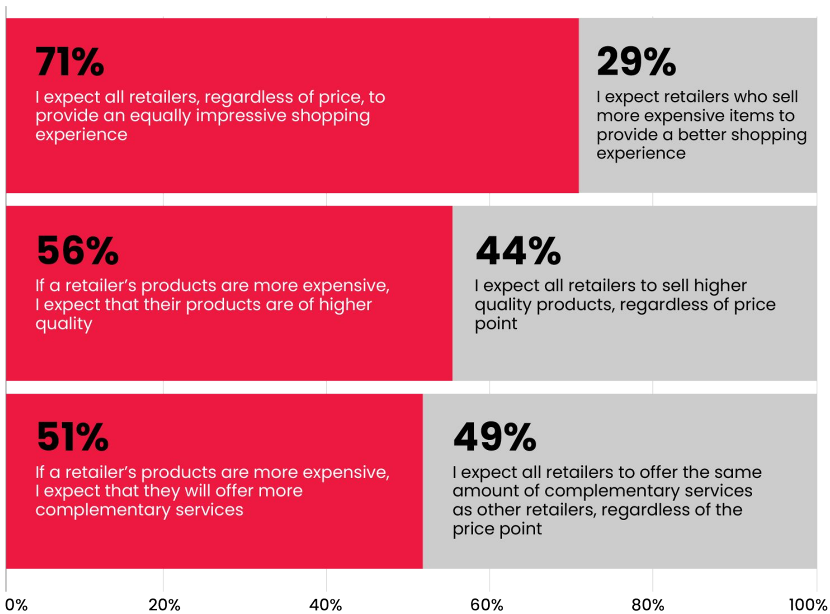
I find myself **spending more** because my salary has increased

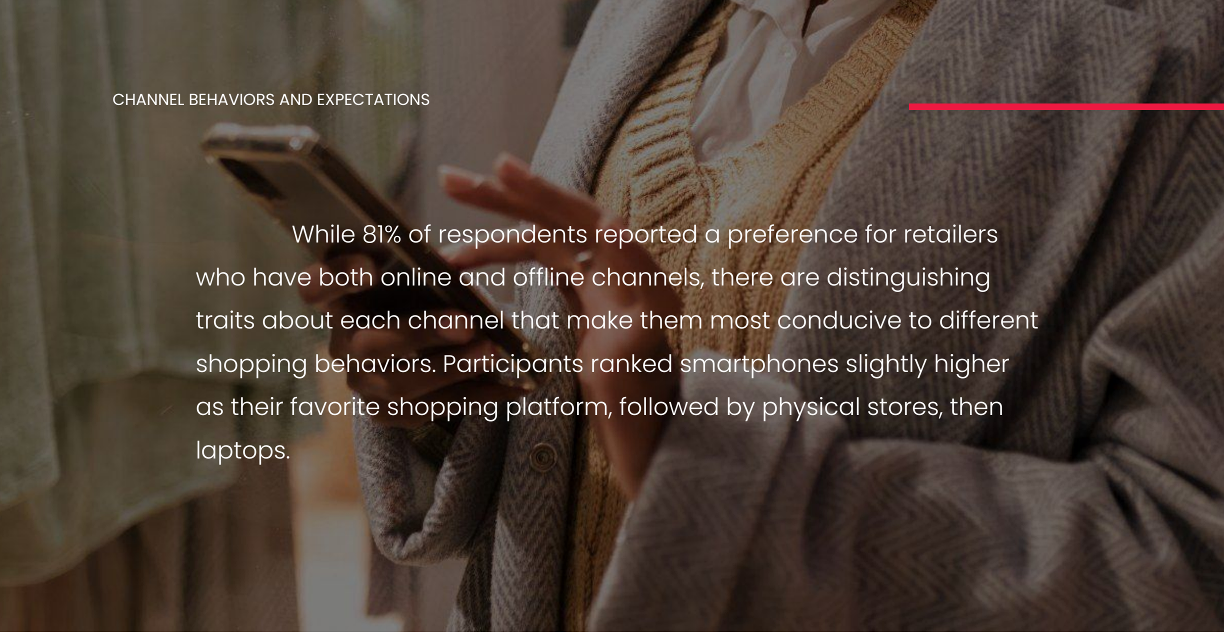
Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

CHANNEL BEHAVIORS AND EXPECTATIONS

The careful eye towards spending manifests in heightened, universalized expectations of retailers, as well as distinctive channel behaviors. A staggering 71% of respondents reported that all retailers, regardless of price, should provide an equally impressive shopping experience. Further, only 56%, expected a retailer's products to be of higher quality if they were more expensive. Additionally, only 51% expected a retailer to offer complementary services if the products were more expensive. **There is an understanding that price-sensitivity is the norm and that retailers should adapt to that reality with their offerings and environment. Retailers of all price points should thus compare their products and services against those outside their typical competitive price range.**

