

# WHAT IF WE ALL ABANDONED OUR SHOPPING CARTS?

The future of eCommerce.

Are eCommerce websites becoming irrelevant?  
Do offline channels hold the edge when it comes to delivering a satisfying experience? As eCommerce evolves worldwide, we challenged our experts to look ahead. We asked them: “What will the landscape look like when global online sales hit \$1 trillion?”



# WHAT WILL THE RETAIL LANDSCAPE LOOK LIKE WHEN GLOBAL ONLINE SALES REACH \$1 TRILLION?

Our experts weigh in:

## Debbie CARKNER

Nurun Toronto  
Strategic Planner



We're likely to hit that mark before 2020, since online sales worldwide are already predicted to reach nearly \$675 billion by 2014. Some argue that we're already there, given the influence of online channels on offline sales. We've seen studies that suggest that 1 in 6 sales is impacted by online activity. But online shopping won't truly enter the mainstream until merchants find ways to make the experience more satisfying. Only then will online conversion rates begin to match offline figures. It will be even more of a challenge in verticals where people prefer to shop in person: for fresh produce – or shoes. But those who hate to shop – and they are legion – will readily migrate online just as soon as the experience is simple, easy and efficient. Easy is the operative term; for example, many people still find grocery shopping online too complicated and time-consuming – they feel it's easier to go to the store.

But behaviours change. In just 10 years the Internet has radically altered the way we collect information. Today most consumers do research online before they make a major purchase. Why? For the “rewards”: time saved, unbiased information – and sometimes a better price, too.

## Think back 10 years

The past provides clues to the future. In 1999, if you recall, Google was a 40-person start up. Amazon was just beginning to make inroads and only early adopters were shopping online. Pure plays were testing the viability of eCommerce, which most mainstream retailers either ignored or actively shunned. But over the past decade, consumers have warmed up to the online channel – although differently in different markets. And that is what leads me to believe that over the next 10 years, eCommerce will achieve conversion rates comparable to those of offline channels. Indeed, for certain categories it will become the primary channel, as it already has for travel and music.

eCommerce will make that great leap forward when merchants finally create two distinct sets of services to satisfy

both types of consumers: one set for those who dread shopping in any form and another for those who love to shop. If the perceived “reward” is great enough – convenience for the former, experience for the latter – both will shift massively to the online channel, and overall eCommerce sales will explode.

## What do consumers really want?

Brands should stop thinking of their websites as “destinations.” Going forward, I am convinced that brand sites will be vehicles for building loyalty and providing a certain experience – but they won't be a primary purchase channel. So instead of tinkering with the product pages and shopping carts on their sites, in hopes that these enhancements will boost conversion, brands should pay closer attention to what consumers really want and how they behave, now that eCommerce-enabled devices are widely available. People are ready for a more flexible and convenient “just in time” buying model that would allow them to make purchases in context and in the moment: point – click – buy, from a magazine or a video, with the ease of a handheld device.

Both shopping buffs and the shopping-averse will be increasingly influenced by their networks and will leverage social media and online communities during the purchase cycle, albeit in different ways. At the cycle's start, comparison sites are already popular with both types of consumer although today they under-perform in terms of purchasing. But their appeal to experiential shoppers may grow as new interactive services and social features are integrated, making them more like malls.

The emergence of community networks will change the game for retailers and delight folks who have better things to do than shop, thanks to “power buyers” who will represent and negotiate pricing for groups buying luxury or large-ticket items.

Looking further ahead, as merchants make better use of virtual reality, advanced video and interactive games to create involving, immersive, personalized scenarios, the experiential shopper may actually find more emotional satisfaction online than off.

So to return to the \$1 trillion dollar question: when retailers make it possible for all kinds of consumers to shop their way, that figure will only be the baseline for what the eCommerce future can deliver.

## Séverine JARRY-LEFORT

Nurun Paris  
Directrice associée



Despite the dismal economic situation, during the first quarter of 2009 eCommerce sales in France grew by 26%. In the past year, 12,000 new sites have opened for business (Source: FEVAD).

Meanwhile, in North America we are seeing online travel agencies pull the plug, for lack of profits. The reason is simple: customers are unhappy with their experience online. They're heading back to their traditional offline travel agents.

The fundamentals of offline commerce are tried and true. eCommerce merchants would do well to look to their offline brethren for inspiration. What we are seeing today in fact is a blurring of the differences between the two models... with a little "science fiction" added on the eCommerce side.

Consumer satisfaction with eCommerce has dipped by 2% this spring, according to the Foresee Index. Brands seem to have forgotten that what works offline holds true for online, too. What online brands today regard as "best practices" are in fact what consumers consider the strict minimum in terms of service: a simple, secure purchase process, complete and detailed product info, fast and efficient delivery, rich and relevant content.

### Lessons from brick and mortar

Let's take a look at the factors that influence our offline purchases:

- 1 - I go to the mall because it offers a wide choice of merchandise: the supermarket supplies necessities, and the other stores offer lots of opportunity for impulse shopping
- 2 - On the other hand, a product's scarcity, rarity or desirability will motivate me to seek it out in a particular shop. Only this kind of store or boutique will carry the item I really need or just really want!
- 3 - I am willing to make the effort to visit a store that provides an exceptional shopping experience, or that my friends have highly recommended. Novelty, trendiness, new sensations are all likely to motivate me.

- 4 - And keep in mind that shopping is a social experience: it's fun to share opinions and advice with my girlfriends over a latte between two stops.

Now let's compare that experience with online shopping. Malls per se don't exist on the Web, although social venues do. Brands have designed their online storefronts as "destinations," but most offer only the "commodity" side of the shopping experience. To be truly successful, online stores will have to enhance their offer so that sales can occur as they do offline, in existing shopping districts or in places where people gather to socialize – not on eCommerce sites.

