



The new world of **windows** shopping

How omnichannel retailing
changed retail therapy
during COVID-19

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You could have been an expert a year ago-and it wouldn't even matter. Everything's changed.

— Sarah Hofstetter, President at Profitero



Introduction

The COVID-19 pandemic has transformed the retail industry. The growing trend towards eCommerce and social commerce has been accelerated. Brand loyalty has been tested. A global recession has driven many consumers to focus on the essentials, seeking value and convenience over anything else. And social restrictions have seen physical shops transformed into fulfilment centres and dark stores. Indeed, it speaks to the breakneck pace of our times that only a year after publishing Remarkable Retail, Steve Dennis, strategic advisor and keynote speaker on retail innovation, was practically forced to release the second edition of his book—to keep up with the times.

Essentially, all departments across retail have felt the pressure to update and even establish the digital backbone of their business. In this report, we'll explore the new world of window shopping to better understand the quick evolution of consumer experiences during COVID-19.

In the first part of the report we will review interesting facts and figures from the onset of the pandemic (both global and UK-based). We'll consider the idea that modern window shopping is essentially windows shopping, in the plural, pointing to the critical importance of an omnichannel, or unified, strategy for retailers of any size.

In part two of our series, we turn our attention to some of the measures that leading retail companies have taken to close the gap between virtual and physical spaces. It's here that we outline how the key to customer loyalty is providing a consistent, effortless experience over a one-off "wow" moment—all with the aim of assisting departments across retail organisations in adapting to this new reality of windows shopping.



Section one

The evolution of retail therapy: eCommerce acceleration

How has online retail
evolved since the start
of 2020?

As the pandemic accelerated the digitisation of our lives, eCommerce has taken a great leap forward¹. Even though total retail sales in the UK fell by 2% between 2019 and 2020, with the clothing and retail sector being hit particularly hard (the growth rate declining by 25.8% in 2020²), online retailing values increased by 46.1%, which is the highest annual growth since 2008³. In January 2021, for example, online sales in the United Kingdom accounted for 35.2% of all retail⁴ (unsurprisingly, internet usage in the UK more than doubled over the past year⁵).

In terms of the kind of online shopping in which consumers are engaging, figures skew towards

entertainment. In 2020, Alexander Kunst surveyed over 2,000 UK consumers⁶ and found that 37% of respondents purchased most of their books, movies, music, and games online, with a similar percentage also stating that they bought the majority of their clothing and consumer electronics online.

Despite the general trend toward eCommerce—and despite research from Stanford indicating that the majority of shoppers assess a company’s credibility on website design alone⁷ and that 54% of impulse purchases happen online⁸—many UK retailers have been slow to adapt: some 30% of local businesses still did not have a website at the end of 2020.

A large, stylized green outline graphic of the number 54%.

of impulse purchases happen online

A large, stylized green outline graphic of the number 30%.

of local businesses still did not have a website

Section one

The rise of social commerce

The pandemic has also quickened the rise of social commerce activity, with over 40% of internet users researching products online via social media⁹. At a time when Instagram's user base rose to one billion¹⁰ and TikTok's penetration among social network users jumped from 17.3% to 31.1% year-on-year¹¹, more opportunities are opening up for social-savvy merchants (a report from eMarketer concluded that adult users across social networks in the US spent more time on social media per day in 2020 as compared to 2019¹²).



1 in 4 made a purchase directly via social media



1 in 3 planned to continue purchasing via social media

In September of 2020, Visa surveyed 2,000 UK consumers and found that 24% of them made purchases directly via social media¹³, while 36% planned to continue this kind of shopping in the future. Those surveyed attributed this new behaviour primarily to two factors: speed (26%) and convenience (35%). Interestingly, 13% of those surveyed made purchases after midnight, and 27% bought items online while watching TV¹⁴.



What led to purchasing via social media? Speed and convenience



With the trend toward eCommerce and social commerce having been accelerated by an estimated five years¹⁵, window shopping is now, more than ever, convenient and possible at all hours of the day. With this 24/7 automation for businesses, consumers are increasingly looking for ways to purchase at times that suit them, rather than relying on opening hours and transport.

Section one

Redefining brand discovery

Even before the pandemic, consumer discovery of new brands had been trending towards the online environment. As noted by a Think with Google¹⁷ report in 2018, 76% of US consumers who went online enjoyed making unexpected discoveries when shopping. Furthermore, 86% looked for shopping ideas and inspiration online, 75% agreed that they were always on the lookout for brands, and approximately 85% stated they would take action within 24 hours of discovering a brand. Nearly 60% of people claimed to have discovered their favourite brands while catching up on news feeds, watching videos, reading emails, browsing text or image-based search results, and surfing lifestyle apps. Only 43% of people said that they had discovered their favourite brands in-store.

Brand discovery - of people who go online:

86% looked for shopping ideas and inspiration



85% stated they would take action within 24 hours of discovering a brand



76% enjoyed making unexpected discoveries when shopping



75% agreed that they were always on the lookout for brands



More recently, in May of 2020, Criteo surveyed 13,000 global consumers and found that 39% had discovered one or more online stores at the height of the pandemic and that 85% intended to spend future money at an online store that was previously unknown to them¹⁸. Finally, it's estimated that half of all online sales start with someone searching for an item online¹⁷.

