

BUYING TOMORROW

Online retail in the age of the digitally obsessed consumer



Salmon
SHAPING FUTURE COMMERCE

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THE REVOLUTION WILL BE MECHANISED



Hugh Fletcher
Global Head of Consulting
& Innovation at Salmon

We are living through a time of true transformation. Driven by revolutionary technological development, the world is changing and sitting at the heart of this is ecommerce. The way we shop, interact with and connect to brands is opening up opportunities for them but it's also forcing them to redefine who they are and what they do in an era when digital innovation is eating away at their equity.

Salmon sits at the apex of brands and ecommerce, leading our clients into the future with their eyes wide open about the trends that will change their business. With that in mind, just over a year ago, we embarked on a project to learn more about the future of digital commerce as seen through the eyes of the average UK shopper. In sourcing the views of 2,000 consumers from across the UK, we quickly learned that for many tech savvy and forward-thinking shoppers, that future is one that can't come soon enough.

In the resultant study, *Rise of the Machines*, we explored the UK's attitude towards a concept that we came to call 'Programmatic Commerce^{TM*}'. Founded on the idea that smart technology will soon – very literally – take the legwork out of shopping, programmatic is at the heart of a world in which the technological revolution taking place in our homes will see machines and devices soon start to manage our purchasing decisions for us.

While programmatic is an idea that we expected any retailer or brand with an eye on tomorrow to find intriguing, we weren't quite as ready for the level of support we found amongst consumers. Not only were they quick to grasp the potential benefits of automated retail, revelling as they did in the potential time and cost savings, many went so far as to say that their future smart device choices could be influenced by their ability to tap in to this programmatic ecosystem.

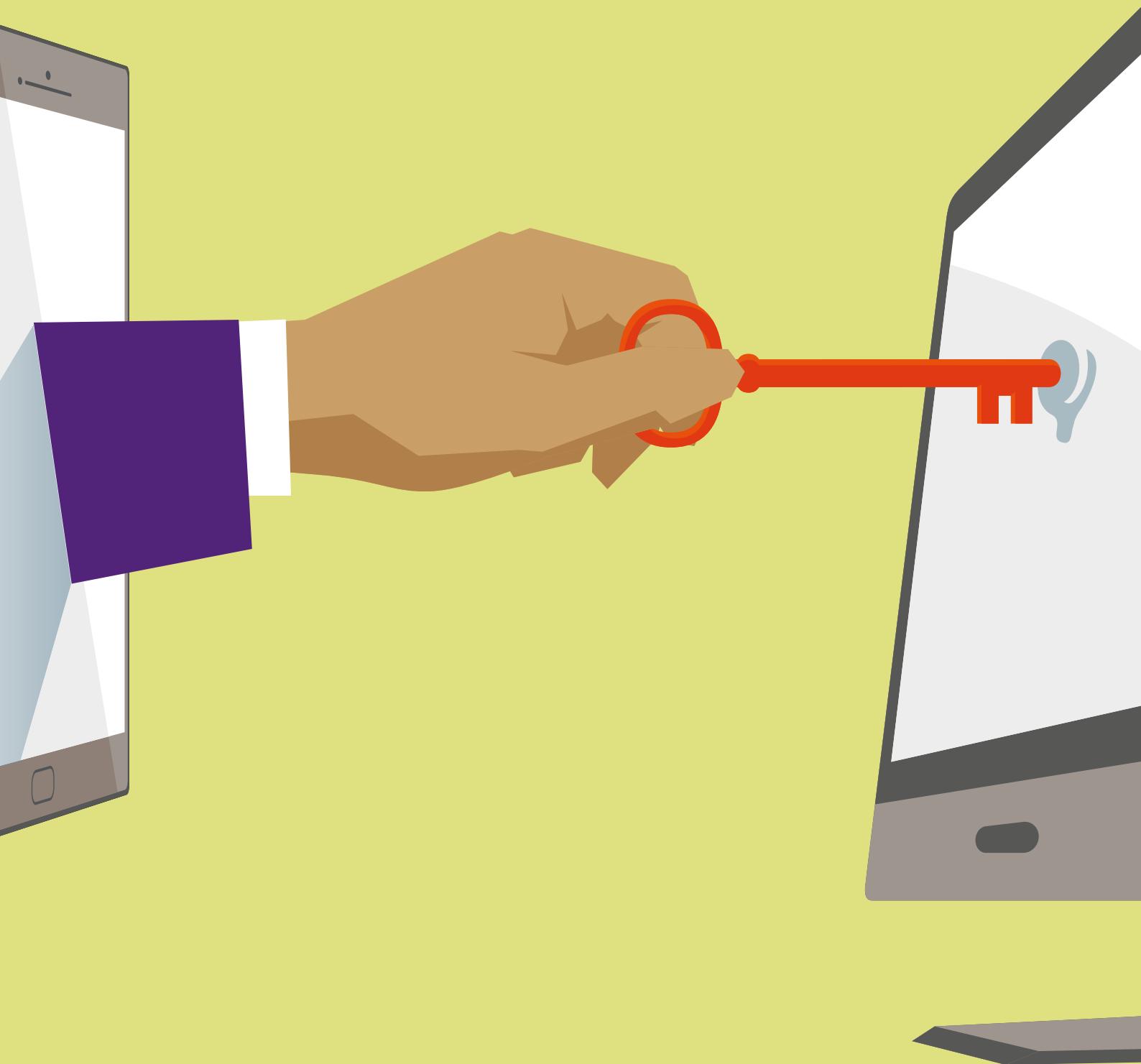
Since that initial study, the digital commerce landscape has continued to shift. In the UK, Amazon's Echo launched in October last year, selling 5.2m devices worldwide by the end of 2016. One month later, Google made its own foray into the Zero User Interface (Zero UI) market with the release of its Home smart speaker in the US. And more recently still, semiconductor firm NXP has announced plans to create modules using Google's Android Things platform that could make it easier to embed voice command functionality into multiple home devices.