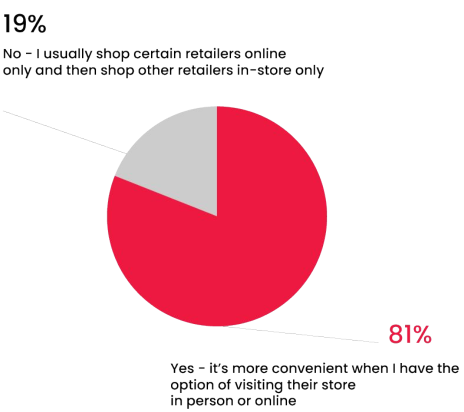
Please select the statement that best describes your view on the shopping experience





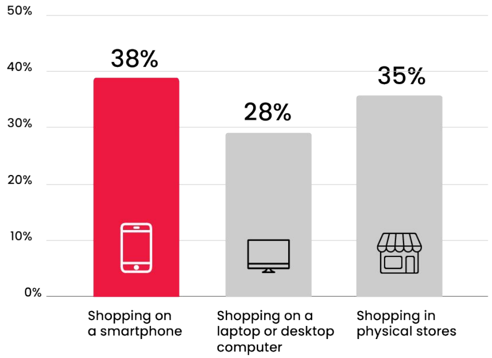
While 81% of respondents reported a preference for retailers who have both online and offline channels, there are distinguishing traits about each channel that make them most conducive to different shopping behaviors. Participants ranked smartphones slightly higher as their favorite shopping platform, followed by physical stores, then laptops.

Do you prefer to shop at retailers who have both online and physical stores?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

Which of the following do you enjoy the most, rank them in order from most enjoyable to least enjoyable



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

However, laptop sites proved the most versatile for different use cases when compared separately against apps and mobile sites. Laptop sites reigned supreme for "conducting research for when I buy in the future," being "on a mission to buy something specific that I already have in mind," "opening a bunch of different retailer websites to compare their offerings," and, surprisingly, "browsing for fun." Apps were favored for, unsurprisingly, "shopping while watching a show" and "looking around while in transit." While laptops scored highest for the most scenarios when compared individually, when combining both smartphone channels (app and mobile site), smartphones scored higher in contrast to laptops.

For each shopping scenario, select the channel you are most likely to use

- WEBSITE VIA LAPTOP/TABLET
- APP VIA SMARTPHONE
- WEBSITE VIA SMARTPHONE

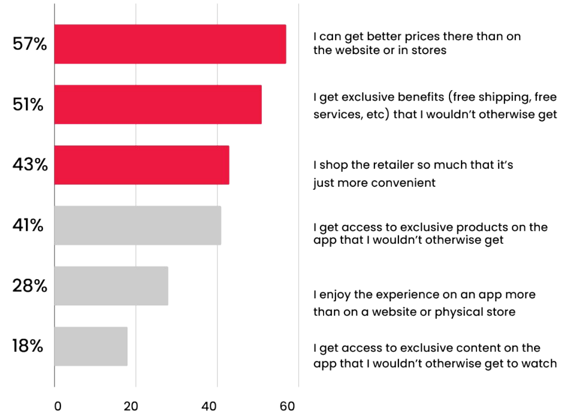
	WEBSITE VIA LAPTOP/TABLET	APP VIA SMARTPHONE	WEBSITE VIA SMARTPHONE
Browsing for fun	44%	42%	13%
Conducting research for when I buy in the future	56%	30%	14%
On a mission to buy something specific that I already have in mind	47%	40%	13%
Shopping while watching a show	39%	42%	19%
Looking around while in transit	28%	50%	22%
Opening a bunch of different retailer websites to compare their offerings	54%	30%	16%

Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

The fact that smartphones are appreciated more than laptops, yet laptop sites were favored more frequently when against apps and mobile sites was illuminating and suggestive of opportunities for apps to become more innovative. Among the top three reasons respondents would download apps were (respectively) better prices, exclusive benefits, and more convenience. When asked about the range of apps respondents downloaded and regularly used, the most recorded response was 1-3 apps, **again demonstrating plenty of room to grow for this channel.** Given that exclusive benefits are a significantly differentiating characteristic, apps offering more perks and incentives would be more likely to succeed. These perks could easily tie into the knowledge that the user is most likely multitasking with entertainment or in transit.

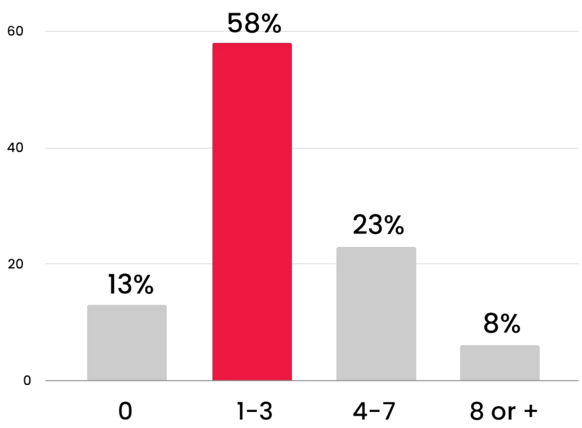
Why would you most likely download and use a retailer's app?

* Participants could mark more than one answer



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

How many retailer apps do you have downloaded, that you use regularly, on your phone?

