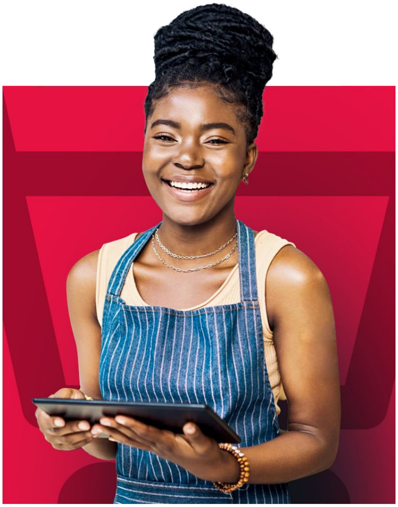
REPORT

CI&T

CONNECTED RETAIL 2023

Retailers face a new balancing act as intra-pandemic consumers expect consistent shopping across all channels.

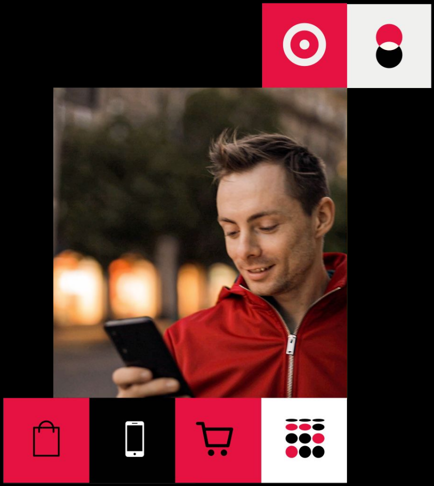


INTRO

Over the last couple years, retailers were forced to innovate around limited access to brick and mortar. Digital channels were prioritized, and omnichannel services were rolled out at record speeds to ensure shoppers could get what they needed without traversing sales floors in person.

With store restrictions lifted, and the ability to return to pre-pandemic browsing behaviors, **consumers are recalibrating their shopping routines**.

This new channel balancing act requires retailers to establish consistent experiences for shoppers regardless of the avenue. Thus, “Connected Retail” has evolved into across-the-board innovation so that consumers can channel-hop without disappointment.



CONSUMER METHODOLOGY

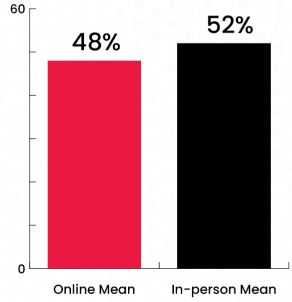
In October of 2022, we surveyed **545 US consumers** of all ages, races, and genders to capture their **purchase preferences and shifts in buying behaviors** over the last year. The survey uncovered key motivations along the path to purchase and helped inform an extensive **audit of 99 retailers’ omnichannel strategies**. Following are the key findings from the consumer insights survey and our top retailers to watch after our thorough Connected Retail audit.

ONLINE VS OFFLINE

This year, we kicked off our annual Connected Retail Consumer Insights Survey by asking respondents the frequency with which they shop online versus in-store. **In-person shopping averaged out at 52%, leaving online shopping with an average of 48%**. Not only are consumers shopping digital and physical channels at almost identical rates, but 86% of respondents report identical expectations for the shopping experience, whether online or offline. Though online and offline appear to be shopped at almost equal rates and with equal expectations, survey participants were more likely to consider online browsing as a primer to offline buying versus the other way around.

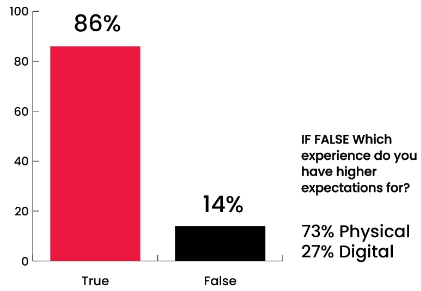
Webrooming was selected 12% more often than showrooming among the list of activities participants had done in the last three months. The fact that webrooming is more common than showrooming sustains digital as a space more associated with research than brick and mortar.

