



WALKER SANDS

Future of Retail 2017

The Connected Consumer and the Changing Face of Commerce

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Executive Summary

Over the past five years, the annual Walker Sands Future of Retail study has focused on how new developments and technology in e-commerce have changed retail and the consumer shopping experience. As technology now penetrates nearly every aspect of our lives, the industry is shifting in major ways.

The consumer is changing again, and the future of retail is now about much more than just online shopping. Technology like connected home devices, virtual reality, streaming television services, voice ordering and drones have made digital shopping easier and more integrated into everyday life.

Still, consumers are longing for the deeper brand experiences they have traditionally only been able to get in store. This is especially true among younger shoppers, who are digital natives but seem to be rejecting the impersonal e-commerce experience.

So where is commerce headed in the age of the connected consumer? What do brands, retailers and manufacturers need to know about their shifting audiences? The Future of Retail 2017 study, based on a survey of more than 1,600 consumers, outlines key insights about the connected consumer and how technology is expected to further shift buying preferences in the years ahead.



Key Findings

The Connected Consumer



Smartphone penetration has reached 78 percent of U.S. consumers, and more than half own a tablet (55 percent). Emerging device ownership includes wearable fitness trackers (18 percent), smartwatches (13 percent), virtual reality headsets (9 percent) and personal drones (7 percent).



More than a quarter of consumers (27 percent) own some kind of in-home smart device, including smart appliances (16 percent), thermostats (14 percent) and lights (13 percent).



More consumers now pay for at least one digital TV service (68 percent) than a traditional cable subscription (52 percent). Almost a third (32 percent) own a streaming device like Roku or Apple TV.



Nearly a quarter of consumers (24 percent) own a voice-controlled device like Amazon Echo (16 percent) or Google Home (6 percent). Another 20 percent plan to purchase one in the next year.

Connected Commerce



Nearly half of consumers (46 percent) now prefer to shop online instead of in-store, including mobile and voice commerce.



Almost a third of consumers (29 percent) shop online at least weekly, a number that jumps to 37 percent for Millennials. Only 4 percent of consumers don't shop online at all.



The majority of consumers (65 percent) have mobile shopping apps on their phones, and two-thirds have made a purchase through a mobile app (66 percent).



More than one in four consumers (29 percent) report that they always or often shop via mobile app, and 38 percent regularly shop on mobile websites.



One in five consumers (19 percent) have made a voice purchase through Amazon Echo or another digital home assistant, and another third (33 percent) plan to do so in the next year.





The Changing Customer Experience



The vast majority of consumers (84 percent) have made a purchase on Amazon in the past year, but they're also actively using Amazon services, including Amazon Prime (55 percent), Amazon Pantry (14 percent), AmazonFresh (10 percent) and Amazon Dash buttons (5 percent).



Free shipping (80 percent) and fast shipping (54 percent) are still the top incentives for consumers to purchase more online. In the past year, 13 percent of consumers have ordered something for same-day delivery, up from 9 percent in 2016.



Despite the fact that 54 percent of consumers still prefer to shop in store, more than three-quarters of shoppers (77 percent) think **the online customer experience will eventually surpass the brick-and-mortar customer experience.**



In-store shopping seems to be making a comeback among younger shoppers: Among 18- to 25-year-old consumers, 58 percent prefer to shop in a physical store, compared to less than half (46%) of 26- to 45-year-old shoppers.



In addition to discounts, consumers say **unique experiences will cause them to shop more in physical stores**, including food and beverage offerings (30 percent), a more personalized experience (18 percent), live product demonstrations (18 percent) and entertainment (17 percent). Technology like smart dressing rooms (15 percent), virtual reality experiences (13 percent) and a better mobile experience (12 percent) are less of a draw.



The Connected Consumer: Not Just Smartphones Anymore

In the decade since the launch of the first iPhone in June 2007, the number of devices owned by the average consumer has exploded. From ever-more powerful smartphones to smart homes, voice-controlled personal assistants, drones and streaming TV sticks, connected devices now touch almost every aspect of our lives.

In his farewell column in May 2017, famed technology journalist Walt Mossberg called this trend “ambient computing – the transformation of the environment all around us with intelligence and capabilities that don’t seem to be there at all.” He predicted that our devices will eventually fade into the background or disappear altogether, responding to our voices and presence – or even our thoughts – and simply become a routine part of life.¹

While that future isn’t quite here yet, it doesn’t feel that far off, as consumers become more connected than ever. Almost everything, from last night’s episode of a favorite TV show to pet food to taxis, is now available at the click of a button or a quick voice command.

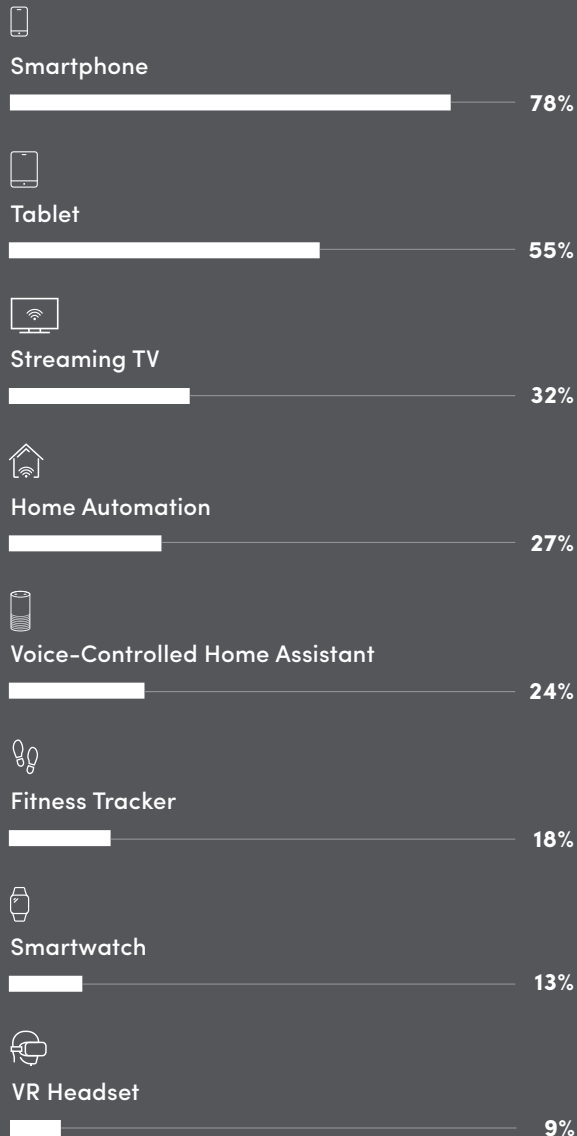
Consumers are no longer willing to wait for what they need, and devices continue to be linked to personal data to predict what

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Consumers are no longer willing to wait for what they need, and devices continue to be linked to personal data to predict what they’ll need next.