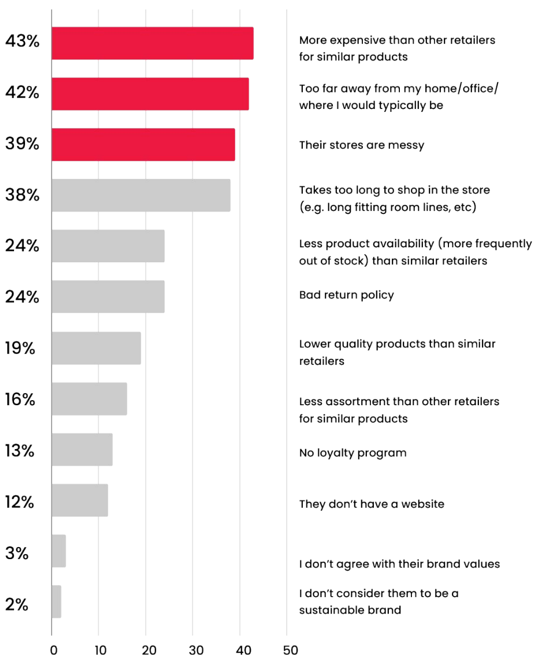


Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

There's no denying the importance of price no matter which channel consumers are shopping. "Better prices" was the number one motivator for shopping via an app, and "more expensive than other retailers for similar products" was the number one reason participants said they wouldn't shop at a physical or online retailer. Beyond price, respondents said they wouldn't shop at a physical store if it were too far away from their home, office, or where they'd typically be, or if the stores were messy. For online retailers, after price, the deal breakers were a hard-to-navigate website or a poor return policy. **All four roadblocks to shopping each channel come down to creating inconvenience, which matches up with convenience being a primary driver for choosing apps as a channel.**

Which of the following would be the main 3 reasons you would end up not shopping at a certain retailer's physical store?

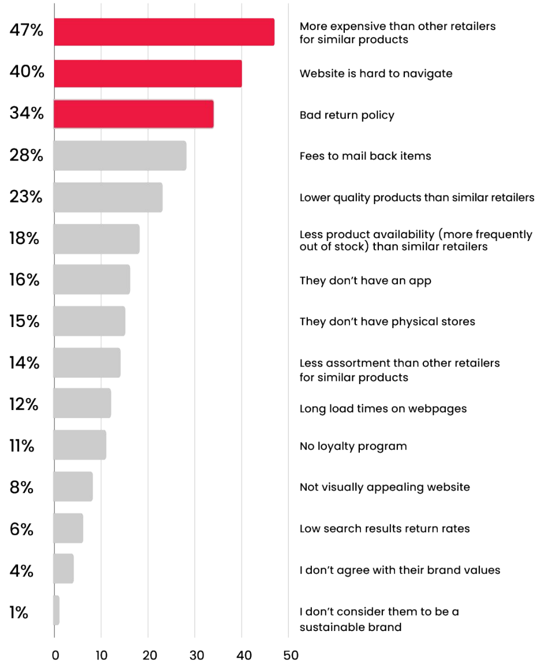
* Participants must select three answers



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

Which of the following would be the main 3 reasons you would end up not shopping at a certain retailer online?

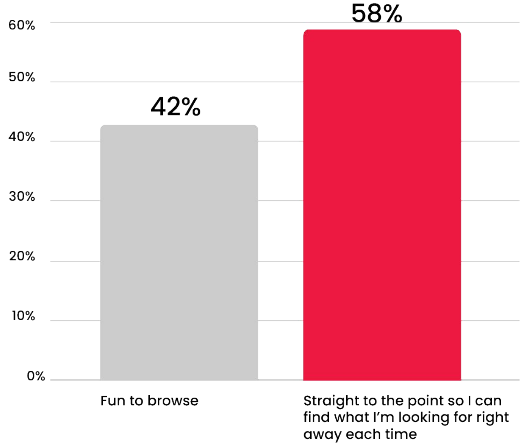
* Participants must select three answers



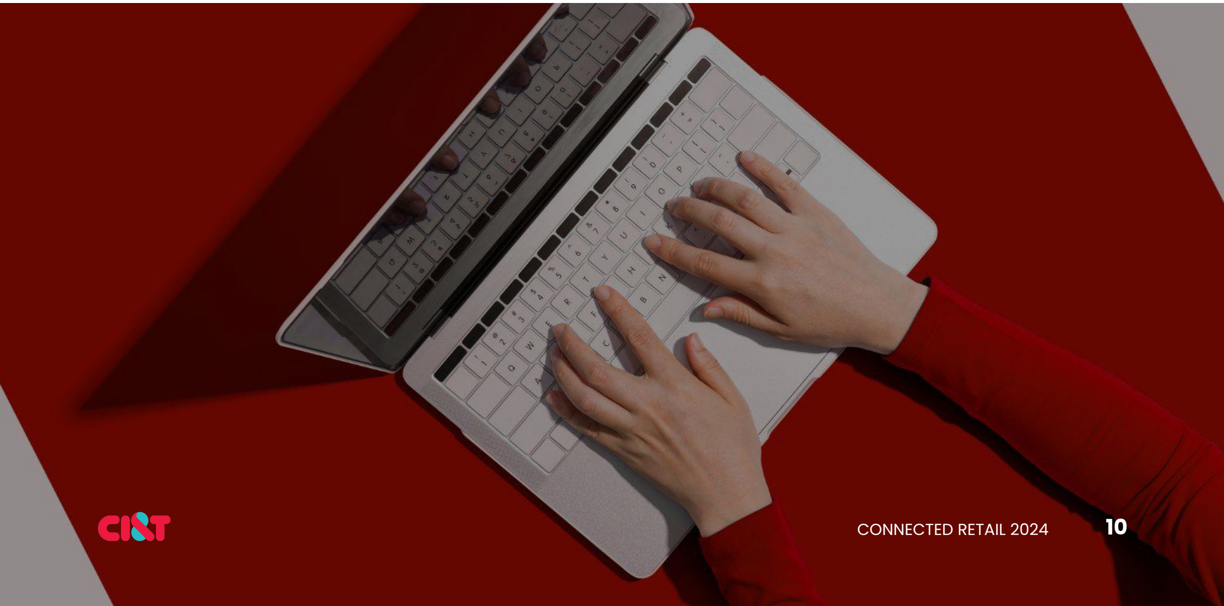
Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

