The race for relevance
Total Retail 2016: United States

February 2016

pwc

Changes in customer behavior are among the foremost concerns cited by the majority of retail and consumer CEOs in PwC's *18th Annual Global CEO Survey.*[1] **They are racing to stay relevant in a world where mercurial shoppers are easily bored and yesterday's new invention is already obsolete today; a world where smartphones achieved the same level of market penetration in two years as television did in 13—with far-reaching implications for consumers and retailers alike.**

Our Total Retail survey this year confirmed the imperative to stay relevant in relatively uncharted territory such as mobile commerce and online social communities, as well as in traditional retail and consumer mainstays ranging from brand equity to the overall shopping experience. Our US survey data is part of an overall global survey of 23,000 online consumers, which allowed us to analyze how shopping behavior in the US compares globally and what trends to watch.

As expected, shoppers told us they want convenience at an affordable price. They want a trip to the store to be worth the effort, with trained employees to help sort through options—especially since they could just as easily stay home and shop online, or go to a movie or restaurant instead. They want to feel an emotional connection with their favorite brand because it stands for the values they believe in. And they want to be part of a larger online community where they share ideas and aspirations.

In the wake of the 2015 holiday shopping season, in which mobile commerce upended historic holiday shopping patterns, our survey respondents seemed almost prescient in what they told us in mid-2015. In this report, we analyze their responses—and overlay the findings with additional PwC analysis, supplemented by third-party research—to uncover how retailers can compete in the race for relevance.

Global trends set a high bar for US mobile commerce

The 2015 holiday shopping season underscored the growth of mobile commerce in the US. Mobile devices accounted for 37% of US online sales on Thanksgiving Day—up from 25% in 2014[2]—and surpassed the share of mobile sales on Black Friday (33%) and Cyber Monday (26%).

But online sales in the US experienced nowhere near the explosive growth in China, where shoppers have leapfrogged past the era of personal computers directly to mobile commerce.

On Singles' Day 2015—a celebration of singlehood that began on a Chinese college campus on November 11, 1993 but morphed into an online shopping event in 2009—mobile traffic accounted for the majority of online sales (68%), up from 43% in 2014.[3]

Amazon did report that almost 70% of its customers shopped on a mobile device during the 2015 holiday season—compared with nearly 60% in 2014—so mobile commerce is certainly gaining traction. In fact, it is expected to top

$100 billion in 2015, representing a third of total online transactions.[4] However, given the well-entrenched PC use for online shopping over many years, mobile commerce in the US lags behind many emerging markets.

By contrast, shoppers in Kenya, for example, have few choices other than M-Pesa, a widely used money-transfer service that allows users to deposit, withdraw, and transfer money via basic mobile phones—without requiring a bank account. In fact, most Kenyans don't have a bank account; 90% of adults use M-Pesa.[5]

China leads the way on mobile commerce.
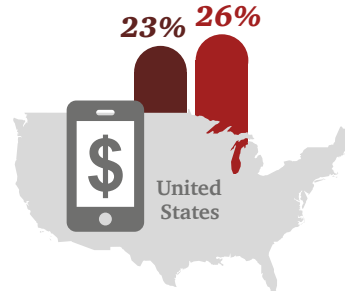
My mobile phone will become my main purchasing tool

23% 26%
United States

55% 59%
China
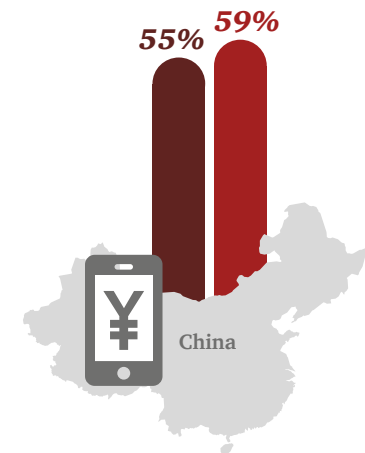
2014
2015

Q: Please indicate how strongly you agree or disagree with the following statement?
2015 Global base: 21,632; US base: 849; China base: 899
2014 Global base: 19,068; US base: 1,011; China base: 906
Source: PwC, *2016 Total Retail Survey*, February 2016

WeChat users more than *double* US population
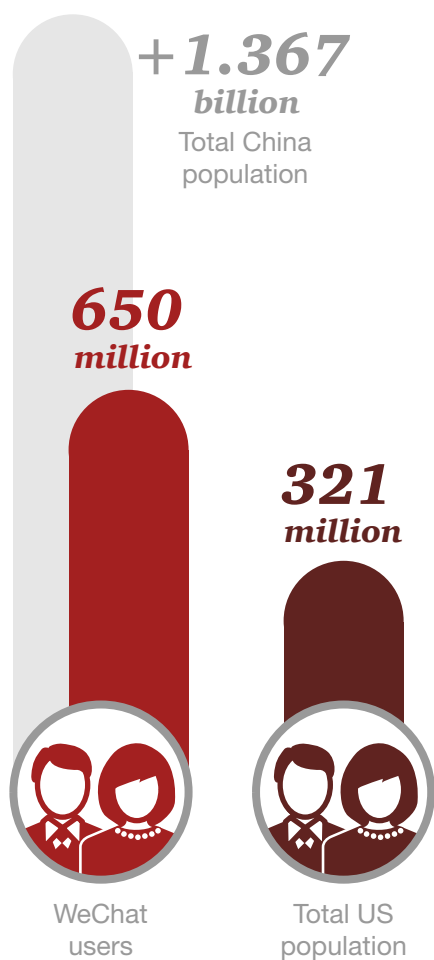
+*1.367*
billion
Total China
population