¹ <https://www.recode.net/2017/5/25/15689094/mossberg-final-column>

Consumer Device Ownership



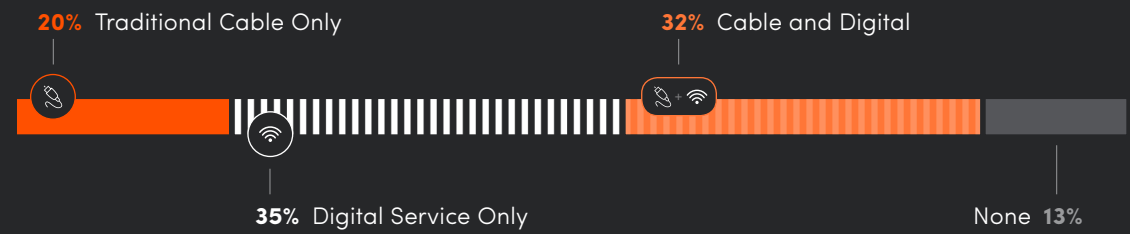
they'll need next. They are constantly in touch with other people via social networks and chat, and they increasingly engage with brands through more channels and personalized experiences. The connected consumer is changing the world of products and services from a once-in-a-while interaction to a constant connection.

This year's Future of Retail findings on device ownership bear this out. More than 90 percent of consumers now own at least one connected device, excluding computers and laptops; however, those gadgets aren't limited to smartphones anymore. While smartphone penetration has reached

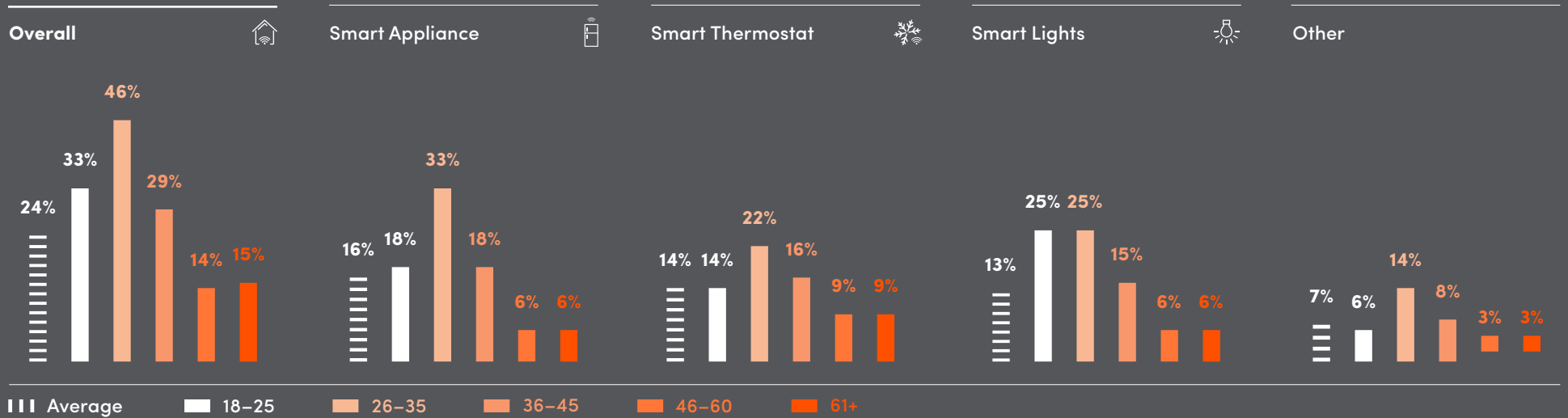
78 percent of U.S. consumers, device ownership is proliferating as new technology goes mainstream.

Among connected devices, almost a third of consumers (32 percent) own a streaming television stick like a Roku or Apple TV, which has shifted viewing habits significantly. More consumers now pay for at least one digital TV service (68 percent) than traditional cable (52 percent), giving brands new ways to reach niche audiences. Just 20 percent of consumers watch TV only through a traditional cable subscription, while more than a third have gone digital-only and a third have both.

Paid TV Subscriptions

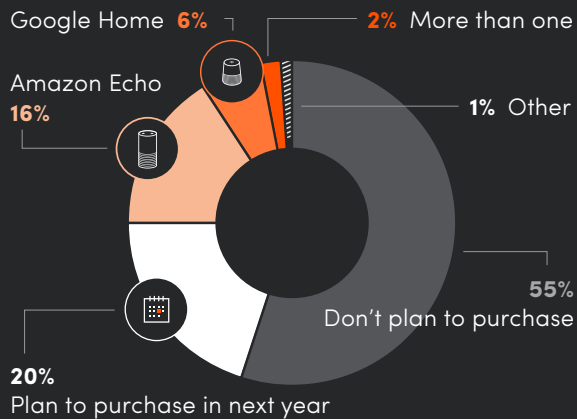


Smart Home Device Ownership By Age



Source: Walker Sands Future of Retail 2017

Do you own a voice-controlled digital home assistant?



Source: Walker Sands Future of Retail 2017

With 51 percent market penetration, Netflix alone is on the verge of passing cable, followed by Amazon Prime TV (31 percent), Hulu Plus (21 percent), online streaming services like Sling TV (13 percent) and unbundled apps like HBO Now (12 percent).