What percentage of your shopping is split between online and in-person shopping?



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

TRUE OR FALSE I Usually have the same expectations for the quality of the shopping experience, regardless of if it's a digital experience or an in-person experience.

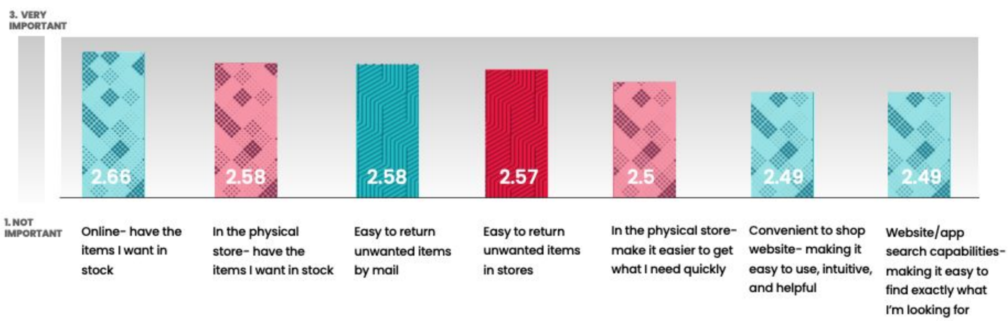


Source: *CI&T Connected Retail Consumer Survey. (Jan 2023)*

In addition to having essentially equal expectations for online and offline retail, the capabilities consumers want for each channel also run parallel.

Out of a lengthy list of capabilities for sites, apps, social media, and stores, respondents weighted the same “very important” offerings for both online and in-person retail. “Have the items I want in stock” for physical retail and digital retail were the most likely to be selected as ‘very important.’

How important do you think the following capabilities are in order for retailers to provide a better experience for shoppers?



2.45	Easy to receive or pick up an order in stores.
2.34	Having a loyalty program with good benefits.
2.27	In the physical store- make it more fun to shop.
2.18	Website design- engaging and entertaining to visit.
2.12	Useful and/or engaging app- giving me reasons to download it versus shopping online.
2.03	Making shopping on social media seamless.

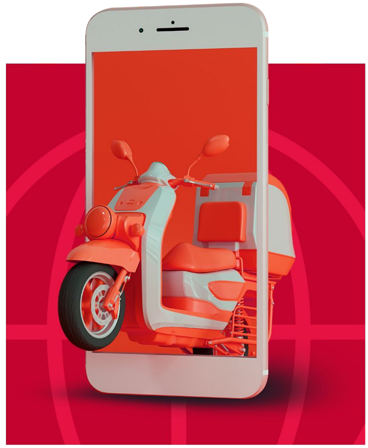
Source: *CI&T Connected Retail Consumer Survey. (Jan. 2023)*

The next most frequently chosen capabilities as ‘very important’ were “easy to return unwanted items” for brick and mortar and by mail.

The third most commonly chosen capabilities were “make it easier to get what I need quickly [in stores]” and “making it easier to find exactly what I’m looking for [via website/app search].”

All three of these highly tactical priorities were chosen as ‘very important’ at almost identical rates, demonstrating that instocks, returns, and efficient shopping journeys are the most valued aspects of the user experience and are equally impactful online and offline.

Consumers want **streamlined**, **stress-free retail** that indulges their mission-oriented mindset.



ALL EYES ON DELIVERY

Beyond determining which retail capabilities were most important, we also wanted to evaluate whether or not consumers felt an increased interest in specific services and channels over the last year.

We offered respondents a list of services and channels, including BOPIS, curbside pickup, delivery, apps, personalized online shopping, personalized in-store shopping, and shopping in physical stores.

Participants were asked to indicate whether each option was more important, less important, or the same level of importance to them compared to the last year. Surprisingly, delivery was the only selection deemed "more important" by most respondents.