650
million

321
million

WeChat
users

Total US
population

For now, US shoppers prefer to use their smartphones on the purchase journey—to access coupons and promotional codes (34%), research products (30%), compare prices (30%), and access loyalty and reward programs (23%). In fact, 63% are happy to receive mobile offers or coupons and 31% are comfortable with geolocation tracking—slightly higher than global participants in both cases.

Nor do US shoppers have the most convenient mobile purchasing options available to them. In China, by contrast, the free mobile messaging app WeChat—which has 650 million users after less than five years in existence—offers a "buy" button. The buy button allows consumers to move seamlessly between chatting about a product and buying it—via the mobile wallet option—all within the app.

Reasons to stay

And WeChat—which acts like a mobile portal—is sticky, providing lots of reasons for consumers not to leave the app. In addition to chatting with friends and buying products, consumers can also use it to hail a cab, order dinner, buy movie tickets, play games, send money to friends, check in to a flight, access fitness tracker data, read the news, book a doctor's appointment, and more.

US shoppers don't yet have a mobile app that offers the variety of social, commercial, and interactive choices that WeChat does—although Facebook has begun working with small and midsize retailers to test a similar type of mobile portal. Facebook also plans to partner with governments and companies worldwide to build a network of 5 billion users—more than half the estimated global population—by 2030.[6]

Meanwhile, shoppers in the US worry about cybersecurity. The vast majority of US respondents in our Total Retail survey—almost 70%—told us they are concerned that their personal credit information could be breached during a smartphone purchase. This might well change as chip technology—sometimes known as EMV for Europay, Mastercard, and Visa, the companies that developed the standard—increases security and minimizes fraud.

While global shoppers have similar cybersecurity concerns, those in emerging markets are still willing to load credit to a mobile wallet, likely because they have fewer options. This is in contrast to the US, where shoppers have a variety of options other than mobile commerce to shop online and a higher level of concern for cybersecurity.
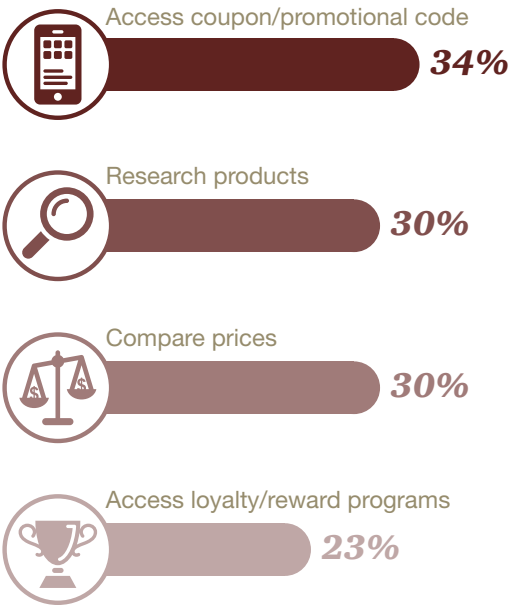
The combination of those factors might well account for the difference in shopping habits via mobile phone or smartphone revealed by our survey: 66% of Chinese shoppers, 59% of Indian shoppers, and 41% of Turkish shoppers make a mobile purchase at least monthly, compared with a scant 22% of American shoppers.

Looking ahead, only 26% of US shoppers say their mobile phones will become their main purchasing tool in the future while 59% of Chinese shoppers, 68% of Indian shoppers, and 36% of Turkish shoppers do. Not much of a surprise there, given the ubiquity of PCs with Internet access in the US.

However, more secure, convenient one-click options will go a long way toward encouraging US shoppers to adopt mobile commerce the way the Chinese and other emerging market shoppers have done.

The good news: PwC's 2015 *Global Digital IQ Survey* finds that retailers are already ahead of most other industries—except for the tech industry itself—when it comes to the adoption of emerging technology, so mobile commerce should be no different.[7]

US shoppers use *mobile devices* on their *purchase journey.*

Access coupon/promotional code
34%

Research products
30%

Compare prices
30%

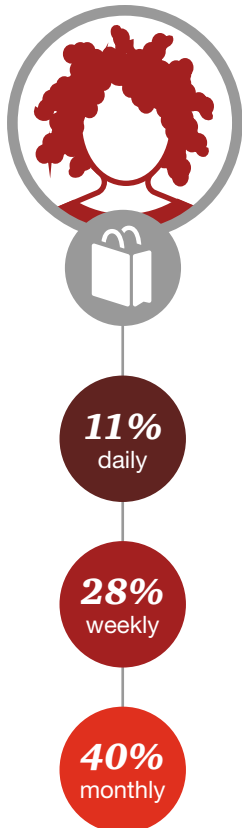Access loyalty/reward programs
23%

Q: Which of the following have you done using your mobile/smartphone while instore?
Base: 1,000
Source: PwC, *2016 Total Retail Survey*, February 2016