Home automation adoption isn't too far behind streaming devices, with 27 percent of consumers owning at least one kind of smart device such as smart appliance (16 percent), thermostat (14 percent) or lights (13 percent). The number is even higher for consumers in the 26-35 age

range, suggesting the maturing Internet of Things (IoT) category will have a major impact on sales within this market group.

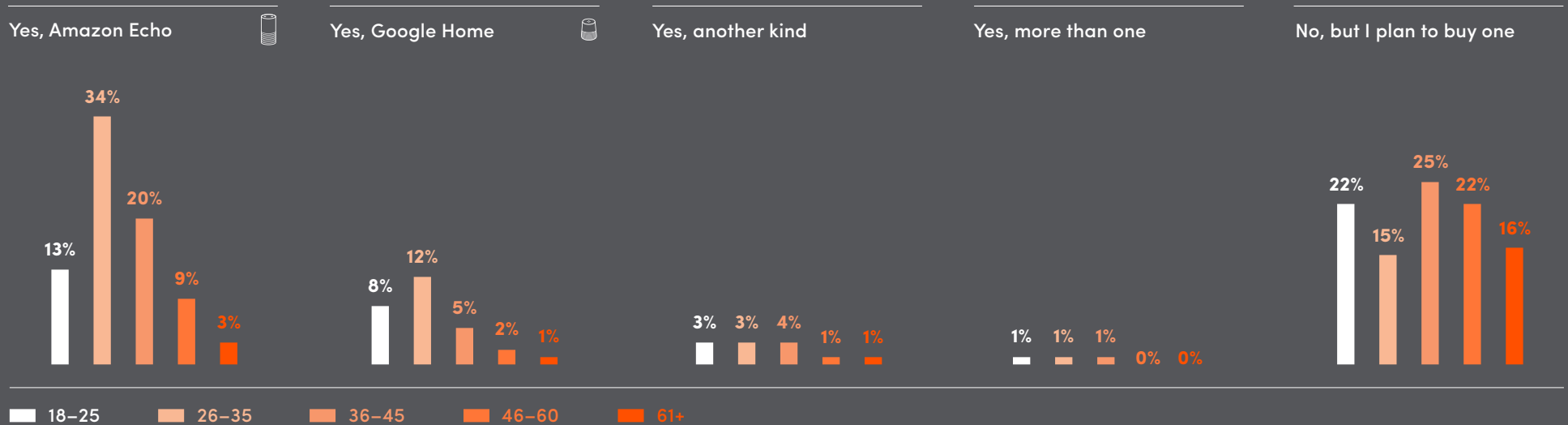
Voice-controlled personal assistants have also been quickly adopted by a quarter of consumers, led by Amazon Echo (16 percent) and Google Home (6 percent), with another 20 percent of consumers planning to purchase one in the next year. These always-on devices bring us much closer to ambient computing and could forever change the way retailers interact with customers.



Finally, there's a whole other set of emerging technology that promises to further connect our lives at all times, such as wearable fitness trackers (18 percent), smartwatches (13 percent) and virtual reality headsets (9 percent). These wearable devices hold the potential to permanently connect our bodies and even our perspectives to the digital world, extending ambient computing into the way we experience life at every moment of the day.

We're entering the age of the connected consumer, where technology influences nearly everything we do, often in invisible ways. For retailers, that means the future of retail is no longer just about e-commerce. In the years ahead, shopping behavior will be influenced heavily by this always-on existence, and consumer expectations will be shaped by the devices that rule our lives.

Do you currently own a voice-controlled device? By Age

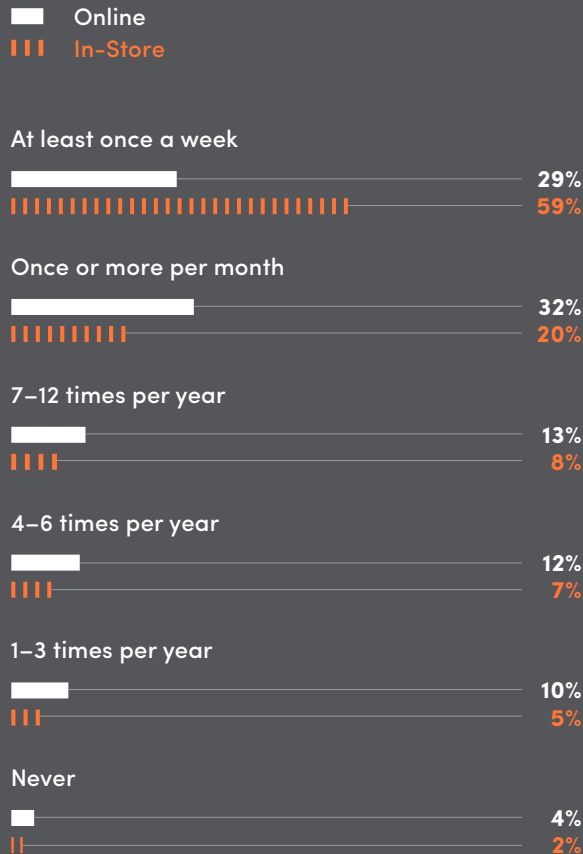


Source: Walker Sands Future of Retail 2017



Connected Commerce: Mobile and Voice are the Next Frontiers

Online vs. In-Store Shopping Frequency



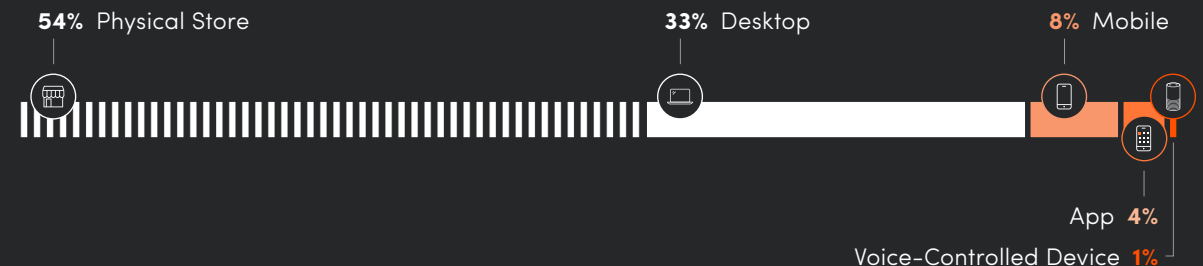
Source: Walker Sands Future of Retail 2017

As consumers become more connected than ever, their shopping habits are shifting accordingly. While e-commerce has been an important part of retail strategy the past several years, increased consumer comfort with online, mobile and even voice shopping has pushed the industry to a tipping point. Nearly half of consumers (46 percent) now prefer to shop via a non-traditional channel, such as mobile, desktop or voice-controlled device, compared to 54 percent who still prefer the traditional in-store experience.