As the line dividing the programmatic concept and ecommerce reality continues to fade, I'm delighted to be able to share our latest research into the consumer mindset. While touching once again on some of the key issues raised by our 2016 study, this new report expands on that project both thematically and geographically.

Taking in the views of more than 6,000 shoppers from the UK, US, Netherlands and Belgium, “Buying Tomorrow” looks at, but also looks beyond, Programmatic Commerce in order to investigate the wider factors that captivate and compel connected consumers from around the world. From the remaining issues that stand in the way of widespread adoption, to how automation is beginning to dictate our spending

habits, we left few stones unturned in our quest to get to the core of the consumer mindset.

If you, like many of our customers, are thinking about how your organisation can harness those factors and turn them to your advantage, we'd love to share more about what we've learned from this continuing exploration into the future of ecommerce.



EXECUTIVE SUMMARY

In this report, we'll explore the views of more than 6,000 consumers and find out why:

- Almost **two-fifths** of online spend is now made with **Amazon** and what this dominance in terms of service will mean for digital commerce.
- Around a **quarter** of shoppers identify as being '**digitally obsessed**' and what this means for the future of tech in society.
- Many consumers are becoming increasingly **mercenary** in their buying habits, putting **price and speed** of delivery over brand.
- **Loyalty** is **shifting** from favoured brand to the smoothest and most convenient **service**.
- Digital commerce is causing a number

of shoppers to feel like they are **losing control** of their spending.

- Almost **three-quarters** of consumers want to see greater **digital innovation** from online retailers.

We'll also explore new and future technology and why:

- Almost half of consumers expect to use digital assistants and smart white goods within the next year.
- Excitement is growing about the potential applications of virtual and augmented reality in the digital commerce environment.
- Demand for a Zero UI shopping experience is already on the rise.

ABOUT PROGRAMMATIC COMMERCE™

Programmatic Commerce is a concept and future trend identified and trademarked by Salmon in 2015. It revolves around the idea that internet-enabled devices, like fridges and freezers, will soon be able to make smart purchasing decisions for their owners.

As this concept spreads across multiple industries, we will also begin to see other applications of programmatic: from cars that can check themselves in for a service, to washing machines that know when they are reaching the end of their lifespan and order their successor.

Programmatic Commerce presents an almost limitless range of opportunities for retailers, brands and smart device manufacturers to revolutionise the way that they offer goods and services to their customers.

VIEWS FROM AROUND THE WORLD

As a global ecommerce consultancy, it is important for Salmon to understand trends relating to the future of commerce across the world. Expanding our panel of consumers from 2,000 in 2016 to more than 6,000 this year not only gave us the opportunity to draw from a more robust base of respondents – it also allowed us to explore trends

and attitudes towards digital commerce from around the world.

While the main body of this report provides insight into the united attitude towards the themes we covered, outlined below are some of the major points of differentiation between the four countries surveyed for this study.