In another question, respondents indicated they were almost 6x more likely to order an item online and have it delivered than pick it up via curbside or BOPIS. While it's crucial to note that the pandemic significantly grew onsite pickup use, our data shows that there's simply an unmatched appreciation for delivery.

SOCIAL MEDIA

After analyzing the results of the app-related questions, it makes sense that social media surfaced as a frequently-used tool for browsing. Given that app use was most likely to occur at-home, with a frequency of 50%, it was no surprise that 65% of respondents indicated using social media for browsing,with 43% of respondents using social media for buying.

However, influencers don't seem to be a gateway to social media purchases. Only 7% of survey participants said that in the last three months, they had seen something on an influencer's social media page and then bought it online (only 4% said they'd bought something in the last three months in stores after seeing it on an influencer's page).

So, how are consumers most likely browsing and buying when it comes to social media? According to our respondents, social media browsing occurs most often on Facebook Marketplace, followed by YouTube. Meanwhile, social media buying occurs most often on Facebook Marketplace, followed by Instagram. This data indicates plenty of room for influencers to grow their influence and for Instagram and YouTube to play catchup.

THE METAVERSE

Before inflation reared its head, "the metaverse" was the hottest topic on retailers' agendas. The urgency of brands' metaverse brainstorming made it seem like every consumer was ready to embrace this new world fully.

As a result, we felt compelled to test the consumer hype to determine how the metaverse should be prioritized in retailers' strategic plans. 81% of respondents told us they had not yet shopped in the metaverse, and 45% indicated that they could not see themselves ever shopping in it.

The data that most demonstrated a need to coax consumers into the metaverse correctly was 59% of respondents who said they clearly understood it. A follow-up question asked those respondents to define the metaverse. Only a tiny percentage were able to communicate what it is correctly.

For the metaverse to be the hallmark of the future connected retail experience, consumers must not only fully understand what it is but also find clear value in shopping there. Adjusting consumers' shopping behaviors at a channel level, as shown by the aforementioned "online-offline" section, is extremely challenging- it requires far more than buzzwords and headsets.

PERSONALIZATION

Consumers expect retailers to design personalized shopping experiences, but their interest in personalization isn't as high as it could be. For example, 85% of respondents indicated that they believe retailers are collecting data on them and will use it to improve their shopping experience. However, a much lower 59% said they were excited (as opposed to uncomfortable) by the idea of a retailer using their preferences and shopping history to personalize the shopping experience. Furthermore, participant reactions were even more mixed when we tested their penchant for personalization in stores versus online. For example, 56% chose "false" in response to the statement, "When I go into a physical store, I would like a sales associate there to know what I've been looking at on their website, app, or social media page."

Meanwhile, a slight majority chose "true" in response to the statement, "When shopping online, I would like my experience to show that the retailer knows what I've been browsing and buying in person at physical stores." Consumers are interested in digital retail experiences acknowledging their shopping history in person, but they don't want physical stores to have records of their activities online. This tension surfaces an almost double standard, wherein technology can behave like technology, but humans are not supposed to do the same.

Top 3 aspects consumers would like to see personalized on a retailer's app or website:

39% Product recommendations based on my search history

35% Size recommendations based on my previous purchases

25% Products I might need based on where I'm located

23% Product recommendations based on personal information such as my age, gender, race

18% Product recommendations based on who I'm shopping for if it isn't for myself

8% I would not be comfortable with any of these

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

To unpack what consumers want online personalization to look like, we offered a list of potential ways retailers could customize their digital experiences and asked respondents to select the ones that appealed to them. Showing the closest store based on my location, suggesting products I might like based on my previous purchases, and offering discounts on products I buy regularly were the top three most frequently selected options. These selections all highlight a desire for personalization to make for a more convenient and relevant shopping experience.

RETAILER METHODOLOGY

We started with a list of 99 retailers across multiple categories: specialty, big box, grocery, convenience, and department stores. We conducted a mini-heuristic evaluation of those 99 retailers, measuring them across 22 factors, including the Nielsen Norman Group's ten usability heuristics for UX design and the Baymard UX Benchmarks.