The convenience theme also surfaced in the responses to the website design and search sections of our survey. Though not an overwhelming majority, it's noteworthy that 58% of respondents said they would prefer a website that is straight to the point so they can find what they're looking for, versus one that is fun to browse. **The slight preference for a straight-to-the-point experience underscores the importance of balancing engagement with mission-driven priorities, being extra careful not to sacrifice efficiency.**

If you had to choose, do you prefer a website that is fun to look at/browse, or a website that is straight to the point in helping you find what you're shopping for?

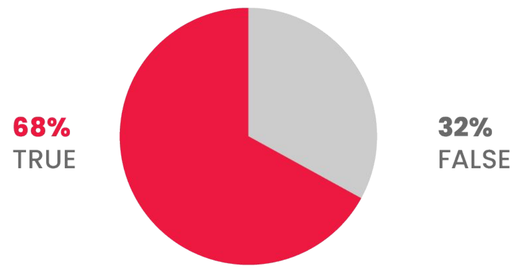


Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*



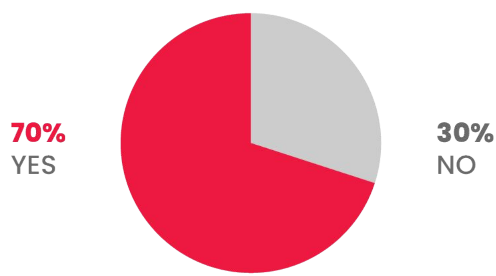
Relatedly, 68% of respondents selected "true" regarding the statement, "I choose which online retailers to shop based on the quality of their search results." 70% selected "true" in response to the statement, "I expect retailers to understand my most complex search queries." A highly sophisticated search function, driving efficiency, indulges the consumer's desire for mission completion. **Shoppers choose retailers based on how quickly they get them to the items in pursuit.**

TRUE or FALSE: I choose which online retailers to shop at based on the quality of their search results.

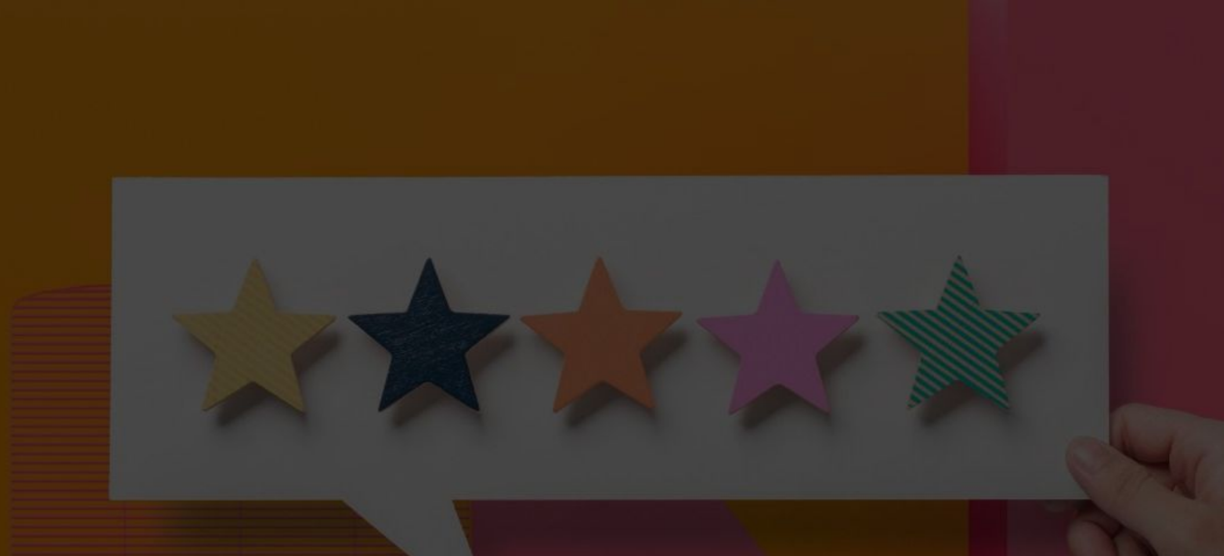


Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

TRUE or FALSE: I expect retailers to understand my most complex search queries.