Millennials
use **mobile device** as ***shopping tool.***

Millennials' (18-34) online shopping frequency

11%
daily

28%
weekly

40%
monthly

Q: On average, how often do you buy products online?
Base: 336
Source: PwC, *2016 Total Retail Survey*, February 2016

The road ahead for mobile commerce*

Analysis of mobile payments in the US by PwC's Strategy& finds that the platforms may ultimately be controlled by technology companies, banks, retailer consortiums, or a combination of all three. Regardless, five critical elements have to be in place:

1. ***Merchant acceptance:*** Consumers are less likely to use an option that's not universally accepted. Visa and MasterCard are accepted at 99% of merchant locations while Apple Pay— the most ubiquitous—is currently accepted at less than 10%.

2. ***Interoperability:*** In its current version, Apple Pay does not support approximately 20% of the credit-issuing market; further expansion will be critical to widespread acceptance.

3. ***Security:*** Tokenization or end-to-end encryption can help secure transactions. Until then, security is among the reasons for reluctance from both retailers and consumers.

4. ***Platform integration:*** While various mobile innovations exist, they don't fit seamlessly together; some offer price comparisons while others offer geolocation-based product searches. Meanwhile, retailer apps from Starbucks and Walmart also offer mobile payment options. A uniform standard continues to prove elusive for now.

5. ***Marketing data integration:*** From browsing through purchase, shoppers now leave digital footprints that are easier than ever to track. Mobile platforms that leverage one-to-one marketing can calculate precise ROI data for segments of one.

For now, questions such as the following still remain unanswered:

- Who will track the data?
- Who will store the data?
- How will different institutions coordinate?
- What standards will be used?
- What emerging business models can monetize the new value creation?
- How much will it cost retailers and who will pay for it?

A complex and widespread web of institutional relationships must first exist before the full potential of mobile commerce can be realized.[8]

*Adapted from "Mobile Payments: The Delay of Instant Gratification," by Kevin Grieve, *strategy+business*, Autumn 2015.

Digital natives lead the mobile commerce charge

Born after 1980, digital natives grew up with technology at their fingertips, which makes them more fluent with all things digital.

No surprise then that millennials, aged 18-34, use their mobile devices as a shopping tool more than older shoppers. They also use smartphones more frequently than tablets, while some two-thirds of shoppers over 35 use neither.

In fact, some 40% of millennials buy products online monthly while close to 30% shop online weekly. Interestingly, however, about 16% of *young* millennials (18-24) buy products instore *every* day, more than any other age group.

Millennials interact more with *favorite brands* and are *less price-conscious* than older shoppers.

While all shoppers value price above all else, millennials are less price-conscious (59%) than older shoppers (73%). And they are more brand-loyal, interacting more with their favorite brands (46%) than older shoppers do (37%).

Generation Z (born after 1997) is even more brand-savvy. These young consumers' awareness of entertainment, computer, mobile, and gaming manufacturers, along with social media brands, is upwards of 80%, while their interest in particular hardware and entertainment products is as high as 40%.[9] They also prefer products (60%) to experiences (40%) and want to hear from brands via real people rather than celebrities on social media and e-mail.[10]

These young consumers are primed for the agile, content-driven model increasingly commonplace in digital media and marketing today—a model that can offer "double or triple the return on investment of traditional advertising after iterative test-and-learn to optimize targeting and content," according to Matt Egol, PwC US Principal.

Enviable returns

Says Egol, "One consumer packaged goods company partnered with a retailer to offer a digital promotion that drove a 10-to-1 return on its initial pilot test—which it then moved to rapidly scale up." Little wonder then that digital advertising in the US will reach $84 billion in 2019, outpacing television advertising at $81 billion, according to PwC's *Global Media and Entertainment Outlook*.[11] The evolution is well underway as digital display advertising drove 41% more traffic during the 2015 holiday season than 2014.[12]

Not as wary about having their data breached as shoppers over 35, millennials are also more likely to pay via smartphones than older shoppers—in addition to being more receptive to digital advertising. In fact, almost a quarter of millennials use their mobile devices for purchases versus 15% of shoppers aged 35-44 and less than 10% of shoppers over 44. They are also more comfortable storing payment and delivery information on their devices than older shoppers.