Retailers who received a 92% score or above were evaluated on every aspect of the end-to-end buying experience. Finally, the resulting 22 retailers were audited across seven categories (relationship-building, search, shop, cart, buy, fulfillment, and returns) for 86 data points. We discuss how the most innovative among those 22 are already pushing the envelope and how CI&T predicts they'll make even more waves in the future.

Petco's Connected Retail experience is designed for maximum convenience while leveraging the pet category's high-engagement nature. Digital and in-store channels are smoothly shoppable for those making quick repeat purchases for their pet's favorite products and those interested in discovering new items to add to their regimen.

Simultaneously, the retailer's app is significantly customizable, depending specifically on the pet for whom you're browsing. After downloading the app, there is the opportunity upfront to provide detailed information regarding the end user, ensuring a tailored, educational and enjoyable experience. The ability to sort items by same-day delivery and day-of onsite pickup is also helpful, considering this is often a space where running out of kibble creates an urgent need.

Now that consumers are returning to brick-and-mortar stores at near pre-pandemic levels, we expect to see Petco's digital channels further augment physical store shopping. For example, customers could use the app to book more than grooming appointments, like in-store treat-making classes or hosted mixers for owners of a particular type of pet. On the digital side, owners could join online Q&A sessions via the app or the site to get their concerns answered by an expert holding office hours for individual species or breeds.

Best Buy's shopping experiences across all channels are organized for efficient browsing. They're creatively designed for the way resourceful consumers shop in this space.

The ability to "build your bundle" by opting into smart suggested supplementary items and browse "open box" and outlet items within the same platform are just a few examples of how the shopper journey is designed to align with consumer behaviors. Tutorials for product setups and virtual interactions with sales associates for further installation questions prove that the retailer understands the importance of providing seamless customer service.

Overall, Best Buy's model has evolved with the times while retaining some of the conventional tactics that keep customers engaged. While consumers will still need to test and compare some of Best Buy's most expensive items in stores, looking forward, digital channels could be better facilitators of that in-store experience. In the future, we expect the virtual channels to encourage bookable brick-and-mortar visits where shoppers are able to test different items in private appointments.

We were not surprised to see Home Depot among our best practice brands again this year. The app and site are advanced, quickly navigating shoppers to the aisles and materials they need for home improvement.

From consultations to installation, Home Depot has a reputation for empowering its shoppers in a category where that feeling can be rare. However, Home Depot shoppers are usually on mission-oriented trips, and store associates are often tied up in time-consuming conversations with customers, causing delays in stores.

We believe the next wave of the app could better support in-person, store-based interactions with employees. If the app matched customers and their needs with free associates on the floor with the relevant areas of expertise, wait times for assistance could decrease, and conversations could be efficiently optimized.

Target continues to impress us year after year. They perpetually demonstrate that they fully understand their customers' shopping behaviors and needs. The ability to easily shop past orders, set up "My Usuals" in the app, and browse #TargetStyle on the website are stand-out features that exemplify how aware Target is of the fact that it is a retailer for both commoditized necessities and trendy, fun purchases.

Given how loyal consumers are to the brand, we anticipate social and/or content-based commerce to be the next big frontier for this cutting-edge retailer to conquer in a never-before-seen way. Whether that's via sponsored, shoppable streaming or building a TV-like channel into its app- we know Target fans would tune into a branded content platform.

Apple

Apple's brick-and-mortar and digital channels make shopping seamless and engaging. The retailer's instructional videos walking consumers through various product spec decisions on the website significantly differentiate Apple, and we'd love to see that content on the app. That's not to say that the app lacks visual appeal and interactivity. The app, understandably, is designed less like a shopping app and more like a game, which also maintains Apple's status as non-conforming in retail.

Apple's footprint is increasingly empowering to the customer, and we expect all channels to become so utilitarian in the future that they are as close to self-service as the category allows.