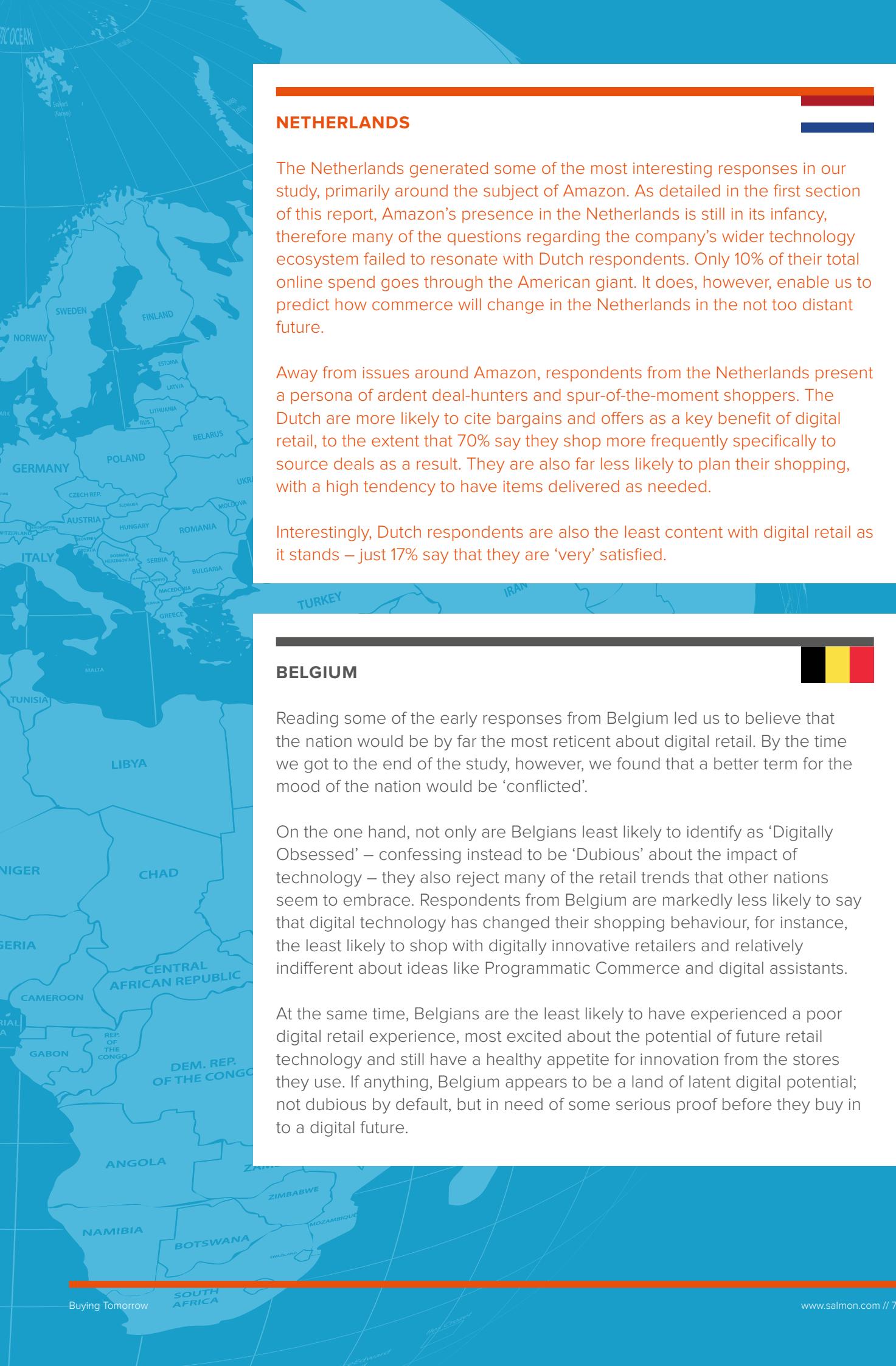
UNITED KINGDOM



Buzz around the UK's burgeoning technology sector can make it tempting to assume that Britain is a nation of digital natives, constantly hungry for new and exciting technological experiences. And that's true in some cases, certainly as the continued rise in mobile and online sales in the UK indicate an increased comfort in, and reliance on, digital commerce.

However this study reveals that the UK actually tracks behind the other nations surveyed in a few key areas. British respondents are the most likely of all countries surveyed to identify as 'Digitally Indifferent', for instance, categorised by less frequent online shopping and a more blasé attitude towards how technology could shape their future retail experience. Consumers from the UK also have the lowest number of smart devices per household (an average of 3.5) and are the least excited about future technologies like VR and AR.

These individual deviations shouldn't be read as a widespread dismissal of digital retail, however. In most instances, British responses are either aligned to or above many averages across the countries surveyed, representing an eager and appreciable audience for retailers.



NETHERLANDS

The Netherlands generated some of the most interesting responses in our study, primarily around the subject of Amazon. As detailed in the first section of this report, Amazon's presence in the Netherlands is still in its infancy, therefore many of the questions regarding the company's wider technology ecosystem failed to resonate with Dutch respondents. Only 10% of their total online spend goes through the American giant. It does, however, enable us to predict how commerce will change in the Netherlands in the not too distant future.

Away from issues around Amazon, respondents from the Netherlands present a persona of ardent deal-hunters and spur-of-the-moment shoppers. The Dutch are more likely to cite bargains and offers as a key benefit of digital retail, to the extent that 70% say they shop more frequently specifically to source deals as a result. They are also far less likely to plan their shopping, with a high tendency to have items delivered as needed.

Interestingly, Dutch respondents are also the least content with digital retail as it stands – just 17% say that they are 'very' satisfied.

BELGIUM

Reading some of the early responses from Belgium led us to believe that the nation would be by far the most reticent about digital retail. By the time we got to the end of the study, however, we found that a better term for the mood of the nation would be 'conflicted'.

On the one hand, not only are Belgians least likely to identify as 'Digitally Obsessed' – confessing instead to be 'Dubious' about the impact of technology – they also reject many of the retail trends that other nations seem to embrace. Respondents from Belgium are markedly less likely to say that digital technology has changed their shopping behaviour, for instance, the least likely to shop with digitally innovative retailers and relatively indifferent about ideas like Programmatic Commerce and digital assistants.

At the same time, Belgians are the least likely to have experienced a poor digital retail experience, most excited about the potential of future retail technology and still have a healthy appetite for innovation from the stores they use. If anything, Belgium appears to be a land of latent digital potential; not dubious by default, but in need of some serious proof before they buy in to a digital future.

UNITED STATES OF AMERICA



It's entirely fitting – and logical – that the nation that gave birth to many of the giants of the internet age is now the most advanced in terms of its attitude towards digital retail. Indeed, US respondents were so fervent in their answers that in some instances they dragged up averages almost single-handedly.