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

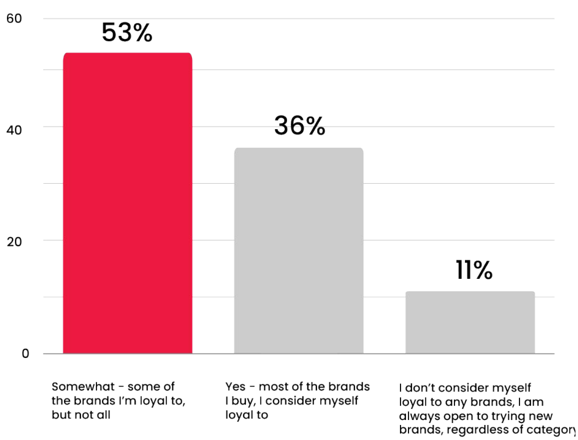


LOYALTY

In addition to a top-tier search experience, quality products and low prices will keep shoppers coming back. When asked to select the leading factors for why respondents are loyal to a brand or retailer, quality products, followed by prices of products, were most frequently chosen for both brands and retailers. *In this section, we asked questions separately regarding brands and multi-brand retailers to determine if there were differences in perspective depending on that distinction.*

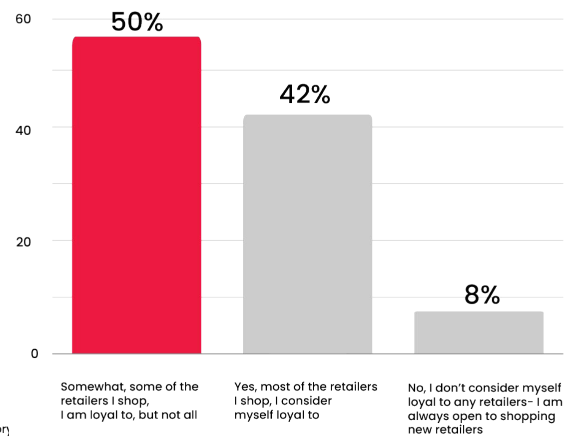
For brands, the third most motivating factor was an excellent return policy. In contrast, for retailers, the third factor was the proximity of stores. **Value and convenience repeatedly show up at the core of shoppers' pursuits.** Though consumers prioritize most of the same qualities with brands and retailers, they expressed less loyalty to brands. 36% of respondents said they are loyal to most of the brands they buy, while 42% were loyal to most of the retailers they shop. Interestingly, when broken down by generation, the only nuance was that Matures were significantly less likely to report being loyal to brands. For retailers, there were no generational differences in loyalty levels. **Though loyalty scores weren't particularly low, the emphasis on quality and price in determining loyalty suggests that repeat purchase is any brand or retailer's game as long as the value is there for the shopper.**

Would you consider yourself a loyal consumer to the brands you buy?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

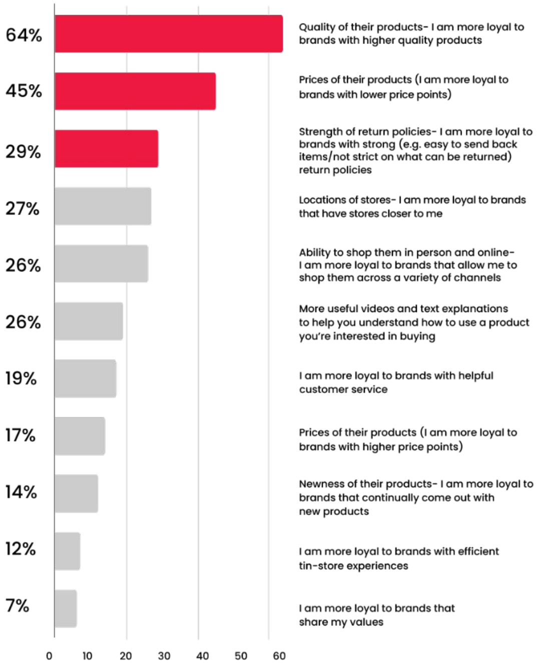
Would you consider yourself loyal to the retailers you shop?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

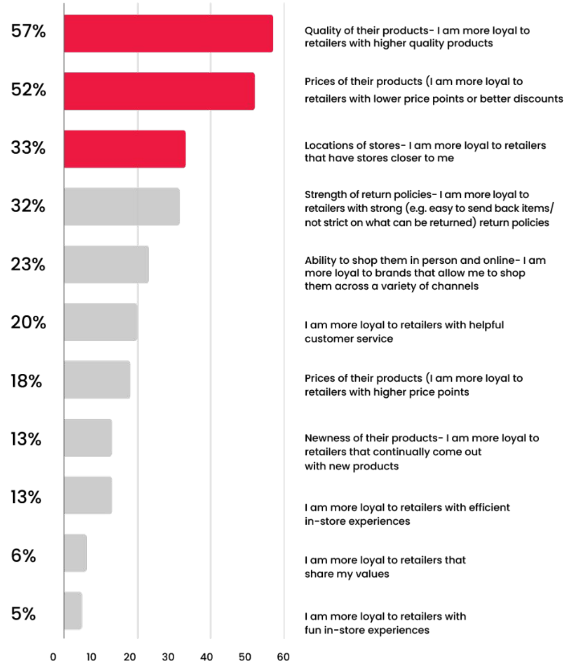
Which factors are most responsible for why you're loyal to a brand?