While this trend shouldn't come as a shock, the growth and adoption rate of digital channels among consumers in identifying new brands and retailers is occurring much more quickly than previously expected.

Ensuring your brand offers a seamless transition from discovery to purchase in the buying journey is essential, as there has never been more competition towards getting digital marketing and eCommerce efforts right.

Section one

A new roadmap to purchasing decisions

When it comes to consumer purchasing decisions, COVID-19 has seen a break from established routines and habits¹⁸. The recession has squeezed wallets across the globe, with necessity and thrift driving consumers, especially younger ones¹⁹, to seek out new brands and channels. Again, “convenience” and “value” have been operative words.

A survey from McKinsey from last December found that 75% of American consumers have engaged in novel shopping behaviours, with most intending to continue this new behaviour after the pandemic subsides²⁰. The survey also found that—despite increased optimism in the economy—ca. 40% of Americans remain sceptical that their finances will return to normal until the latter half of 2021 or later.

The same proportion stated that they are being more mindful of how they spend their money²⁰. In line with this trend, a report from GlobalWebIndex on how to reach millennials in 2021 found that 39% of consumers born in the ‘80s and ‘90s have cut back their spending on non-essentials because of the pandemic²¹. It’s not unreasonable to speculate that the recession has catalysed an increased interest in Buy Now Pay Later solutions (it was reported that Klarna tripled its valuation²² in March of 2021). All of this boils down to flexibility as far as payments are concerned—ensuring that you offer the payment methods preferred by your customers.



Section one

Reinventing high-street stores

Despite British high streets losing approximately 11,000 outlets in 2020²³ (9,877 chain outlets and 1,442 independent retail, restaurant, and leisure premises), physical stores are not going anywhere.

Some claim that brick-and-mortar stores will be places of old-fashioned values and that companies will opt for fewer stores, transforming some shops into dark stores or fulfilment centres.

Others suggest that physical retail will become something of a marketing expense; first and foremost providing the customer with an amazing experience²⁴. Whatever the case, retailers should be prepared for the future, whatever it may look like, by staying attuned to their customers' needs and wants.



There has never been a more important time for retailers to understand their customers and what they want. Based on our research, this growth in eCommerce is here to stay, and retailers need to understand the new balance between in-store and online. Merchants need to keep in mind and adapt their business to the segment of consumers who will not be returning to stores by maintaining a high level of customer service for shoppers buying via all channels.

-- SVP Retail at emerchantpay, Angus Burrell



In short, the pandemic, and the pandemic-induced recession, has led many consumers, especially younger ones²⁵, to focus on the essentials, first and foremost seeking out value and convenience.

Owing to limits and restrictions imposed on in-store shopping, consumers have been increasingly driven toward eCommerce and social commerce across devices, which implies inevitable changes to the future of brick-and-mortar stores and, in consequence—window shopping.

Section two

The new windows shopping: Omnichannel retailing

What does 'window shopping' mean, and what does it look like in 2021?

Window shopping, or browsing, fulfils two primary functions: information-gathering and pleasure¹. While research suggests that shoppers prefer the ability to see, touch, feel, and try out items, consumers have been settling, so to speak, for the online iteration of browsing since it became possible, with the pandemic having nudged consumers further in the latter direction.



In this regard, more and more people have fallen into the habit of purposely filling and abandoning online shopping carts. Last year, Jordan Elkind—who served as the VP of product marketing for Amperity—revealed that data from the start of the pandemic showed a 94.4% cart abandonment rate, compared to 85.1% during a comparable period in 2019². Evidence also suggests that people are increasingly using shopping carts as a form of storage, allowing them to save desired items and access them later on another device³.

According to research from Forrester, cart abandonment rates are costing retailers up to \$18 billion in lost revenue annually^{4,5}, with an average abandonment rate of ca. 70%⁶.

Whether in hopes of salvaging some of that lost eCommerce revenue, or creating a more pleasurable online shopping experience more generally, businesses within the diverse sub-industries of retail have increasingly tried to close the gap between physical stores and virtual screens—and between the different devices reposing in the palms of prospective buyers. Enter omnichannel retailing.

Notwithstanding recent criticism of the term⁷, there's no denying that omnichannel—or “unified commerce”—has quickly become a common strategy among agile retailers, even more so in light of the diverse preferences of today's modern consumer.

In a 2019 global survey by Tugba Sabanoglu at Statista⁸, nearly 50% of eCommerce decision-makers considered the omnichannel strategy very important. 31% considered it somewhat important. According to a 2020 report from Growth Intelligence, some 85,000 UK businesses launched online shops between February and June 2020, with businesses in fashion and apparel leading the way⁹.

Section two

Understanding omnichannel retailing



The goal of omnichannel retailing is to meet your customers on those channels where they are actually shopping and browsing—whether in physical stores, online stores, or on social media—and then to connect the dots between these channels to create a seamless experience.