45% of Americans admit to being 'Digitally Obsessed' – three times the number of Brits, who sit in second place on that scale. US respondents are far more likely to be using smart technologies such as Amazon Echo, Apple Home, VR and more, which is understandable considering many of those devices launched earlier in America and have had longer to establish a foothold. Our American panellists are also the happiest with digital retail as it stands today, with nigh on 70% stating they are 'very' satisfied.

As mature as the market in the US may be, however, its proliferation has also served to make American respondents more demanding. They are the least likely to say they have never had a poor digital retail experience, have the joint highest expectation around rapid delivery, are highly conscious about price, brand and special offers, and demonstrate the greatest awareness around data security and privacy. American retailers underestimate the sophistication of their audience at their peril. Indeed, the popularity, near obsession, with Amazon (respondents stated 57% of all their online purchases were made through the giant) indicates that the US public responds to and favours brands which do push forward and drive innovation. Such national / international digital brands are likely key in explaining the hugely digital-first tone of the US data, but that's not to say smaller, more regional business in the US don't also have a huge opportunity in digital commerce.

KING OF THE JUNGLE

EXPLORING THE DOMINANCE OF A DIGITAL JUGGERNAUT:
DOES AMAZON REALLY RULE RETAIL?



Almost a quarter of a century since it first launched in the US, the continued growth of Amazon's brand is such that it finds itself nipping at the heels of Apple and Google for the crown of 'world's most valuable business'.¹ An independent study placed the company's brand value at \$106.3bn in April 2017, a 53% rise from last year² – top of the retail pile and a good \$20bn ahead of its nearest competitor in AT&T.

This imposing presence, while undoubtedly aided by the company's continued expansion into new markets and product lines, is ultimately underpinned by a fervent customer base that funnels a significant amount of its spending through this Seattle-based giant.

Respondents to our study suggest that as much as two-fifths (37%) of the total online spend is now made through Amazon. Looking at the UK specifically it's 39% and rising even higher in the US (57%). Even then, this could be higher still – these figures are skewed heavily by the large number of Dutch shoppers (58%) who say that they don't spend any money with Amazon, representative perhaps of a retail offering that is limited solely to books in their home country.

Regardless of regional variations, the overall message is clear: Amazon is fast approaching a position in which it could control as much as half of online consumer spending – and all this is before its grocery offering, recently boosted by the acquisition of Whole Foods, has truly matured.

Primed for success

The factors behind this unparalleled achievement, according to our study respondents at least, can primarily be linked back to Amazon's focus on creating an ecosystem around its offering. While issues like price and quality also have a role to play, Amazon's success is being driven

by much more than just its ability to compete on 'pure' retail terms alone.

Amazon Prime is a key differentiator here. More than half (53%) of those surveyed said that they are more likely to buy from a service like Prime than they are direct from a retailer's online site. US respondents push ahead again, with nigh on three-quarters (74%) acknowledging that to be the case.

This preference for Prime is such that it seems to prompt shoppers to demand more from digital commerce in general: almost two-thirds (60%) feel that all retailers should be able to match Amazon's same-day delivery service.

One of the company's associated offerings – the Amazon Dash Button – is enjoying a similar surge in popularity. A quarter of consumers (25%) say that they are currently making use of the automated ordering service, with close to a third (30%) stating that they expect to do so within the next two years or sooner. Dash is particularly appealing to the younger audience, too: more than three-quarters (76%) of 25-34 year olds are already using it or intend to do so within 24 months.

With Dash Buttons already breaking down the traditional interactions between retailers and shoppers, consumers are increasingly eager to explore other ways of Zero UI buying, too. Around two-fifths (41%) say that they would "love to be able to shop using voice activation devices like the Amazon Echo", despite the fact that only half of these (22%) attest to actually owning one at present.

Combined, Prime, Dash and Echo help to establish Amazon as the de facto name for the majority of consumers when they think about ecommerce innovation. More than half of British and Belgian respondents (57%) say that they believe Amazon to be leading the way in digital retailing, rising as high as three-quarters (72%) amongst American respondents.

37%
of total online spend
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Amazon

73%
of consumers say that
they only plan to spend
more online in the
future. Opportunity is
clearly abundant

1 <https://www.forbes.com/powerful-brands/list/>

2 <http://uk.businessinsider.com/brand-finance-10-most-valuable-brands-in-the-world-2017-3/#4-att-7>

60%

of consumers confessed to being more likely to shop with a digitally innovative retailer

An ecosystem of innovation

This strong association between Amazon and innovation is not without consequence for other retailers either: around two-thirds (60%) of respondents confess to being “more likely” to shop with a digitally innovative retailer. With a large number of those we surveyed (73%) noting that they only plan to spend more online in the future, opportunity is clearly abundant – but only for those retailers that can demonstrate their ability to out-innovate the opposition.

For consumers, “out-innovating” increasingly means providing them with simpler, faster ways to purchase and receive goods. Fewer and fewer shoppers are wedded to the idea that digital commerce necessitates a webpage, or even a screen. If the function performs, after all, then the form becomes irrelevant.

Amazon’s decision to build an ecosystem of devices and services to cater to this changing perception and rising demand has helped it gain an early and substantial foothold. For retailers across the world, the challenge now lies in how to carve out their own.