Millennials

46% — brand-loyal — 59% price-conscious

35+

37% — 73%
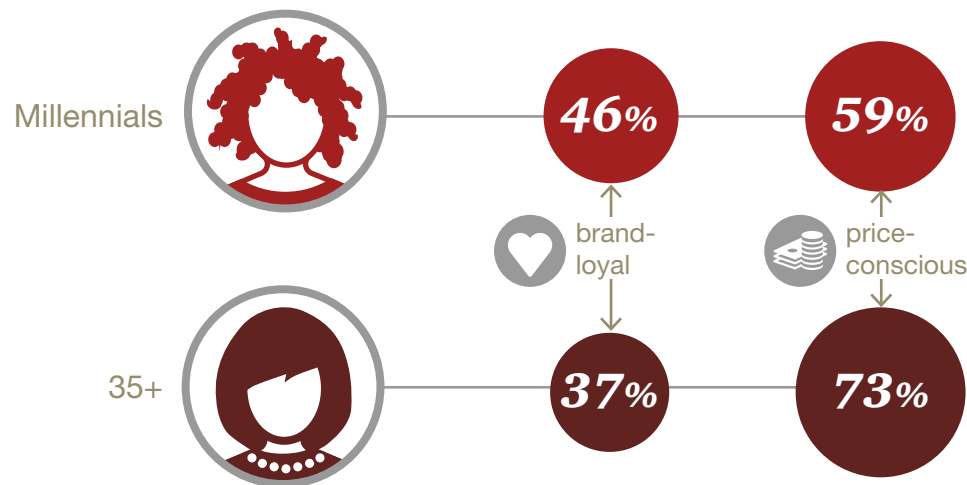
Q: Thinking of your favorite retailer, why do you shop here?
Base: 1,000
Source: PwC, *2016 Total Retail Survey*, February 2016

Millennials use their **mobile devices** while shopping instore to access **digital coupons**, **research** products, check **prices**, and **pay** for purchases.
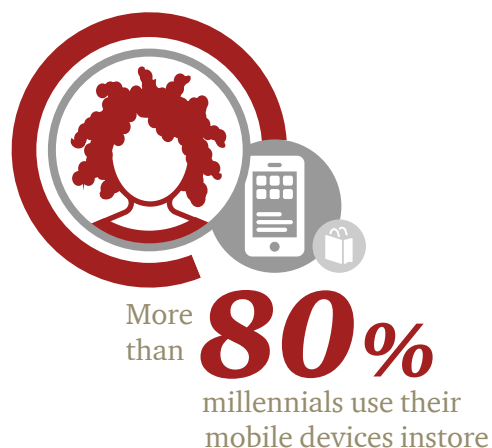
More than a third of millennials agree that their smartphones will become their main purchasing tool in the future. Already, more than 80% use their mobile devices while shopping instore—versus 55% of shoppers over 35—to access digital coupons, research products, check prices, and pay for purchases.

Recognizing this impending sea change in shopping habits, more than 80% of CEOs surveyed concede the importance of mobile technology for customer engagement.[13] Beacon technology, for example, allows retailers to target electronic discounts to a segment of one during instore shopping, based on that particular shopper's habits, behavior, preferences, and instore location.

Millennials, having grown up with online shopping, place a premium on free shipping over discount prices when deciding on a loyalty program—the reverse of shoppers over 35, who rank discounts first.

I want it now

As members of the "I want it now" generation, millennials are also more likely to pay for expedited shipping than older shoppers. They also rely more heavily on peer reviews online while shopping instore, which accounts for their ranking of ease of checkout higher than knowledgeable sales associates—again the reverse of shoppers over 35. And they overwhelmingly favor digital coupons over printed ones, more so than older shoppers.

Millennials are forging new paths not only in mobile commerce but also as a whole. Says Elizabeth Smith, CEO of Bloomin' Brands, Inc., "Customer tastes are rapidly changing, largely driven by millennials, who are going at a faster pace than Gen X and baby boomers. They're looking for customization, connectivity, and understanding. That puts an enormous responsibility on any customer brand to be nimble, agile, and able to change, while also developing consistency."[14]

More than **80**% millennials use their mobile devices instore

versus **55**% of shoppers over 35

Q: Which of the following have you done using your mobile/smartphone while in-store?
Base: 1,000
Source: PwC, *2016 Total Retail Survey*, February, 2016

How do online shoppers define value?

When asked to choose between price and convenience, American shoppers prefer convenience: 58% of our survey respondents say convenience is the main reason they shop online, with price a distant second (32%). While 47% of global shoppers also rank convenience #1, 43% ranked price a close second.

Convenience might well be why—for the first time—more consumers shopped online (103 million) than instore (102 million) on Black Friday 2015.[15] Overall, consumers spent $83 billion online during November and December 2015—12.7% more than they did in 2014.[16]

In fact, in keeping with how much value they place on convenience, shoppers in the US ranked innovative delivery options high on the list of the key attributes of their favorite retailers. Innovative delivery options run the gamut from crowdsourced last-mile delivery to free shipping and returns to click-and-collect options, which could refer to online orders with either curbside or instore pickup. In fact, click-and-collect accounted for a surge in 2015 online holiday sales the week before Christmas; for shoppers, it eliminated the anxiety of a gift not arriving in time.

Consumer packaged goods companies have an opportunity to *sell directly* to *customers.* A *replenish button* on a washer for example, can indicate when laundry detergent needs to be refilled.

Convenience has a different value proposition for each shopper. It also varies by the type of product being purchased; geographical access to low-price, big-box stores or lack thereof; and whether online and instore prices are comparable. "For retailers, that means having a "clear identity" on what you offer customers," says Steve Barr, PwC US Retail and Consumer Leader.

Clear identity

Best Buy, for example, now leads the fiercely competitive consumer electronics segment by engaging with customers online as well as instore and in their homes—for delivery, installation, and maintenance of appliances and electronics. This omnichannel approach to all aspects of the customer's life is a clear differentiator for Best Buy, according to Tom Johnson, PwC US Retail and Consumer Principal.