In retail today, the phrase “consistency is key” has never been more apt. A consistently seamless and intuitive journey is expected by consumers locally, across borders, and regardless of the channel or window they are browsing.

“Essentially, the customer is the channel.”

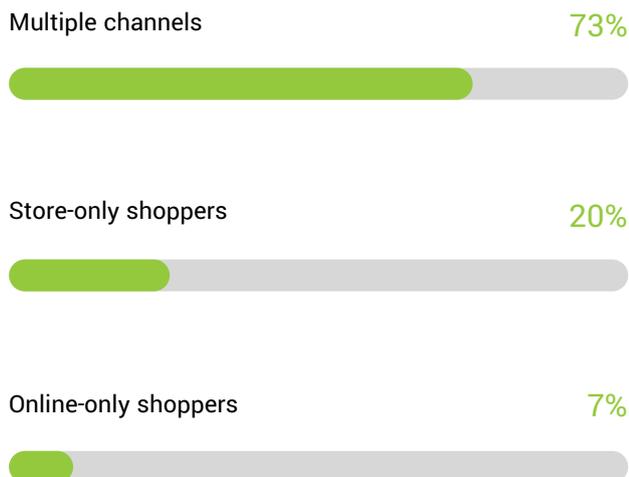
This new attitude speaks to the transformation of modern browsing. In reality, window shopping in 2021 should probably be referred to as windows shopping given that a retailer can no longer tend only to the glazed windows of their physical stores. They must now, more than ever, consider the view from the various devices through which their customers happen to be observing their wares. While also being mindful of the larger panorama.

Section two

Creating meaningful customer relationships

Businesses that adopt the omnichannel approach are certain to reap the rewards. In 2016, the Harvard Business Review—in collaboration with a major US retail company—studied the shopping behaviour of approximately 46,000 customers who made a purchase between June 2015 and August 2016¹⁰. Customers were asked detailed questions about their shopping journeys, with the aim of studying which channels they used and why.

Study: What kind of shopping journeys do customers take?



The results were clear: 7% of participants were online-only shoppers, 20% were store-only shoppers, while the vast majority of 73% used multiple channels. After controlling the shopping experience, the study revealed that omnichannel shoppers spent an average of 4% more during each in-store shopping visit and 10% more online as compared to single-channel customers.

This research is borne out by data during the pandemic. In 2020, Target's online sales crossed \$16 billion, driven mainly by in-store pickup and curbside. The company stated that omnichannel customers spent on average four times more than store-only buyers and 10 times more than digital-only customers¹¹.

Omnichannel customers spent on average four times more than store-only buyers and 10 times more than digital-only customers⁹.

Briefly put, omnichannel customers are more valuable. Brands must create these fluent experiences between devices and media and offer a quick and seamless, if not invisible, checkout experience.

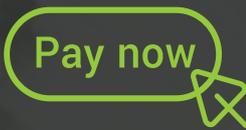
To ensure that you're providing an omnichannel experience and to decrease the likelihood of abandoned shopping carts, it may help to ask yourself the following questions¹²:



Can shoppers review past purchases on your website—whether made in-store, online, or on your mobile app?



Can customers reserve items online and try on in-store?



After an initial payment, can your customers make single click payments instead of entering their details again?



Do customers want abandoned cart item reminders in-app where card details are saved rather than their email or browser?



Do your customers want to subscribe to receive products from you each month?



Are cart abandonment rates higher in certain regions than others where payment methods may not be localised to customer preferences?



Do you provide a safe purchasing environment for your customers using 3DSecure and intelligent Fraud detection tools?



Can customers shop via one channel and return goods via another channel?

Section two

Windows shopping trailblazers

Implicit within both the unified and omnichannel approach is striking a balance between offline and online shopping. As retailers adjust to the growth of eCommerce, many have responded by opting for fewer stores or choosing to turn irrelevant physical space into fulfilment centres or dark stores.

While the transition to dark stores has most commonly occurred among grocery chains (last year, for example, Whole Foods, Kroger, and Giant Eagle, among others, all converted space into dark stores), the trend is also spreading to other industries. In 2020, Bed Bath & Beyond announced plans to convert 25% of its stores into regional fulfilment centres¹³ with Kendra Scott declaring a similar approach, as well. Furthermore, in a breakdown of micro-fulfilment centre (MFC) installations between 2020 and 2025, Senior Analyst at Interact Analysis, Ruben Scriven expects most MFC installations to be retail based¹⁴.

In light of all this, one interesting insight has emerged: given that research has shown that consumers prefer physical stores to online shopping, these consumers, having been nudged toward the online environment by the pandemic, are beginning to demand a more immersive online experience.

Shoppers increasingly expect brands to attempt to replicate, as faithfully as possible, the in-person shopping experience while simultaneously demanding a more intuitive shopping experience than before. The question remains, however, whether retailers are better served endeavouring to “wow” their customers or whether striving for an effortless experience is more effective?

For answers to these questions, join us in part two of our exploration of windows shopping, where we consider why many brands have opted to marry innovation to their omnichannel strategy; it's not only a matter of ensuring consistency between channels, but of striving to make these channels as enticing and evocative as possible.

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