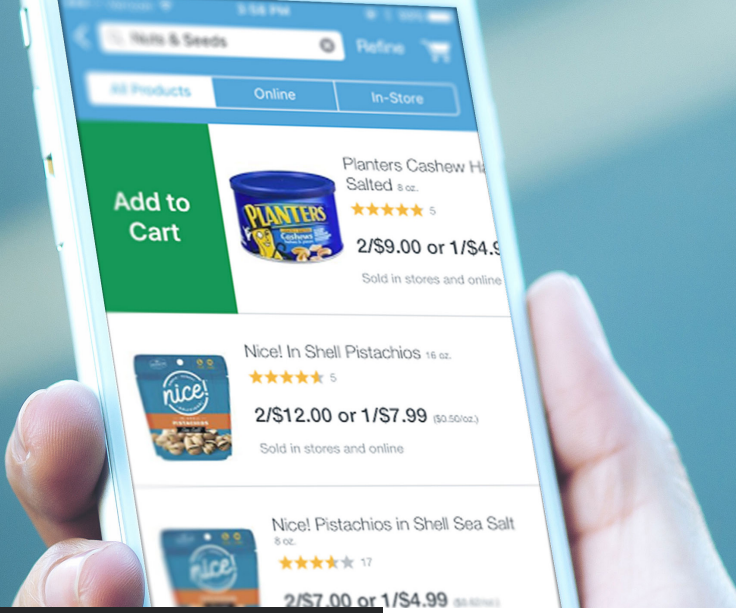
Almost all consumers (96 percent) shop online at least occasionally, with almost a third (29 percent) making purchases at least weekly. And among online-savvy Millennials, that number is nearly two in five (37 percent), with 8 percent reporting they shop online daily.

The majority of consumers (61 percent) now shop online at least once a month. But more than half of shoppers still visit physical stores at least weekly, demonstrating the ongoing importance of the brick-and-mortar experience, a topic we cover more in depth later in the report.

How do you prefer to shop?

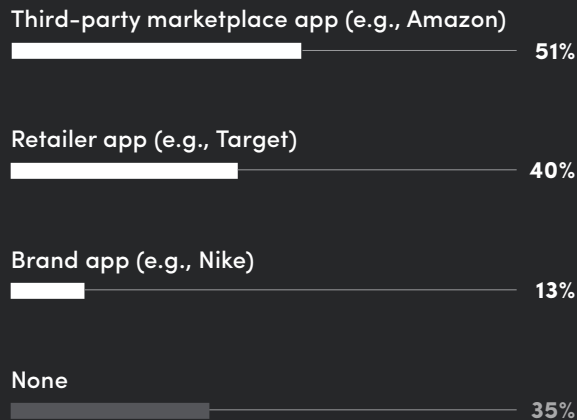


Source: Walker Sands Future of Retail 2017



Retail Apps on Mobile Devices

Which retail apps do you have on your mobile device?
Select all that apply.



But online shopping isn't just about e-commerce websites anymore. Mobile commerce is on the rise, and voice ordering is emerging as an important channel for retailers to engage with consumers. There will be monumental shifts in the coming years as computing becomes part of the fabric of our lives.

Mobile Commerce

The majority of consumers (65 percent) now have mobile shopping apps on their phones, and two-thirds report having made a purchase through a mobile app (66 percent). More than one in four consumers (29 percent) now report that

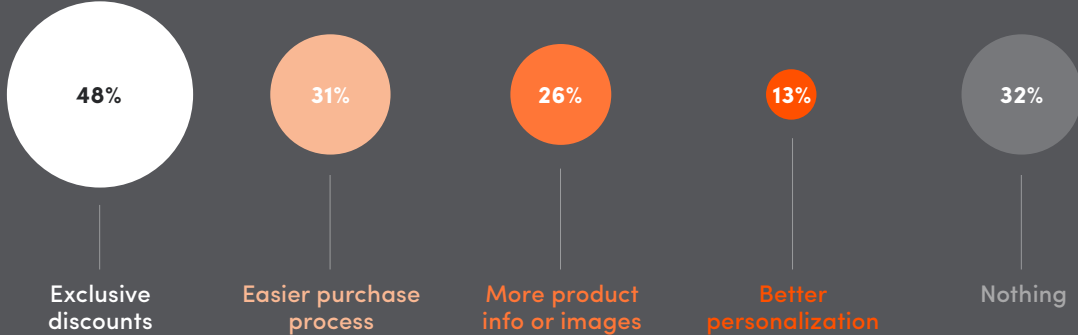
they always or often do most of their shopping via mobile app, and 38 percent always or often shop on mobile websites.

An increase in mobile shopping doesn't mean brands and retailers have necessarily cracked the code to success. Just as Amazon rules the desktop, third-party applications reign on mobile devices. Today's consumer is more likely to have a marketplace application, such as Amazon, Ebay, or Etsy, on their mobile device (51 percent) than a retailer (40 percent) or branded application (13 percent). Not only are brands and retailers struggling to engage consumers, they're now also having to compete for screen share on mobile devices.



Mobile App Purchase Drivers

What would motivate you to use a retailer's app more regularly?
Select all that apply.