"Shoppers want to evaluate these technologies in person," he says, adding that when they do make a purchase, shoppers often sign up for installation and maintenance as well. Best Buy has expedited shipping times and has continued to invest in its digital capabilities—key factors that drove holiday performance in 2015. Best Buy's online holiday revenue (during November and December 2015) increased 13% year over year.[17]

Meanwhile, Target also has its own clear identity, providing customers with a seamless omnichannel experience that includes instore shopping, online sales, and click-and-collect options. In 2015, Target expanded its digital offerings; that same year, more than 50% of its shoppers used mobile devices for their purchases.

The retailer recorded a 30% increase in digital sales during Q2 2015. Target offers digital wish-list creation that it uses to deliver personalized recommendations and promotions—both remotely and instore—via micro-location technology. And almost 70% of consumers want instore recommendations from roving sales associates equipped with mobile devices.[18]

70%
of consumers want *instore recommendations.*

As consumers assess the importance of convenience, price, speed, and variety for their online purchases, they continually make tradeoffs based on their own priorities. They are often willing to pay for curation—such as a stylist who selects from a collection—when it comes to apparel, for example.

For larger, more expensive products such as a flat-screen television set, online shoppers are willing to wait two days for a trained staffer—rather than a crowdsourced shopper—to deliver the product, assemble it, provide basic operating instructions, and haul away the item it's replacing, thus minimizing damage and returns.

Making tradeoffs

They're also willing to pay for the service: PwC analysis of the tradeoffs that shoppers are willing to make among competing variables such as speed and cost found that, on average, consumers would be willing to pay between $62 and $108 for delivery of a $1,000 piece of furniture.[19]

For groceries, consumers value speed but aren't always willing to pay for it, whether by subscription (for those who plan ahead) or via premium delivery prices (for those who shop on the fly).

Recognizing this dichotomy between speed and convenience across various product categories, Amazon continually redefines the tradeoff between speed and variety: 230 million items delivered in 3-to-4 days; 20 million items with free two-day delivery; 500,000 items available the same day or following day; and 10,000 items available within 2 hours. Shoppers select the convenience they desire, be it speed or variety.[20]

Amazon has racked up an enormous lead in both usage and satisfaction—accounting for 50% of all online retail sales growth in the US, according to Macquarie Research, and dwarfing online sales for the next 10 biggest retailers combined during November and December 2015.[21]

Lifestyle-friendly experience

Meanwhile, Walmart is redoubling its focus on digital strategy by beefing up its internal tech team to fully integrate its online business with its more than 4,600 physical stores, while shuttering some 150 smaller formats in urban centers. The retailer has begun expanding curbside pickup in several major markets.

Customers can order online, fee-free. When they pull up at the Walmart store at a designated time, a store associate delivers their items curbside. With its physical footprint, Walmart can effectively use its stores as distribution centers for its more than 100 million US customers who shop instore every week, mostly in suburban locations.[22]

Online shoppers continually make *tradeoffs* between *convenience*, *price*, *speed*, and *variety*.

amazon.com marketplace
230 million
items delivered in three to four days

amazon.com prime
20 million
items with "free" two day delivery

amazon.com fresh
500,000
items same or next day

primenow
10,000
items in one to two hours

Source: PwC Strategy&, *Retail and Consumer Digital Research*, 2015.

Walmart continues to build its longterm omnichannel presence, allowing shoppers the freedom to select whatever seamless combination of digital and physical options they prefer.

By leasing space to a variety of tenants that run the gamut from portrait studio and nail salon to restaurant, bank, and health clinic, the retailer provides a convenient, lifestyle-friendly experience for its core customers—typically female shoppers with household incomes slightly more than $50,000.[23]

Work with *customers* to *redefine habits*.

"You can get everything done at once," says Byron Carlock, PwC US Real Estate Leader. "Get your health checked, get your banking done, and pick up supplies for your home. That's one of Walmart's competitive advantages." Along with lower costs underlying lower prices.

Conversely, disruptors such as Warby Parker, Tie Bar, and Bonobos that originated online, then established a physical presence, thrive by combining curated content online with boutiques in high-traffic urban centers. Some serve as showrooms where customers can select curated products to be shipped to their homes.

Be proactive

"You need to work with your customers to redefine habits," says Tim Laseter, PwC US Managing Director and a professor of practice at the University of Virginia's Darden School. He adds that rather than waiting to respond to competitors or customers, retailers and consumer packaged goods companies are well served by proactively working with their customers to determine an optimal last-mile delivery model that makes economic sense.

Laseter concedes it won't be easy, but if companies aren't willing to do it, they risk losing their customers. "If you're a consumer packaged goods company," says Laseter, "now is the right time to be thinking about this." "It's what Amazon is doing," he adds. "They're leading the way in creating these new habits and they're going to own that share of wallet."

Because despite the convergence of rapidly changing technology and quicksilver consumer tastes, the underlying drivers of retail success, particularly in last-mile delivery—convenience, price, speed, variety—still depend on the physical supply chain.[24]

Entice me in, then keep me interested so I'll stay

Now that shopping is as easy as a flick of the wrist while curled up on the couch with a device—mobile or otherwise—retailers have to work that much harder to get shoppers in the door and once they're in, to keep them there.