Unless the site becomes a kind of flagship store, where special events and experiences are available, where only rare and exclusive products are sold. In that scenario, brands will morph into media publishers and the value of their eCommerce property would no longer be calculated purely on the volume of sales. To give an example, today Amazon is not only the biggest online book store, it's the biggest social network, too.

### It's not just sales that count

As for the "science fiction" peculiar to the online distribution model, we mean the intelligence that is the real strength of eCommerce: the ability to track behavior, listen in on conversations in order to anticipate or influence a sale. Rather like a salesperson who could follow you around, get to know you, suggest the right item or service at just the right time – it ends up making shoppers even more demanding. A good grasp of customers' expectations is essential to successful online sales, and the intelligence to which online merchants have access gives new meaning to the traditional notion that "the customer is always right."

The boundaries between online and offline sales gets blurrier all the time. For instance, I use the "Around Me" iPhone app to buy my favorite perfume in the store that is closest to where I am. Why should this sale be considered an offline purchase?

To get back to our original premise: when global eCommerce finally hits the \$1 trillion mark, I predict that the most successful merchants will possess the combined skills of a multimedia producer, an event planner and an analytics guru. And I wager that the ultimate objective of that future eCommerce website will be something larger than sales figures alone.

## WHAT EMERGED FROM THE DISCUSSION?

Here are the trends that are shaping the future of eCommerce.

### 1.

#### **Interactive tools and enabling technologies are making online shopping supremely satisfying.**

Peer reviews and ratings, experiential marketing, augmented reality: merchants are increasingly eager to experiment with tools to make the online shopping experience more immediate, more engaging. As retailers leverage personalization technologies to collect more information about our preferences and behaviours, they will create more relevant, deeply satisfying “curated” shopping experiences.

### 2.

#### **Search strategies and social shopping are leveling the playing field for niche merchants.**

Niche players will be able to go head to head with national retailers even more aggressively, thanks to strong search strategies at both local and international levels. Social media help niche marketers develop loyal followings beyond the reach of a single store. Because mere availability of offer is no longer sufficient, national retailers need to transform to stay competitive and relevant.

### 3.

#### **It's not just about merchandising and marketing: platforms make a difference.**

Online merchants once regarded platforms as commodities – much like cash registers or mall storefronts – in the belief that merchandising and marketing were the true differentiators. But some retailers are revising that assumption, realizing that the unique experience they wish to offer their customers cannot be supported by a standard, large-scale solution. Cases in point: Borders, Toys R Us and now Target have defected from the Amazon platform, preferring to control every aspect of their strategy from UX through shipping and fulfillment. And just weeks ago 1-800-Flowers became the first retailer to open a storefront on Facebook.

### 4.

#### **Mobile eCommerce? There's an app for that.**

Mobile shopping continues to gain traction as handheld devices supplant laptops as the primary means of online access. The popularity of the iPhone and its applications (50,000 as of June 2009) demonstrates that people are ready to demand more from their telephones than voice and text. Smart phones are on trend to become our “personal concierges,” with the ability to source products and services along with details on best price and availability. Or recommend restaurants and hotels based on current location and personal preferences, then provide confirmation and payment options.

### 5.

#### **The future is out there.**

Debbie Carkner, who with Séverine Jarry launched the discussion on the future of eCommerce, imagines this shopping scenario.

“Not so far off is the day when your telephone will hear your internal to-do list, via some sort of headset, and get started on completing the tasks. No need for speech. For example, you think: ‘Cocktail party. Black dress. New.’ Your smart phone delivers pictures of two different styles available in your size from a local boutique. You have the option to buy and have it delivered, or you get directions to the boutique so that you can try it and browse the shop. The components for this scenario already exist, it's just that they aren't completely in sync yet.”

## “eCOMMERCE” WILL FADE – BUT SHOPPING WILL REMAIN

As Web and mobile technologies make it fast and simple to move between channels, the distinction between on-line and offline becomes irrelevant. Consumers don't care about channels; they care about convenience and options. But as shopping becomes more satisfying for the consumer in control (“I shop my way, on the channel and device of my choice”), for retailers, selling has become more complex. Because consumers can search, learn, share and compare up to the last second before purchase, the consideration cycle doesn't end until a transaction is complete. Consequently, merchants need to be strategic and agile, ready to interact with customers on their preferred channels, armed with tactics appropriate for each platform and each stage of the cycle, from the dawn of awareness, to the point of need, to the moment of decision.

That is a daunting prospect. So instead of worrying about keeping pace with technology, which they can't control, we advise retailers to keep their sights on what they can control: creating what their customers will consider an exceptional experience. Offering customers the best service is always (as always) the right solution – although the “solutions” involved (social platforms, personalization engines, augmented reality...) will inevitably change. For example, when Target first adopted the Amazon commerce platform, it was a smart move. But in time, that solution no

longer made sense: Target customers expected more than a “standard” experience. That's why Target needs to build a platform and an experience which will reflect its brand and satisfy customer expectations.

Technology changes, consumers change; retailers' strategies must evolve in consequence. But the starting point will always be the customer. Working with clients, we focus on identifying and leveraging the most effective channels and touch points to help them connect successfully with their specific audience. Then we ensure that each channel delivers the best possible experience for that cohort.

So what do we see when we look ahead to the future of eCommerce? We see... shopping. Even today, the term eCommerce seems faintly passé – rather like “cyberspace.” No, we won't be abandoning our shopping carts anytime soon. But the smartest eCommerce strategies will be smart retail strategies, period.