Source: Walker Sands Future of Retail 2017

When asked what would motivate them to use a retailer's app more regularly, nearly a third (31 percent) of consumers cited an easier purchasing process, indicating that faster check-out processes, like Amazon's one-click or thumbprint purchasing option, may give marketplace apps a leg up in this space. Consumers also cited discounts specific to the application (48 percent), and more in-depth product descriptions and images (26 percent).

Consumers under the age of 45 are more open to retailers' apps, with only about 18 percent reporting they are not interested in

using them. An easier purchasing process (37 percent) and more in-depth product information (35 percent) ranks even higher as incentives for this segment, as do app-only discounts (57 percent), indicating retailers may be able to entice younger audiences with a more in-depth and value-added app experience.

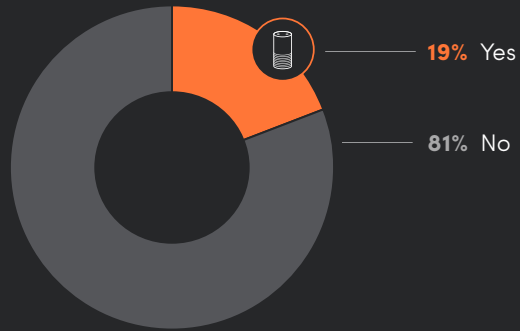
Voice-Driven Commerce

Advancements in voice-based technology have already started to shift the way consumers interact with brands.



Voice-Controlled Device Product Purchases

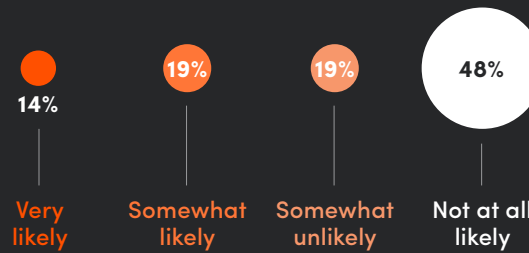
Have you made a product purchase through Amazon Echo or another voice-controlled device in the past year?



Source: Walker Sands Future of Retail 2017

Likelihood of a Voice-Controlled Device Purchase

How likely are you to make a product purchase through a voice-controlled device in the next year?



Source: Walker Sands Future of Retail 2017

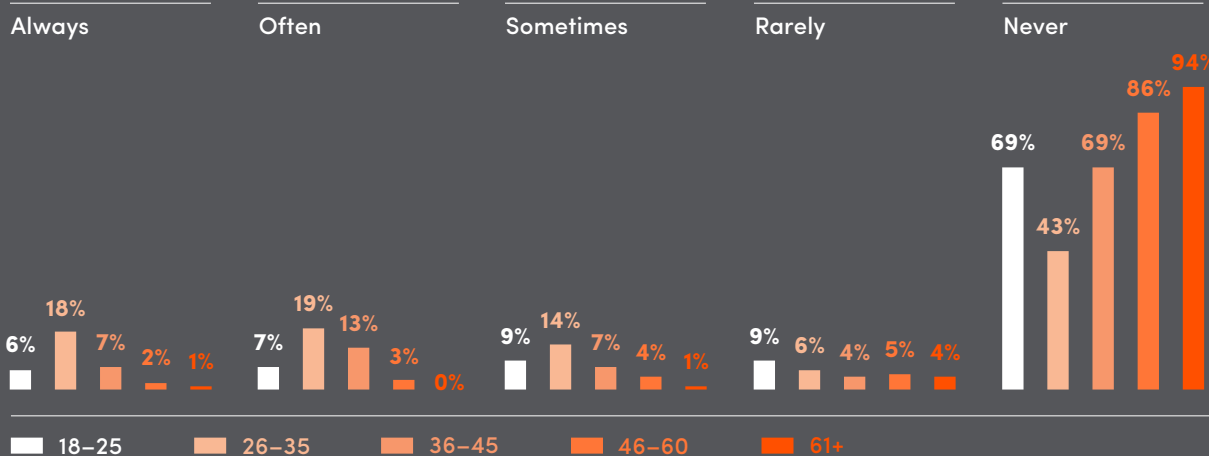
Desktop and mobile devices will become a less important part of the process as voice-driven, IoT and zero UI technologies continue to connect with one another to drive new experiences. Even in its early stages, 15 percent of consumers already say they always or often make purchase by voice.

Nearly one in five consumers (19 percent) have made a purchase through Amazon Echo or another voice-controlled device in the past year, and one in three consumers (33 percent) plan to make a purchase in the next year. The rapid adoption of personal assistants will only be further fueled by the introduction of Apple HomePod, quickly making voice the next frontier of commerce.

For younger consumers, voice ordering is even more frequent. Thirty-seven percent of Millennials, ages 26–35, say they “always” or “often” shop online via voice-controlled devices. And 43 percent of consumers in that group report having made a voice-controlled purchase over the past year.

As a relatively new commerce channel, voice still has hurdles to overcome. Consumers are most concerned about security (38 percent) and privacy

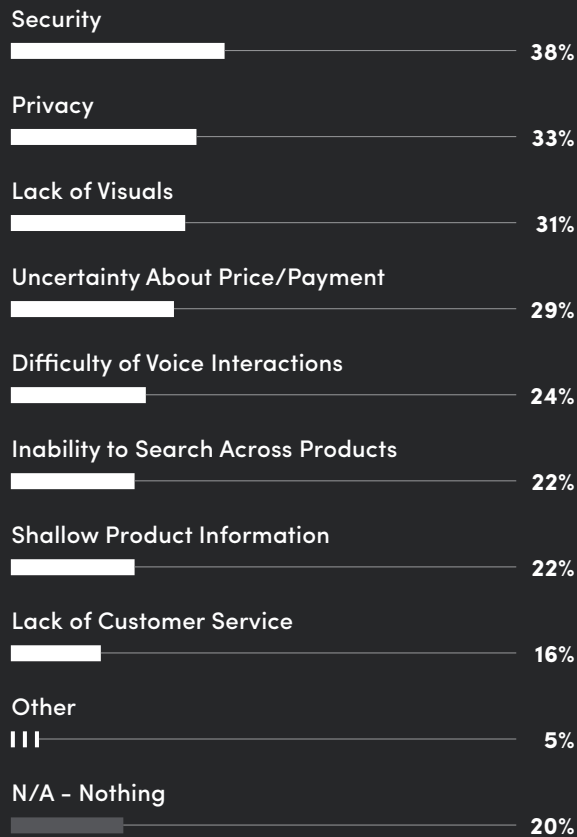
How often is your online shopping conducted using voice-controlled devices? By Age



Source: Walker Sands Future of Retail 2017



Consumer Concerns for Voice-Controlled Purchases



Source: Walker Sands Future of Retail 2017

(33 percent) when it comes to making purchases on a voice-controlled device, followed closely by the lack of images (31 percent) and price clarity (29 percent). As a commerce channel with no user interface, many of these are unique challenges that retailers will have to navigate in the coming years.