SALMON SAYS

“Amazon has created an entire ecosystem – both in commerce and more broadly across various areas of technology and society. While many in the retail space in particular are wary, and often critical, of Amazon’s impact, the brutal truth is that consumers want this. You can see from these results that the public are buying into Amazon’s service, its technologies, its philosophies and its approach, and retailers need to consider a balanced strategy on how they compete or collaborate with Amazon.

“Its latest move in buying Whole Foods positions it to thrive even further – this time in grocery – and is designed to successfully beat competitors to the punch. The partnership also presents an opportunity to maximise Whole Foods’ market share in the US and will no doubt enable it to digitally transform in the future.

“Amazon is now very loudly expanding its offering beyond retail to own every instance of the customer experience – this feeds into **Interface Imperialism**, where brands diversify and expand their offering into entirely new services. Digital assistants and voice interfaces may well be the future of shopping – the rise of Amazon Echo, Google Home and Apple HomePod certainly suggests so – and Amazon will look to link their new grocery function up with Alexa. As it shows no signs of slowing, and as we shift into a screenless society, retailers will have to transform their offering to meet shoppers’ evolving traits. It remains to be seen whether Amazon Echo is just another fad, but what is clear is that, one way or another, Amazon is currently setting the benchmark in retail, and competitors better watch out.”

Hugh Fletcher

Global Head of Consultancy and Innovation, Salmon

SHIFTING PRIORITIES

LOYALTIES ERODED AS CONNECTED CONSUMERS
DEMAND MORE FROM STORES



36%
of consumers spend
more time online
so they can shop
24/7. They also find
themselves tempted by
recommended items.

While they might have captured the imagination of a number of shoppers, and while advertising would like to convince us of the maturity and capability of the offer, not every home has an Alexa, Google Assistant or other voice-activated advisor. And, for some, that day will simply never come – significant numbers (39%) maintain that digital assistants will remain an unwelcome houseguest!

Of course, it is still early days in the journey towards widespread adoption of Zero UI technologies, and even without an Echo under every roof, there is no shortage of other smart devices to go around.

On average, today's household contains four connected devices – ranging from smartphones and TVs, to Hive or Nest-style setups. In the US, where those devices and systems often launch a little earlier, that number rises to five. Just over one in 10 (13%) homes have between 8-10 (or even more) smart devices within their walls.

More shopping + more temptation = less control?

This proliferation of connected machines has huge implications for retailers, but it is also drastically impacting consumers themselves. The sheer volume of devices and connections seems to be changing behaviour at a fundamental level.

Asked how digital commerce had affected their attitudes towards shopping, almost two-thirds (62%) of shoppers said they now spend more time searching for deals and special offers, and over a third (36%) admitted to spending more time online primarily because they could shop 24/7 and found themselves tempted by recommended items. Many (40%) even admit they have less control over spending as a result of shopping online.

Armed as they are with a plethora of devices, many consumers say that they

have become more digitally advanced than the stores that serve them. Well over half (57%) believe that the network of technology, apps and services they use in their own life is more sophisticated than that provided by digital retailers.

This imbalance – whether actual or perceived – causes many consumers to wonder whether retailers could be doing more. Around two-thirds (69%) said they want to see greater innovation from retailers in using digital technology to improve their experience, speaking once again of their desire to shop with only the most forward-thinking stores.

Loyalty reality – brand or service?

One third of shoppers (33%), for instance, said that they now care less about the retailer they are buying from than they do about getting the best product at the right price.

Service and brand have always been inextricably linked. No matter how hard a company might work to engage us or capture our imaginations after all, our ultimate opinion will inevitably be shaped by the standard of service we receive.

As the digital revolution continues to redefine the way that we interact with and buy from companies online, the very nature of 'good service' is changing. Gone are the days when a high quality experience meant solely that you received the right item or that your credit card details were secure; good service today can mean everything from having products delivered in hours to having smart devices do our shopping for us.

Of course, redefining what is possible also means rebalancing demands. As the definition of retail excellence continues to change, so too does the level of consumer expectation. And, for many shoppers, those expectations are

increasingly centred on three key factors: price, speed and convenience.

In a subsequent question exploring the biggest factors when shopping online, almost three-quarters (71%) cited price as 'very important', compared to just a third (33%) who said the same of the brand being ordered.

Cost is not the only motivating factor, though. While brand remains important to some degree for a large number ('somewhat or very important' – 78%), more still are concerned about how quickly an item is likely to arrive (88%) or whether it is on offer (81%).

In our 2016 study *Rise of the Machines*, we found that many consumers believe that the concept of Programmatic Commerce provides ready access to those factors above. More than half (55%) agreed that they could see the benefits of having items ordered for them automatically, with time savings (37%), lower prices (also 37%) and convenience (25%) among the most readily cited.

The notion of brand loyalty is tumbling under the digital assault. However, used correctly, the same technologies can be even more captivating to today's connected consumer – providing the innovation, convenience and rapidity that they desire.

88%
of respondents are concerned about how quickly an item is likely to arrive



SALMON SAYS

"Loyalty is a complex thing. Across all sectors, we're seeing fewer people favouring and remaining strongly aligned to certain companies. This is especially prevalent in digital commerce – where the consumer focus on finding the lowest prices and fastest delivery doesn't lend itself to being loyal to a certain product."