And boy, are they trying! From the fully stocked bar in the men's department at Nordstrom— complete with flat-screen TVs to watch sports— to a full-service restaurant at the Restoration Hardware (RH) gallery, retailers are vying with dining, theater, and other entertainment options to entice consumers to stay just a little bit longer.

Online capability

As RH gradually replaces various smaller mall locations with large design galleries in major markets, it continues to upend the original— sometimes humdrum—function of the store, which is to position inventory closer to the customer, according to Nick Hodson, PwC US Retail Strategy Leader.

Having already built an online capability, RH can instead hold inventory centrally, avoid costly markdowns, and dedicate its showrooms to providing an inviting experience—where customers can sip a glass of wine and stroll leisurely through fully designed rooms as though in their own homes.

"From an economic perspective, the really interesting thing about RH is that they don't actually have much in the store for sale," Hodson says. "Only a very few SKUs—some towels, some candles—are available in the store to take home."

Rather, shoppers place orders with readily available roving RH sales associates equipped with mobile devices and trained to answer design-related questions. Adds Hodson, "A traditional measure like sales per square foot completely fails to capture the economic purpose of these reimagined stores." Meanwhile, since the introduction of its design galleries RH's online revenue has increased 25%.[25]

Little wonder then that RH provides precisely what respondents in our survey said are the top two factors that enhance their instore shopping experience: ease of checkout (46%) and sales associates with deep product knowledge (41%).

Retailers are *competing* with restaurants, movie theaters, day spas, and more . . . to provide the *experience* shoppers seek.
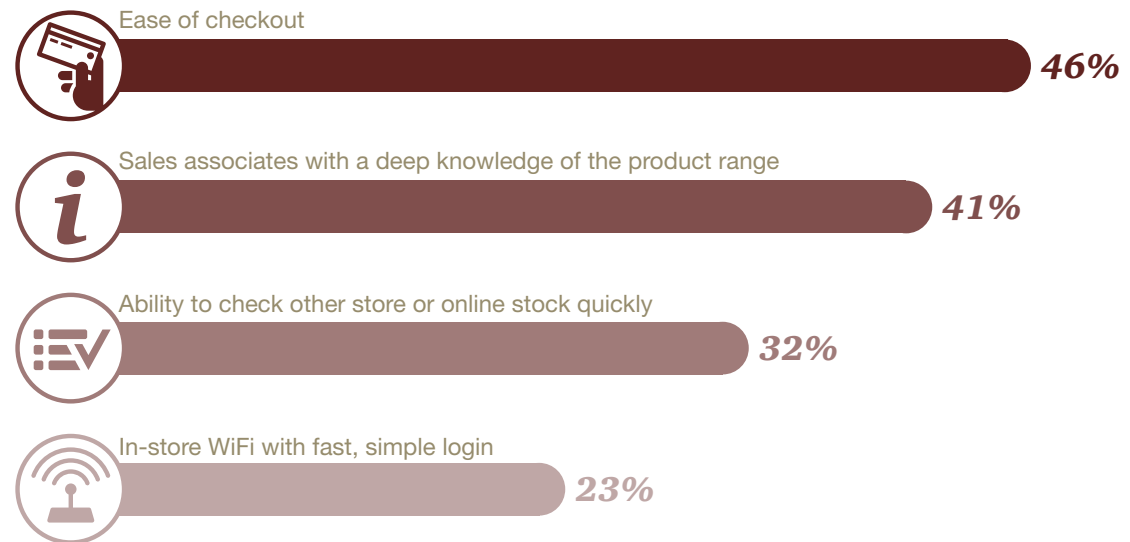
The human touch

Consumers are responding positively to this kind of immersive retail experience that invites them to luxuriate for as long as they like. Our survey respondents rated their most innovative retailers slightly higher on person-to-person instore experience than on instore technology.

While consumers do want fast, simple login for instore WiFi and the ability to check other stores or online stock quickly, those technology-related requirements rank lower than human interaction with knowledgeable associates for product queries and checkout. In response, retailers are coming full circle after the growth in big-box stores minimized the role of sales associates over the last several decades, according to Ron Kinghorn, PwC US Retail & Consumer Advisory Leader.

Says Kinghorn, "Big box used a more direct-to-consumer approach, with fewer sales associates and more inventory that customers could browse on their own. But that's changing now because consumers are seeking more information both before and during the purchase journey."

"The quality of the staff has always mattered in retail," says John Sviokla, who leads Global Thought Leadership at PwC, "even more so now as retailers try to differentiate their instore offerings. Especially with an enormous product selection and fast-changing technology, having a human being available to explain the various options makes all the difference."

Consumers want an *experience* that makes coming to the store *worthwhile*; otherwise they can stay home and *shop online*.

Ease of checkout
46%

Sales associates with a deep knowledge of the product range
41%

Ability to check other store or online stock quickly
32%

In-store WiFi with fast, simple login
23%

Q: Which of the following would make your in-store shopping experience better?
Base: 1,000
Source: PwC, *2016 Total Retail Survey*, February, 2016

Brand trust requires continual attention

With new entrants popping up at a moment's notice and eclipsing established brands by appealing directly to consumers, brand trust is ever more in need of constant nurturing. Our Total Retail survey found that brand trust is among the top three reasons consumers shop at their favorite retailers. Millennials are even more committed to brand leaders than older shoppers. (For more on millennials, see page 7).