While long-awaited tools like virtual reality and AI are still finding their roots in the retail space, voice-controlled device ownership has exploded and looks to have a bright future. As the further integration of these technologies is accepted as the norm, massive opportunities for further personalized experiences and more complex supply chains are on the horizon.

Companies like Google and Apple have hit the scene with their own voice-controlled devices, but Amazon's Alexa remains the top device on the market, and is expected to remain in control with as much as 70 percent of the market share.² The introduction of the Echo Show, which offers real-time video and 360 images, could eliminate many of the concerns consumers have with traditional voice

ordering, such as lack of product content and images.³ Devices like the Echo Show beg the question of how else brands and retailers can use this kind of technology to interact. They provide new opportunities for more direct to consumer sales, especially for CPG brands that can now engage via video recipes and in-depth product information.

Voice-controlled device integration with the IoT is likely to accelerate as smart devices become more prevalent in the average household. Voice-based notifications and data integration will present several opportunities to change how we're ordering all together.

² https://www.zawya.com/mena/en/story/Amazon_sweeps_US_market_for_voicecontrolled_speakers-TR20170508nL1N11711NX2/

³ <https://techcrunch.com/2017/05/09/amazon-unveils-the-230-echo-show-with-a-screen-for-calls-shipping-june-28/>



The Changing Customer Experience: Consumers Demand More from Retailers

Shaped by their always-on experiences, shoppers today expect a superior customer experience that can be challenging for most retailers. As Amazon continues to set the pace, this is especially true when it comes to speed, convenience and transparency in digital commerce across channels.

This means it might be too early to overlook the importance of the in-store experience. The study findings show that physical stores could be making a comeback, especially among younger consumers who crave more authentic and engaging experiences. And as the lines start blurring between the online and physical shopping experiences, consumers are starting to get the best of both worlds.

commerce. In addition to 84 percent of consumers making an Amazon purchase in the past year, the majority (55 percent) are also Amazon Prime members. Consumers are also warming up to new Amazon shopping services like Amazon Prime Pantry (14 percent), AmazonFresh (10 percent) and Dash buttons (5 percent). Only 37 percent of consumers have not used one of these additional Amazon services.

The Rise of Amazon for Everything

Amazon's influence continues to set consumer expectations in a new era of

Amazon's example of fast shipping has become the expectation for many consumers who have become accustomed to using options like Amazon Prime Now

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This means it might be too early to overlook the importance of the in-store experience. The study findings show that physical stores could be making a comeback, especially among younger consumers who crave more authentic experiences.

Which of the following Amazon shopping services have you used in the past year?



Source: Walker Sands Future of Retail 2017



(18 percent) for two-hour delivery and Amazon same-day delivery (19 percent). With the launch of Outfit Compare and visually driven Echo devices in 2017, Amazon looks to be making an even larger play in retail and apparel space. And with 39 percent of consumers saying they're interested in using tools like Outfit Compare, this could be the first step in gathering more data about trends in clothing⁴ and even on-demand clothing manufacturing, which Amazon won a patent for earlier this year.⁵

Amazon isn't just changing online commerce, either. Almost 60 percent of consumers say they will likely shop at Amazon Go, the company's physical

grocery store that uses in-store sensor and mobile technology to allow customers to grab items off the shelf and leave without checking out. By connecting the in-store experience with virtual shopping carts, Amazon continues to raise the bar for other retailers.

Delivery and Supply Chain

Rapid advancements in retail have led to even more dramatic changes in delivery. Supply chain innovations have tried to keep up with consumer demands for faster delivery, while also improving transparency. Now, with Morgan Stanley estimating that 75 billion devices will be



⁴ <https://www.theverge.com/2017/3/17/14961636/amazon-outfit-compare-feature-judge-your-clothing-rating-prime>

⁵ <https://www.recode.net/2017/4/18/15338984/amazon-on-demand-clothing-apparel-manufacturing-patent-warehouse-3d>

In the past year I have purchased a product...

Select all that apply.

In a physical store



Online (in-store pickup)



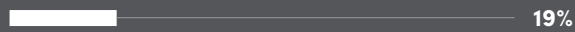
Online (regular shipping)



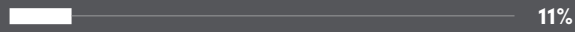
Online (2-day shipping)



Online (1-day shipping)



Online (same-day shipping)



Online (2-hour or less shipping)



Source: Walker Sands Future of Retail 2017

connected to the IoT by 2020⁶, further advancements threaten to disrupt the space, bringing data and smart packaging together. With that, opportunities arise for better visibility into the supply chain and improved delivery routes and efficiencies for distribution of goods.

Over the past several years, free and fast shipping have been top incentives in driving consumers to buy more online, and this year is no exception. Four in five consumers (80 percent) say free shipping would incentivize them to shop more online, followed by fast shipping (54 percent). In the past year, 13 percent of consumers have ordered something

for same-day delivery, up from 9 percent in 2016.

While a number of innovations in third-party apps like Uber (UberRUSH) and TaskRabbit have helped fuel growth of this 'now' economy, Amazon's launch of same-day delivery in 2014⁷ and Amazon Prime Now in 2016⁸ have been viewed as setting the stage – and getting customers accustomed to – same-day delivery. With two-day, one-day and even same-day shipping becoming the norm, only 17 percent of consumers say retailers always offer shipping options that meet their expectations for speed of delivery.