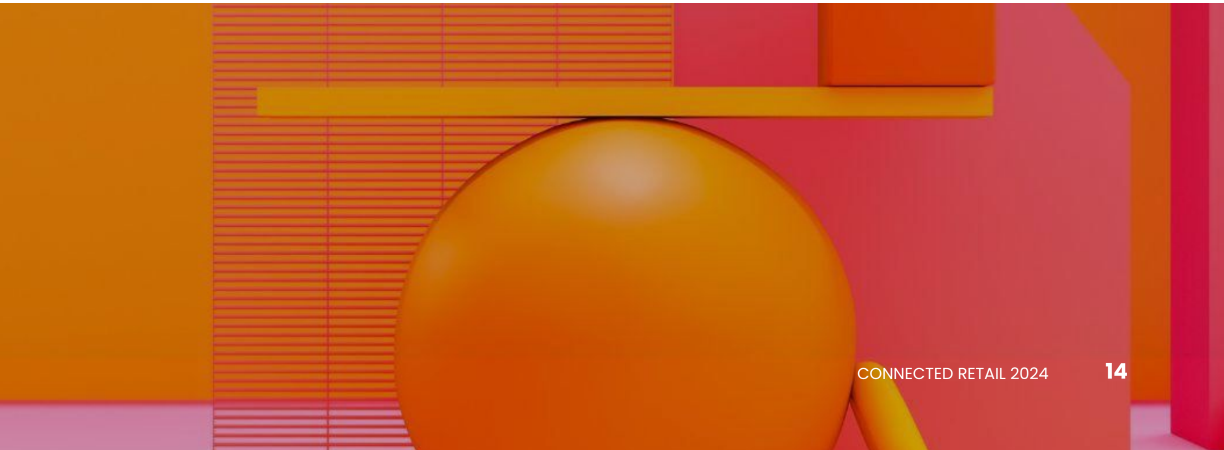
* Participants could mark up to three answers

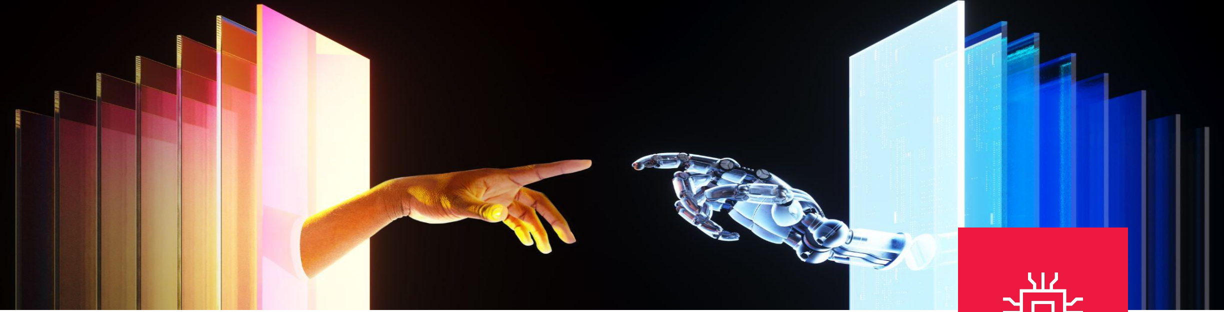


Which factors are most responsible for why you're loyal to a retailer?

* Participants could mark up to three answers







AI

AI has become the hottest topic in retail, but consumers are divided on receptiveness. **Precisely 50% of consumers said retailers should use AI to improve the retail experience**. There is even more ambivalence towards Generative AI, with 67% of (the 59% of consumers who knew what it was) consumers having concerns with retailers using it. The top two reasons for the concern were not wanting Generative AI/ChatGPT to have access to any personal information and not trusting Generative AI/ChatGPT to give the most comprehensive search results.

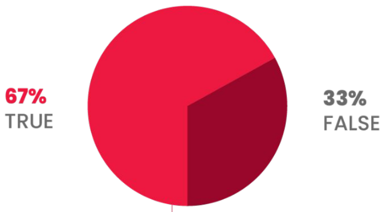
Do you think retailers should use artificial intelligence (AI) to improve the shopping experiences for their customers?

Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

Do you feel you understand what "generative AI" means?

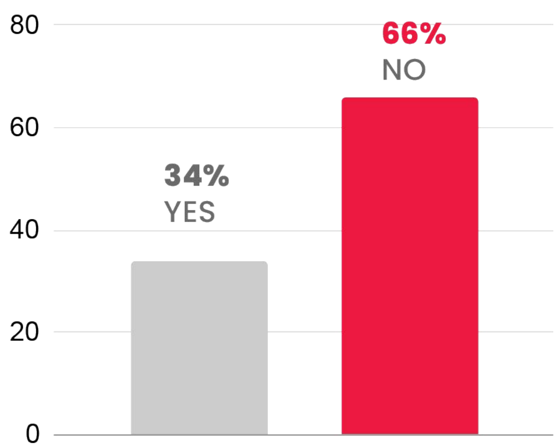
If yes.