"However, as this survey shows, loyalty is still there to be captured. Consumers are increasingly loyal to services over retailers – this is largely because the likes of Amazon are seen to be innovating and delivering the best overall experience to the consumer."

"It is this 'experience' that drives loyalty and will be the difference between being a leader in digital commerce and being left behind. The

modern consumer doesn't judge great service based purely on the product quality or perhaps a nice conversation with a knowledgeable employee. These are important, but they are parts of a much bigger machine – one which is truly end-to-end. Loyalty will be achieved, and kept, by brands that are able to reach the right customers at the right time with relevant marketing or promotions, then hook them in with a perfect online or mobile experience – which should be seamlessly linked. Make the online experience appealing and intuitive, and the purchase and delivery convenient and fast. In an age of same-day delivery via desktop, app and now voice, this is what it takes to drive loyalty."

Patrick Munden

Global Head of Marketing & Retail

FUTURE PROOF

SHOPPERS REVEL IN THE THOUGHT OF NEW TECHNOLOGY,
BUT CAN RETAILERS MATCH THEIR EXPECTATIONS?



One of the most revelatory aspects of our 2016 study was the sheer appetite for innovation that many shoppers demonstrated. Not only did we find that many consumers saw the potential benefits of an idea like Programmatic Commerce, we also learnt that many would consider shaping their future smart device purchases in order to gain access to such a programme.

12 months on from that report, consumer hunger for new retail technology is only growing fiercer.

The first evidence of this comes from the quarter of respondents (23%) who identify as being ‘Digitally Obsessed’ – categorised by the high percentage of purchases that they make online and their heightened enthusiasm to try out future retail technology. Behind this vanguard are those who consider themselves to be ‘Digitally Curious’: shoppers who buy around half of their goods online and are eager to see where retail technology could be headed. More than half (53%) of consumers align themselves with this group.

While a small number of shoppers – fewer than a tenth – say that they have significant concerns about future technology, the vast majority are highly receptive to the idea that it has a beneficial role to play. Eight out of 10 (79%) respondents believe that technology is fundamental to the future of society and that it is a force for good.

Respondents are quick to point out the personal advantages of shopping digitally, too. Over half (53%) enjoy being able to shop from stores that they wouldn’t otherwise have access to – an increase from those who said the same

in our 2016 study (41%) – and a similar number (46%) noted that ecommerce helps them save money by finding the best offers and deals, an increase once again from the previous year (35%). The number of those saying that shopping digitally is “more convenient” has fallen slightly since 2016, but it is an idea that still enjoys significant support (45% now, 53% in 2016).

New tools, new toys

Whether they’re obsessed or merely curious, many consumers are preparing to embrace the next generation of digital retail technologies during the coming year. Underlining their rallying cry around innovation, a large number of respondents demonstrate a keen willingness to try out new and emerging smart devices.

Asked to think generally about the future of retail technology – and with clear definitions provided to respondents as to things like VR, AR and Internet of Things-enabled devices – most (36%) said that they are excited and happy to consider using it in the future. A further quarter (24%) match that excitement but also note that they are already using some or all of those technologies for retail purposes. Less than one in 10 (9%) say that those applications have no place in retail.

When looking at specific devices, leading the charge are digital assistants like the Echo or Home, with almost half of consumers (45%) saying that they are using them already, or expect to within the next 12 months. Close behind are smart lighting and smart white goods (both 42%), with virtual reality (40%) and Apple Home (37%) also enjoying significant support.

79%
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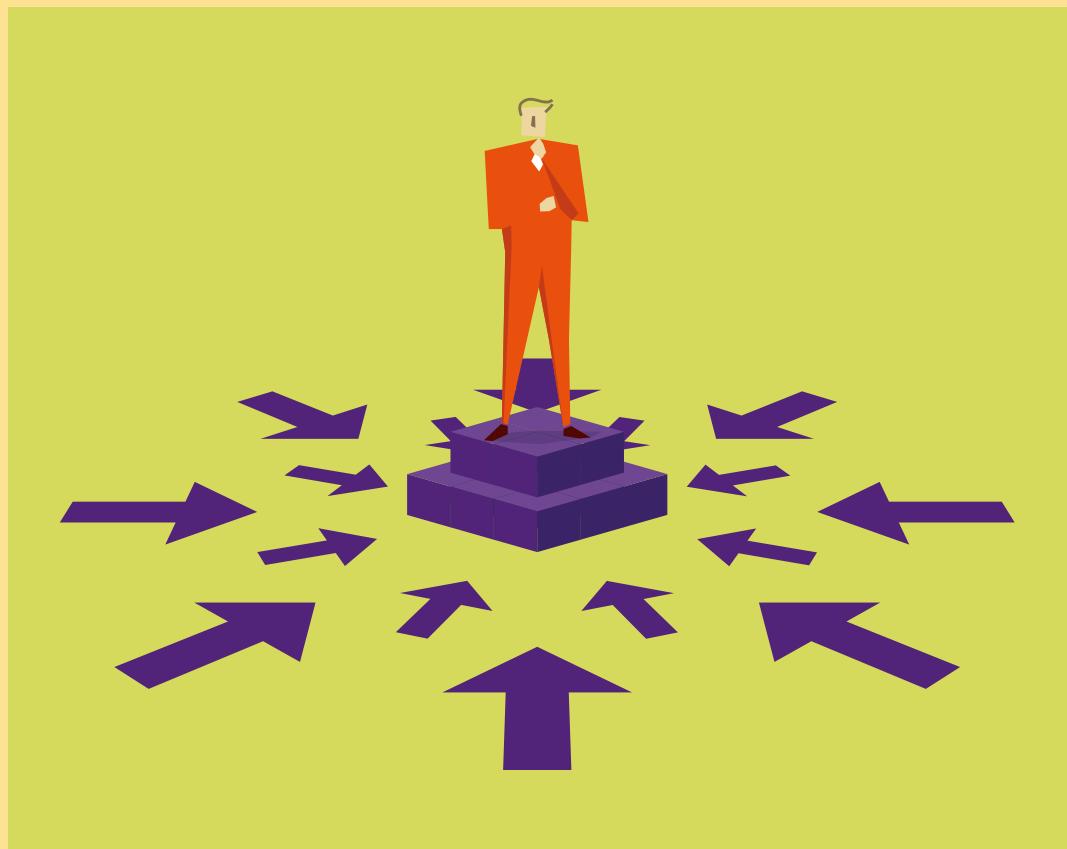
46%