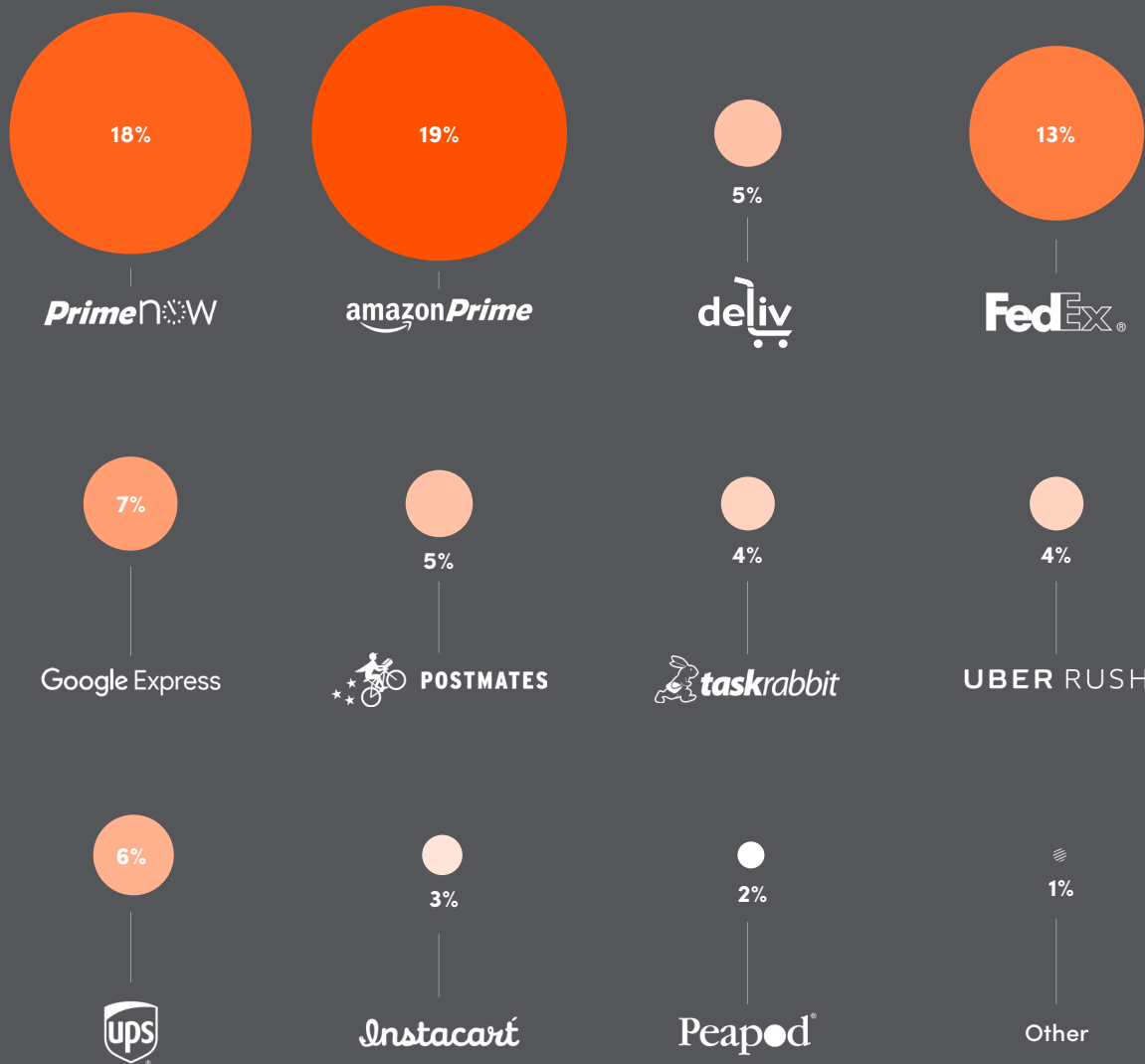
Which of the following would make you more likely to purchase online?



Source: Walker Sands Future of Retail 2017



Which of the following same-day delivery services have you used in the past year?



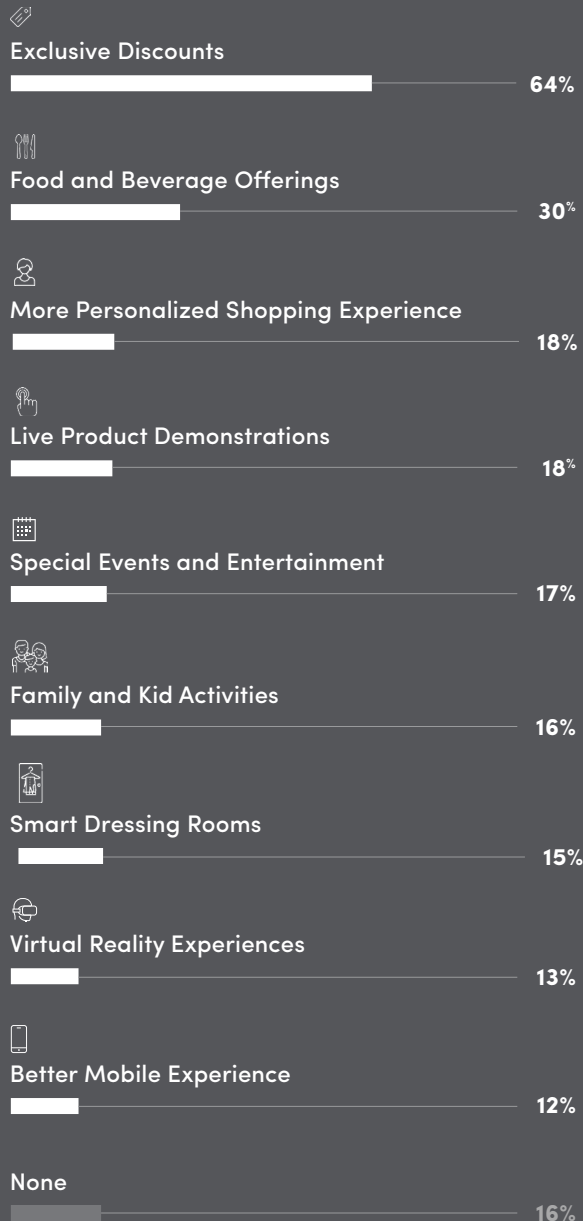
While 36 percent of consumers expect to receive their first drone-delivered package in the next two years, it's much more likely that third-party services like UberRush and Postmates will connect the dots between consumer demand and delivery of goods in the near future. The majority of consumers (72 percent) trust third-party delivery services – a major opportunity for brands and retailers struggling to keep up with delivery in an efficient and cost-effective way.