ChatGPT is a form of Generative AI that many retailers have started using. TRUE OR FALSE: I have concerns with retailers using Generative AI/ChatGPT.



While 66% of respondents reported that they have not used ChatGPT, perhaps once usage becomes more mainstream, these concerns will decline. **As retailers introduce Generative AI into their business models, transparency around how helpful it is, along with a commitment to explaining that personal information is not being stored, will be crucial.** Although we didn't explicitly ask how consumers would like to see Generative AI used, we shared a wide-ranging list of use-case examples. In asking which types of retailer capabilities would most improve the shopping experience, the most frequently selected were better, more detailed product descriptions, getting items to shoppers fastest, and product photos that show products being used or worn by many different types of consumers. **From merchandising and logistical perspectives, there are clear ways in which shoppers will appreciate the use of Generative AI; it will just have to be handled delicately.**

Have you used ChatGPT?



Source: *CI&T Connected Retail Consumer Survey. (Oct 2023)*

RETAILER AUDIT

For this year's retailer audit, we set out to identify exceptional examples among apps and websites where brands are pioneering digital innovation. We focused on highlighting brands not previously featured in our annual report, and we revamped the criteria for each channel category. Beyond the prerequisite of being unique, we applied a micro-framework to distinguish the goods from the greats. Only the greats meeting these criteria earned a place in this report:

App

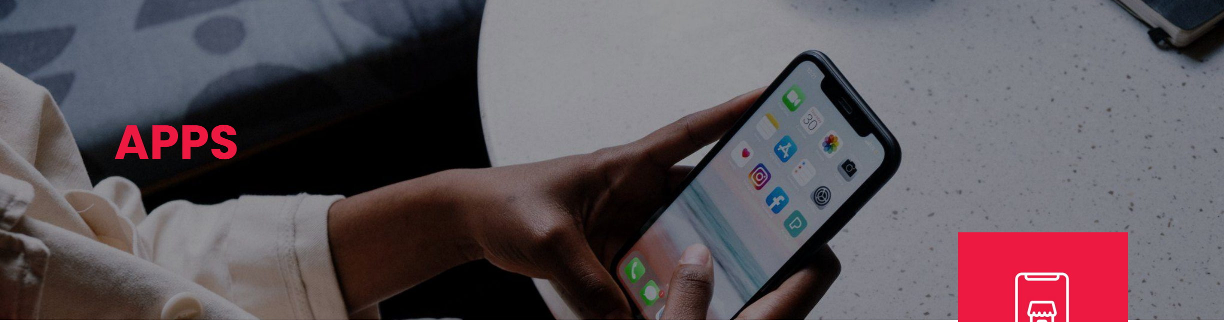
Does more than you could do in stores or on the website

Intentionally designed for how consumers are used to using their phones

Site

Strong visuals- clean and not overwhelming, but interesting, while being very easy to navigate/get to the right items

Works well as mobile or desktop



APPS

Surprisingly, our survey revealed that a slight majority of respondents (58%) have 1-3 retailer apps downloaded that they use regularly. Most participants cited “better prices” as the primary reason for engaging with a retailer's app, followed by exclusive benefits and more convenience, highlighting key opportunities as retailers launch and improve their apps. After an in-depth audit of retailer apps, it became evident why consumers aren't embracing these apps more enthusiastically.

Most retailer apps are either extremely simple and transactional or overly complicated with chaotic product visuals. There was very little middle ground where an app balanced easy navigation with enjoyable interfaces that encourage users to stick around.

Additionally, some apps were so overwhelmed with features that users might end up overlooking innovative functions. Though not one of our metrics, the load speed of an app does matter. Some apps kept us waiting a frustrating amount of time, while others added little value to the in-store or at-home browsing experience. All in all, our top three favorite apps are the ones consumers would look at and want to engage with, while also being extremely intuitive to use.

CRUMBL COOKIE

The Crumbl Cookie app takes the (cookie) cake for being the easiest to use. Every feature seamlessly flows into the next, making it incredibly convenient to order an ongoing supply of cookies. The app's speed is impressive, and its facilitation of on-site pickup, both via carry-out and curbside is just so smooth. It clearly articulates how users can "earn free crumbs" to amp up their loyalty credits, incentivizing brand advocacy. The visual design is as elite as the overall experience design. This app is fun even for less-frequent cookie monsters, offering a "Cookie Journal" where you can add your own thoughts post-consumption, read others' opinions, and browse discontinued flavors in the graveyard section, scanning reviews explaining why they're no longer on the market. We would love to see more brands, regardless of the category, provide a notes section like this that could double as a reviews archive so that shoppers can easily document why or why not they would repurchase a particular item in the future.