*"It is about creating that **brand experience** so that it **resonates** with the **consumer."***

—Chip Bergh, President and CEO, Levi Strauss & Co.[26]

While brand trust might seem ephemeral and difficult to quantify, the data prove otherwise. PwC analysis of 6,700 brands found that over the past 15 years, brands considered leaders by consumers have grown in value at nearly five times the rate of the average S&P 500 company. Meanwhile, only seven of the top 20 brand leaders from 1999 remain on that list today.[27]

Charting the evolution of consumer preferences can explain why. In 1999, shoppers viewed brand leaders as companies that were progressive, dynamic, energetic, and innovative.

Today, they look for brand leaders to be trustworthy, authentic, reliable, and visionary. And they are confident of their own role as influencers: 65% of consumers in our brand survey said they believe they, along with their friends, can change corporate behavior by supporting companies that do what's right.

Conversely, consumers also speak up when they *don't* support a company—they are far more likely to spread the word when they are dissatisfied with a company than when they are satisfied.[28] In fact, 92% of shoppers will report a poor experience to their personal network.[29]

Emotional connection

In keeping with the desire to identify with a company's values and forge an emotional connection, 40% of our survey respondents said boosting local employment would be the top reason to shop locally, followed by the desire to buy locally produced items. And when asked if they are less likely to do business with an online retailer given the plethora of domestic options, 40% of our survey respondents agreed, compared with 16% of global respondents.

Consumers want leading brands to be transparent about process, labor, ingredients, and materials; protect consumer privacy; and treat employees well. In response, companies such as Kellogg, Kraft, Campbell Soup, and General Mills take firm stands on social issues by offering healthier options and going water-neutral (replenishing 100% of the water they use via community projects).[30] Costco, Starbucks, and Walmart pay workers above minimum wage—a trend that consumers have said heavily influences their buying decisions.

Stand for something

PwC's brand analysis report revealed that consumers want to shop at companies that bring truly innovative products to market, take on challenges that set them apart from competitors, and anticipate consumer needs.

In response to double-digit growth in consumer demand for organic products, Kroger created an organic product line that recorded $1 billion in annual revenue less than two years after launch. Loyalty to Kroger's organic brand is indisputable. Kroger fosters that loyalty via robust consumer analytics that uncover trends in consumer behavior, allowing the retailer to adjust its offerings and tailor its digital promotions to individual shoppers.[31]

Consumers define **brand leaders** as
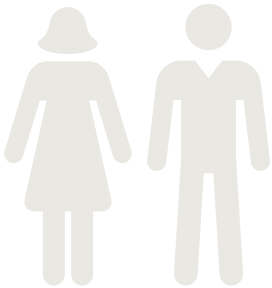
trustworthy

authentic

reliable

visionary.

Over the past **15 years**, leading brands have **grown in value** at nearly **5 times** the rate of the average S&P 500 company.

Illustrative retail and consumer brands in the top 10% of all US brands:

Amazon	Crayola	Kraft	Subway
Bed Bath & Beyond	Cuisinart	Levi's	Under Armour
Bose	Hallmark	Lowes	Walmart
Clorox	Hershey's	NIKE	Whirlpool
Coca-Cola	Home Depot	PepsiCo	
Colgate-Palmolive	Johnson & Johnson	Rubbermaid	
Craftsman	Keurig	Starbucks	

Source: PwC, *Consumer Intelligence Series: Bonfire of the Brands*, 2015

Kroger has also introduced home delivery and click-and-collect shopping. Strategic acquisitions have amplified Kroger's technology capabilities; Kroger is now ideally poised to thrive in the online grocery space.[32]

Consumer needs are at the core of Under Armour's lifestyle wellness brand—with connected fitness devices (from fitness trackers to heart-rate monitors), a connected scale, and footwear that tracks distance and pace. Consumers can monitor overall health by tracking activity, nutrition, and sleep patterns via a mobile app that records and tracks all wellness data.

*"Consumers told us **stories** about how our **brands** really matter to them."*
     —Denise Morrison, President and CEO, Campbell Soup Company[33]

Campbell Soup, meanwhile, embedded itself with consumers to better understand them. Says Denise Morrison, President and CEO, in an interview with PwC, "The baby boomers grew up with Campbell's, but their children shop differently, eat differently, connect differently, and socialize differently. So we sent out a team of people who lived with them, cooked with them, ate with them, went to pop-up bars with them—and had so much fun, it was hard to get them to come back to work.

That immersion has influenced the food products we're making and the innovation in our pipeline."[34]

Winning customer trust

Fewer than half the 200,000 consumers surveyed for PwC's brand analysis report believe retail and consumer brands show strong leadership—an attribute the majority of them believe will matter even more over the coming decade as global brands continue to proliferate.[35]

Trust in a brand leader plays a significant role online. "At the heart of the matter, digital commerce is about customer trust," says Andrea Fishman, PwC US Principal. "What Amazon did over the years was instill a level of trust. You're comfortable with what you're buying because you know that if you're unhappy with it, the return process is very easy. Same with Zappos and Warby Parker."