Despite efforts from the retail industry to improve transparency, only 29 percent of consumers rate retailers' communication about order and delivery status as "excellent," compared to 46 percent for Amazon's communication. Nearly half of consumers say they wish there was more transparency during the delivery process (46 percent), with the number even higher for younger customers ages 26-35 (68 percent).

The In-Store Experience

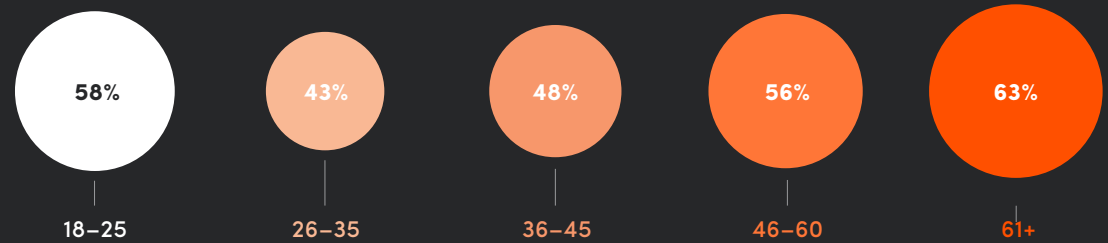
As the online experience has improved, it almost seems like the in-store experience has been forgotten. More than a fourth of consumers (27 percent) think the online experience is already better than the in-

In-Store Purchase Drivers



Source: Walker Sands Future of Retail 2017

Percentage of Consumers Who Prefer Shopping in a Physical Store By Age



Source: Walker Sands Future of Retail 2017

store experience, and another 15 percent think it will surpass the in-store experience in the next year. Despite the fact that 54 percent of shoppers still prefer to make purchases in physical stores, only 22 percent don't expect the online shopping experience to eventually be superior.

However, in-store shopping is making a comeback among the youngest shoppers. More than half of Gen Z consumers prefer to shop in physical stores (58 percent), putting them on par with the oldest consumer groups. By comparison, less than half (46 percent) of 26- to 45-year-old consumers prefer to shop in store. The same age group is also shopping less online (23 percent weekly, compared to 37 percent weekly for ages those ages 26-35). These newest shoppers, who grew up in the age of social media, crave instant

gratification and an authentic experience from retailers.

This desire for better in-store experiences is reflected in the survey findings. When asked what would cause them to shop more in physical stores, consumers pointed to unique experiences, including food and beverage offerings (30 percent), a more personalized shopping experience (18 percent) and entertainment (17 percent).

Technology like smart dressing rooms (15 percent) and virtual reality experiences (13 percent) didn't rank quite as high, demonstrating that retailers can't simply rely on tech to draw shoppers into physical stores. By integrating technology with better experiences, like Amazon has done with its Go store, retailers can truly blend the best of both worlds.

Predictions for the Future of Retail

The shift to the connected consumer shows no signs of slowing down, and buying habits are transforming. Retail isn't just about when customers are ready to buy anymore— it's a constant engagement with technology and experiences that drives the future of commerce. Based on the 2017 Walker Sands Future of Retail 2017 findings, we predict these three trends will shape the future of retail in the years ahead:

As consumers become even more connected, they will demand a **more transparent and continuous commerce experience from retailers**. The walls between channels will continue to fall as connectivity becomes ubiquitous, and consumers fluidly move from one medium to another.

Voice ordering will drive a new era of commerce, and **brands will have to learn how to navigate a landscape that doesn't have a traditional user interface**. "Zero UI" will transform the customer experience and further heighten customer expectations.

The in-store experience won't go away, but it will shift as retailers blur the lines between physical and digital stores. The two worlds will be **linked by authentic brand experiences that allow customers to move seamlessly between e-commerce and brick-and-mortar** shopping.

While the future of retail was once all about the e-commerce experience, online shopping has become so commonplace that it's now an assumed retailer capability. The future is now being shaped by the connected consumer and the increasingly ubiquitous nature of technology. In this always-on environment, brands must themselves be always on – not just online, but everywhere their customers go.



Methodology

The Walker Sands Future of Retail 2017 study surveyed 1,622 consumers across the United States on their shopping habits, preferences and views on emerging retail technology. The survey was conducted online in late March 2017, and has a 2.44 percent margin of error at a 95 percent confidence level.

Millennials in this report refers to those in the age group 26–35.

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Dave oversees the retail and supply chain technology practice at Walker Sands, serving as senior strategist and industry thought leader. A storyteller at heart, he has more than 15 years of experience in public relations, digital marketing and journalism.

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Retail technology is evolving at an incredibly fast pace. Read our case studies and view our client list to see how we use an integrated approach to public relations and digital marketing to help retail technology companies keep up:

[walkersands.com/
retail-and-e-commerce-technology](http://walkersands.com/retail-and-e-commerce-technology)



About Walker Sands

Walker Sands is a public relations and digital marketing agency for business-to-business technology companies. With an integrated approach to creative services, Walker Sands helps clients build brand awareness, enhance credibility and drive new business. Walker Sands is a four-time Inc. 5000 honoree and regular recipient of some of the industry's most prestigious awards from organizations including Entrepreneur, Holmes Report and Hermes Creative. Walker Sands was founded in 2001 and has offices in Chicago and San Francisco. To learn more, visit walkersands.com or walkersandsdigital.com.