of respondents said that they would be prepared to use a fully automated retail system right away. Just 10% said that in 2016

Programmatic Commerce – which saw widespread support in our 2016 study – again wins recognition here. While the number of people saying that they see the benefit in an automated shopping system has risen slightly (53% in 2016 / 57% in 2017), and five in 10 (47%) believe that the benefits of automated purchasing outweigh any risks, the main

difference lies in those who would be prepared to use it, were it available today.

Just a tenth of respondents to our 2016 study said that they would be prepared to use a fully automated retail system right away. Today, that view is shared by almost half (46%).



SALMON SAYS

“Digital shopping has also opened up opportunities for retailers to widen their customer base, as the majority of consumers enjoy being able to shop from stores they usually wouldn’t have access to. What it has also done, however, is alter consumers’ priorities. Where once brand was a top priority for consumers, expectations have now developed to the point where speed, price and convenience are what matters to them most. As a result, we have consumers who are happy to use technology to do their shopping; unafraid to take the purchasing decision out of their hands if it means they get the best deal and it arrives as and when they want it.

“What this means, however, is that retailers need to offer consumers a plethora of convenient services, harnessing innovative technologies in the process if they are going to attract and retain customers attention. What’s clear is that consumers are open to trying new technologies, or expect to in the coming months – but retailers need to put in the ground work from now if they are to meet consumers high expectations.”

Naji El-Arifi

Head of Innovation

CONSTANT IMPROVEMENT

SATISFACTION AND CONFIDENCE ARE HIGH, BUT ROOM
TO IMPROVE REMAINS



30%
say that they would expect items to be delivered within 24 hours if ordered automatically.

Consumers have a clear idea about what they expect from tomorrow's retail technology. Whatever form it may take, they expect it to make shopping fast, convenient and provide access to a wide range of items at the lowest available cost. But what about today? How confident are shoppers in the level of service that retailers are providing right now?

Even when things go wrong, it isn't always the retailer who is at direct fault. Asked to name the issues that had caused previous digital shopping experiences to turn sour, a quarter (25%) of respondents said that the problem had developed at the delivery stage, with couriers failing to arrive on time or some other obstacle arising. A similar number (24%) expressed frustration with apps or websites failing to load – though whether that was due to error on the part of the retailer or a third-party service provider is unclear.

Delivery timescales tend to be a sticking point for many consumers, particularly in relation to Programmatic Commerce. A third (30%) say that they would expect items to be delivered within 24 hours if ordered automatically, with a near identical number (28%) stretching that timescale out to two days. Acceptance of programmatic may be growing, but for retailers, it comes with an additional burden of responsibility.

Lasting concerns begin to fade

Few retail issues tend to grab consumer attention quite like those surrounding personal data. Privacy and protection have been two of the hottest topics surrounding digital commerce from

day one, and our 2016 report showed sustained interest around the topic: over two-thirds (69%) of respondents to that study said that they were uncomfortable with the amount of information they share with retailers through their digital devices.

Data is still the biggest issue for consumers, and by some way, but its overall significance has fallen greatly from 12 months ago. Asked to share their greatest concerns around digital technology in the shopping process, one third (35%) cited data security and a quarter (28%) data privacy, both of which were stressed by more than half (51%) of the audience in 2016.

Beyond the protection of their personal information, respondents are also less worried about some of the moral and technical implications of digital tech.

Consumers have become more trusting of retailers and brands to provide them with cost-efficient products through Programmatic Commerce (with only 7% citing concern now against 20% in 2016). They are less worried about whether programmatic devices would work properly (3% now, 13% in 2016) and are equally so about the time and cost of installing those devices (5% / 13%).

With consumers becoming demonstrably less concerned by each of these considerations, the ultimate effect is that many more say there is nothing that currently worries them about digital retail: 14% express that view today, compared to just 6% in 2016.

While consumer apprehensions about digital technology may have been notably dampened, though, even this

creates its own set of issues for retailers to address. “Less worried” does not translate into “uncaring” should one of these theoretical problems become a reality.