Fishman said Amazon set a high bar with its simple shipping policy, robust review system, and product transparency, adding that all these factors lead to a high level of trust in the Amazon brand.

Social commerce: The power of community

The promise of social commerce hinges on its ability to bridge vibrant online communities with seamless purchasing capability, a promise not yet fully realized since "buy" buttons are still fairly new and uptake remains low—often in the single digits—for now. This is made even more complicated since each site has a slightly different version of the buy button and the ensuing purchasing process.

But it's only a matter of time—from sharing ideas on social media to buying products related to those ideas. Take Pinterest users for example: 93% of Pinterest visitors are seeking ideas for what to buy and 87% bought a product after visiting the site.[36]

If a one-click option were available, consumers would be far more likely to use it. For now, fewer than half of all digital retailers offer a buy button on their social media sites.[37] Yet, traffic and referrals from social channels are growing faster than all other online channels.[38]

In other words, consumers have an appetite for social commerce. More than two-thirds of US respondents in our survey said social media influences their online shopping behavior, slightly lower than global shoppers. Their foremost social media activity is scanning reviews and feedback (40%), followed by browsing promotional offerings (37%), and checking digital ads (26%).

Holy grail: user-generated content

User-generated content shared by consumers is the enviable holy grail of social communities, which all retailers aspire to. Sharing user-generated content online fosters strong customer relationships and builds trust—characteristics that can be elusive in today's noisy online environment. In fact, user-generated content is among the most trusted forms of advertising, according to the *Global Trust in Advertising Report* from Nielsen.[39]

Sharing online user-generated content *offline* is a novel idea in some retail circles. Seeking to bridge online and offline shopping behavior, some retailers flag items popular on Pinterest in their retail locations, reinforcing the influence of social communities.

Fulfilling aspirations

When companies go beyond selling products to providing services and fulfilling customer aspirations—based in part on the vast trove of customer data that social media yields—they are acknowledging the ultimate power of social communities to serve as online gathering places for consumers who share common interests and lifestyles.

Take, for example, NIKE's online fitness community—complete with curated playlists to match a runner's pace and master trainers to provide fitness advice—that has generated more than 21 million downloads. Participants create and share content in various categories on Facebook, Instagram, Twitter, Pinterest, and Vine.

More than **2/3** of US consumers say *social media* influences their *online shopping* behavior.

40%
Reading reviews, comments, feedback

37%
Receiving promotional offerings

26%
Viewing advertisements

Q: Which of the following aspects of social media influence your online shopping behavior?
Base: 1,000
Source: PwC, *2016 Total Retail Survey*, February, 2016

And NIKE fosters the sense of community with its NIKE Run Club, which draws more than 20,000 runners in North America every month; apps and fitness trackers with online support; and customer-support hashtags that trigger prompt responses to queries.[40,41] NIKE leverages all its online channels to drive digital growth, setting an ambitious target of $7 billion in digital sales by 2020, from $1 billion today.[42]

The power of NIKE's online community reinforces the role of social media in digital growth. "It's not optional anymore, and retailers understand that," says Scott Bauer, PwC US Retail and Consumer Principal. He adds that the key to leveraging social media is understanding online customer behavior. "It puts a new burden on retailers."

Many companies are blanketing social media with a one-size-fits-all approach that doesn't take into consideration how their particular customers interact on various external social communities. "Pick the right channels for your business, then double down on them," says PwC's Fishman, who guides brands through transformative digital experiences, optimizing interactions across channels and media.

Measuring social media effectiveness

The question of metrics looms large when it comes to social media. According to a 2015 social media trends report, almost 90% of companies asked how best they could measure returns on their social media investment. And only 42% said they actually do measure returns. Other issues of concern include what tactics work best and how best to engage with customers.[43]

While widely accepted metrics continue to evolve, companies that use social media effectively agree on standards around the following activities as a starting point:

- Are consumers engaging with our content? Are they sharing it? Commenting on it? Adding to it?
- Are the overall comments positive?
- Are new users signing up for newsletters? Downloading coupons?
- Are shoppers searching for our products after engaging with our social content? Buying them?
- What's the cost of acquiring new users on social media?
- Is our presence on social media growing? By how much?

They ask the right questions, identify the right sources of data to target, and apply the right analytics to turn the data into insights.[48] Ultimately, the business objectives take precedence. Says Chris Curtin, Chief Digital Officer at Visa, in an interview with PwC's Strategy&, "Never make the means the end. A million followers on Twitter is just a means. The end is the business goal."[44]

In the race for relevance, retailers have the enormous responsibility of improving everything they've always done before while concurrently adding new features that shoppers demand in their quest for the value they seek. And which each shopper defines differently, based on individual preferences that run the gamut from price sensitivity to aspirational fulfillment.

How then to fulfill this vast plethora of demands? By having a clear vision on what you offer and delivering on that vision with an unwavering focus on the customer. Shoppers have told us very clearly what they're looking for and why.

Now, it's up to retailers to deliver, whether it be a one-of-a-kind instore experience, a brand that shoppers can identify with, a secure mobile commerce option, an online community where they share ideas—or a combination of all the above.

Ultimately, the retailers who look for better ways to respond to customer needs—sometimes even before customers are themselves aware of those needs—are most likely to win the race for relevance.

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