SEPHORA

Sephora consistently wins customers over with its loyalty program and premium in-store experience. The retailer repeatedly fosters a sense of community among patrons, and the app and website augment that sense of belonging. Pragmatically, there are productive ways consumers can filter their path to purchase, which is a testament to their signature efficient creativity for which the brand is known.

Now that pandemic restrictions have lifted, and consumers are increasingly interested in visiting brick-and-mortar, we would love to see store associates given the ability to support shoppers by making product recommendations within the app. Sephora is known for hiring talented, sociable staff, so leveraging technology to extend customer relationships feels like a winning next step.

Nike famously has a pristinely beautiful visual experience for shoppers across all channels. And with an intricate help section and chat function on its desktop and mobile sites, the retailer is dedicated to assisting shoppers. Being a Nike member has wide-ranging perks, from exclusive drop information to free shipping.

We commend the retailer for being so persuasive in building and retaining loyalty. Overall, Nike is unwaveringly one of our favorite retailers because of how the channels operate, like a social media account we'd love to follow. The "How others are wearing it" section below an item on a product page, showcasing user-generated content from customers who have posted pictures of the item, further sends the message that the retailers' channels are meant to function like social media. Considering that Nike was among the first to provide one-to-one customization, we hope to see more innovation at the personalized level for loyal customers when it comes to product development in shoes, sizing, and apparel.

Ulta has made aesthetic changes to its site and app since last year that make for easy, educated decision-making. Beauty is a category where product details matter greatly. The upgrades made to the retailer’s digital channels greatly facilitate the learning journey. The newer “Conscious Beauty” labels on items facilitate values-based shopping, and the comprehensive list-like product breakdowns brilliantly circumvent the need for hopping over to a third-party platform in search of key research to solidify the buy. We’re also big fans of the “SPARKED” section, where users can discover emerging brands disrupting the beauty space.

Since ULTA is so strong at bundling and suggesting items aligned to the shopper, we would be delighted to see a future that includes uploading a soon-to-be-worn outfit to the retailer’s app so that the brand could match color cosmetics to the upcoming look.

Simply put, IKEA's virtual channels and in-store experiences are fun. For those heavily involved in the decorating and furnishing decisions of the household, there are ample opportunities to experiment. Both brick-and-mortar and digital are designed to inspire. They are also effective for those who want a purely efficient purchase path. The IKEA Kreativ destination within the app, where shoppers can scan their own spaces and design them by dropping in IKEA furniture, is impressive. It's the type of innovation home retailers need to encourage customers to play.

Furthermore, this retailer has truly delved into how customers may want more from the brand, from the marketplace to bookable service appointments. Regarding what could be next, this is one retailer where more innovation could favor the logistical components of the shopping and post-purchase stages. For example, given how busy stores trend on weekends, location-specific data would be helpful to share digitally so that shoppers can most conveniently plan their visits.

Abercrombie & Fitch

Abercrombie's presence in our top rankings is a testament to the impressive comeback the retailer has made over the last couple of years. Both the app and site offer great suggestions for styling each piece, and the customer ratings empower shoppers to settle on the correct size. The ability to filter search results based on availability at a customer's local store and an option for same-day delivery is ultra-convenient. It crystallizes the message that this is the brand to shop for specific fashion moments.

The app's modern capabilities, such as incentivizing loyalty users with more reward points by adding to their profile and allowing payment via Venmo, demonstrate the ease baked into the design. Knowing that influencers and social media are such an important aspect of Abercrombie’s strategy, we’d love to see the tastemakers they leverage play more of a role on their site and app.

CONCLUSION

Every response to our Connected Retail Consumer Survey indicates a **desire for a customer experience that is convenient, efficient, and aligned with current shopping habits**.

Consumers are hopping between channels in the ways that work best for them. So, it's up to retailers to build services that best accommodate those preferences, while building the right bridges between channels to incentivize simultaneous use.

Brands will provide the right connected retail experiences by offering convenient delivery options and scheduling, smart suggestions and discounts, and ensuring that both apps and sites perform optimally on their own, while also facilitating in-store purchasing.

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

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