MANGO

The MANGO app provides differentiated features we didn't see elsewhere. Livestreaming is supported within the app itself, which is a big win for users. Further, there are gamified elements that consistently surprise and delight shoppers while also fueling the brand's personalized recommendation engine. The content and visuals are also of standout quality, a crucial factor in the ever-evolving trend fashion space. From collaborations to edits to themed posts, the app reads like a magazine with fun quizzes and activities. The swiping functionality throughout the shopping journey demonstrates just how meant for a smartphone it is. Considering the fashion-forward nature of the MANGO customer, the content really is perfectly curated for the target audience, serving as a source of inspiration and fashion advice.

CONTAINER STORE

Unsurprisingly, The Container Store app is highly organized and visually appealing. It's both soothing and inspiring to scroll through, and it's too easy to find everything you need. With opportunities to upload user-generated content to showcase DIY projects, and video tutorials for installations and organizing, this interface is both educational and engaging. The AR features, allowing users to design custom closet shelving or filling drawers with different-sized bins, are quite impressive. These tools not only save shoppers time they would otherwise spend in stores but also encourage users to move through tasks at their own pace at home. The app also offers ample opportunities for users to either quickly connect by phone with their local store in order to make consultative appointments or to fill out fast forms for scheduling. There is very, very little missing from this app.

While those three apps earned the titles of most innovative, a few other retailers showcased some creative app features. Among the rare functionalities we noticed were videos of models moving in the clothes, an alert as to how many people are currently viewing a product you're eyeing, VIP store events bookable in the app, and the opportunity to plug in notes to the retailer upon ordering for them to accommodate. Given that apps are inherently on consumers' phones, we would love to see more phone-intuitive innovation here.

WEBSITES

When we asked survey participants to differentiate between how they use their smartphones and laptops for shopping, it was very clear that laptops/tablets are reserved for mission-driven pursuits. The conduciveness to opening many tabs, and the required act of sitting down to do so, makes for a more intentional shopping journey when on a laptop or desktop.

Keeping consumers' shopping behaviors and preferences in mind, it was crucial that retailer websites easily lent themselves to being pulled up and contrasted against other retailer pages. Engaging edits and inspiration sections were great to see, but features such as product pop-outs with quick specs to avoid leaving the search results page, and the ability to adjust quantity and item configuration (this one is an extremely rare feature) from the cart also proved to be valuable differentiators. The goals of the website should be to facilitate research, support mission-driven shopping, and provide more than what a physical store or app could. Finally, very few websites offered virtual try-on, and while in most categories that is the correct move, some categories would greatly benefit from virtual try-on, as long as it works properly and creates efficiencies versus bottlenecks.

DYSON

Though Dyson products are sold at many retailers, including their own physical stores, the brand's website is an established destination motivating consumers to buy or stop by. The site is highly visually engaging, with clean graphics, snappy videos, and livestreaming events, yet it's careful to never be overwhelming. There are tutorials, FAQ sections, and a wide range of opportunities to connect with customer service, including WhatsApp and Alexa Voice Assistant. The site strategically integrates with the brand's app by plugging app-native content once you're the proud owner of a Dyson product, and the website brilliantly articulates why "buying Dyson direct" is the smart path to purchase. This is the helpful, fun, educational destination every website should aim to be.

ZENNI OPTICAL

This website goes above and beyond what almost any other website can do. The AR virtual try-on process is extremely easy, very accurate, and comes with both auditory instructions and visual prompts. The products are merchandised in several helpful ways, making it easy to shop, yet the whole experience is also aesthetically pleasing. The recommendations based on face shape are what many retailers should consider introducing, depending on the products they offer and which physical variable would most influence suggestions. There's tons of informative content to enable a researched journey in a category where there would likely be many questions for shoppers. The site used to host an option to "co-browse" with a sales associate – a genius feature that we believe other brands could be inspired to roll out in the future, whether with a shopper's friend or a sales associate!

NORDSTROM RACK

The Nordstrom Rack website is a prime example of how significant core features are in serving the consumer. Most of the journey is seamless, yet typical, but there are a few fun and functional aspects that differentiate the experience. The ratings and reviews are easy to read and highly involved, with many shoppers uploading pictures of their purchases. The “outfit ideas” styling roundups for each product encourage the shopper to envision different looks for an item, adding an element of inspiration. The Flash Events tab highlights brands hosting limited-time discounts – an innovative twist on the usual model. Considering the multitude of names housed under this retailer and the scavenger hunt-like experience in brick-and-mortar environments, the digital path to purchase is highly organized, providing a strategically orderly alternative to in-store shopping. . In this way, there’s a nice synergy between physical and virtual.

The overarching takeaway when evaluating the websites of omnichannel retailers is that having it all is a rare feat. Retailers often choose between fully embracing the creation of an aesthetically pleasing, exploratory website or opting for a bare-bones, functional platform. In an ideal scenario, the shopping experience indulges both desires, enabling consumers to leisurely browse or efficiently accomplish high-stakes missions.

CONCLUSION

Today's shopper is extremely intentional, self-aware, and committed to the mission. They're not finding major flaws in most retailers' paths to purchase. Yet, they can identify room for improvement, and they feel that technology can support those improvements. How consumers want that technology deployed, though, requires ample transparency and maximum efficiencies.

Are you interested in finding out more about how to deliver the ideal connected retail experience for your brand?

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