To win their confidence over the longer term, retailers need to work on continually improving their standards around privacy, security and the responsible use of personal information.



SALMON SAYS

“When looking at consumer satisfaction, it is clear that there has been an Amazon effect. Setting customer expectations for delivery of automatic purchases to within 24 hours – this is a high bar for other retailers to contend with. Most recently, we have seen Tesco try to combat this with its ‘Tesco Now’ service, and it will be interesting to see if other retailers follow suit to abate consumers’ new appetite for such highspeed delivery services.

“The study also revealed that the involvement of third parties – notably around delivery or technical issues – is frequently associated with customer pain points. This can have a significant

impact on the customers’ experience, and potentially lose them at the point of purchase or perturb them from returning. Retailers spend a lot of time, money and effort in attracting customers to their sites and stores, which is half the battle. They don’t, therefore, want to lose the customer due to poor third-party services. Retailers need to work with companies and suppliers that are able to provide high levels of service and add value to their business and customer experience as a result, rather than those that hinder it.”

Hugh Fletcher

Global Head of Consultancy and Innovation, Salmon

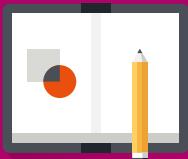
CONCLUSIONS

HOW SHOULD RETAILERS RESPOND TO THE SHIFTING LANDSCAPE OF CONSUMER PRIORITIES?

THE FACTS:

37%

of total online spend is now made through Amazon



73%

of consumers say that they plan to spend more online in the future

60%

said they are more likely to shop with a digitally innovative retailer



79%

believe that technology is fundamental to the future of society and a force for good

46%

said they would be prepared to use a fully automated retail system right away



In 2016, our study of the British public showcased a nation that knows and understands what it wants from digital retail, one that is eager to try new technologies and to embrace fresh and innovative ways of browsing and buying. Despite the addition of three new countries to the mix, this year's report is no different. Regional variations may reveal much about the specific needs of each nation, but consumers around the globe are united in their desire for retailers to deliver more with their digital offerings.

Four themes come through clearly from our research, and should make for useful discussion points for any retailer looking to match those demands both today and tomorrow.

The ecosystem is everything

Amazon's unquestioned influence can be assigned to many things, but the company's efforts to create an ecosystem around its offering resonates clearly with consumers in recent years. If you own the interface, you own the customer. If you own the customer, you own the data, if you own the data, you own the future. Whether they realise it or not, services like Prime, Dash and Echo serve to gradually lock consumers in to a kind of symbiosis with Amazon. We call this trend Interface Imperialism – where a few key innovators are trying to control every single interface with the customer. By continually adapting to meet their needs, and refining every part of their offering to keep up with customer demand, Amazon ensures that customers venture outside of its network increasingly rarely – able to buy groceries and baby products while streaming and viewing Amazon-produced content.

Brand loyalty is dead, long live service loyalty

With new devices, apps and services come new expectations. Consumers

are ready and willing to buy into the new world of digital retail, but they demand more in return. They are acutely aware of issues like price competition, speed of delivery and digital innovation, and are increasingly likely to prioritise those elements over traditional decision-making factors such as brand, reputation and loyalty. Tomorrow's retailers will be judged not by reputation, but by their continued ability to move with the times.

Fast forward

Tomorrow is coming, and it is coming soon. Consumers have a fierce appetite for new technology and the experiences it can provide, and many say that they expect to be using emergent technologies like VR, AR, digital assistants and more for retail purposes within the next twelve months. In a world in which retailers are increasingly graded on their ability to deliver digital innovation, this has major implications. Loyalty to brands, as we see above, is being eroded in favour of immediacy, and this new technological gold rush makes keeping up more important than ever.

Data concerns subside, but retailers can't rest on their laurels

The industry-wide conversation around customer data is not done – far from it. While it may have diminished in significance according to our study respondents, one major breach or loss by a retailer will be all it takes to send data security hurtling back to the top of the agenda. Consumers show all the right signs that they are becoming more trusting of retailers to safeguard their data and use it responsibly. But as the technology we use to shop becomes ever more intimately linked to our lives, retailers must continue to demonstrate that they are worthy custodians of our personal information.



METHODOLOGY

Research for this report was conducted by an independent research consultancy, Censuswide. A total of 6,083 consumers aged between 18 and 64 were interviewed online during May 2017: 2013 from the UK, 2050 from the US, 1018 from the Netherlands and 1002 from Belgium.

Notes

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ABOUT SALMON

Salmon is a global digital commerce consultancy – the biggest in WPP's network of companies – that defines and delivers market-changing solutions and customer journeys for the world's leading brands.

Established in 1989, with operations in London, Amsterdam, Sofia, New Delhi, Beijing, Seattle and Melbourne, Salmon clients include Argos, Asian Paints, Audi UK, DFS, Halfords, Jumbo, LloydsPharmacy, Premier Farnell, Sainsbury's, Selfridges and Sligro Food Group.

Over many years, we've helped shape the ecommerce landscape...

- We built the first £1m site in the UK, partnering Jungle
- With Argos, we helped revolutionise UK shopping with Click and Collect
- We developed the world's largest online grocery re-platform for Sainsbury's
- We created the world's biggest B2B platform for Premier Farnell
- We're building some of the world's largest online stores across luxury, fashion and automotive today

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